

LOAN NUMBER 8489-AL

# Loan Agreement

(Results-Based Road Maintenance and Safety Project)

between

REPUBLIC OF ALBANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated *APRIL 10*, 2015

**LOAN NUMBER 8489-AL**

**LOAN AGREEMENT**

Agreement dated *APRIL 10*, 2015, between the REPUBLIC OF ALBANIA ("Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

**ARTICLE I -- GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of sixty-five million nine hundred thousand Euros (€65,900,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower

shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

- 2.06. The Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project, through the Albanian Roads

Authority, in accordance with the provisions of Article V of the General Conditions.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Conditions of Effectiveness consist of the following, namely, that the Borrower, through MOTI, has prepared and adopted a Project Operational Manual in a manner satisfactory to the Bank.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

#### **ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Borrower's Representative is its Minister of Finance.
- 5.02. The Borrower's Address is:

Ministry of Finance  
No. 3 Bulevardi "Deshmoret e Kombit"  
Tirana, Albania

Facsimile:

355 42228494

- 5.03. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

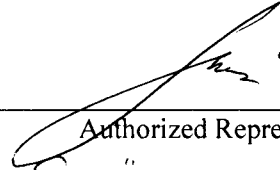
248423(MCI) or  
64145(MCI)

1-202-477-6391

AGREED at Tirana, Republic of Albania, as of the day and year first above written.

REPUBLIC OF ALBANIA

By



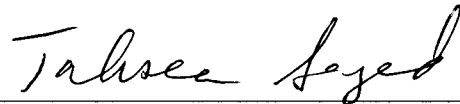
Authorized Representative

Name: SHKELQIM CANI

Title: MINISTER OF FINANCE

INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT

By



Authorized Representative

Name: TAHSEEN SAYED

Title: COUNTRY MANAGER

## SCHEDULE 1

### Project Description

The objectives of the Project are to: (a) maintain the condition and improve the safety of the Borrower's Primary Road and Primary-Secondary Road networks; and (b) strengthen sustainable and efficient road asset management and safety practices, for the benefit of road-users.

The Project consists of the following parts:

#### Part 1. Maintenance Works and Monitoring

- (a) Carrying out periodic and routine maintenance of Primary Roads and Primary-Secondary Roads.
- (b) Carrying out activities to monitor roads maintenance of Primary Roads and Primary-Secondary Roads and ensure that the defined levels of service are complied with, including: (i) carrying out initial road safety audits; (ii) conducting periodic International Road Safety Assessment Program (IRAP) Surveys to ensure that identified additional road safety black-spots and required safety enhancements are incorporated in the maintenance works for the relevant roads; and (iii) developing and implementing the Social Transparency System.

#### Part 2. Institutional Reforms

- (a) Carrying out activities to enhance the capacity of MOTI, ARA, and IMRSC with respect to their implementation of activities to promote road safety, which shall *inter alia* include: (i) conducting road safety audit training accreditation courses; (ii) conducting road safety media campaigns; and (iii) developing an integrated database to enhance the Accident Information System.
- (b) Carrying out activities to strengthen ARA's capacity to: (i) collect and analyze road data; (ii) conduct road condition surveys to collect input data for the Road Asset Management System (RAMS); and (iii) use the RAMS to prepare multi-year maintenance programs of expenditures and investments.

#### Part 3. Sector Reforms

- (a) Providing technical and advisory services to the Borrower on various sector reforms and medium to long-term planning activities, including finalizing its transport sector strategy.

**Part 4. Project Management and Audits**

- (a) Strengthening the capacity of the ARA, and the Project Management Team to carry out Project management activities, including compliance with safeguards, financial management and procurement arrangements, as well as the financing of the Operating Costs.
- (b) Carrying out monitoring activities including the Beneficiary Impact Assessments, the Technical Audits and DLI Audits.

## SCHEDULE 2

### Project Execution

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. The Borrower shall through MOTI:
  - (a) have oversight for Project implementation;
  - (b) ensure that ARA carries out the day to day responsibilities for the management and implementation of the Project, including procurement, financial management, monitoring and evaluation, and environmental and social responsibilities under the Project; and
  - (c) maintain throughout implementation of the Project a Project Management Team, as well as key staff in the ARA, including a procurement specialist, and a financial management specialist, all with functions, responsibilities, qualifications, experience and resources satisfactory to the Bank.
2. In order to implement Part 2 of the Project, the Borrower shall, not later than five months after the Effective Date, establish and thereafter maintain throughout the implementation of the Project, a Technical Steering Committee responsible for providing quality assurance on the technical aspects of road safety, with a composition and mandate satisfactory to the Bank.

##### **B. Project Operational Manual**

1. Without limitation to the provisions of Article V of the General Conditions, the Borrower through MOTI shall ensure that ARA:
  - (a) carries out the Project in accordance with the Project Operational Manual (POM); and
  - (b) ensures that no provision of the POM is amended or waived without the Bank's prior written concurrence, and in case of any inconsistency between the provisions of the POM and this Agreement, the provisions of this Agreement shall prevail.

##### **C. Social Transparency System**

The Borrower shall, through MOTI, ensure that ARA establishes, and thereafter maintains throughout implementation of the Project, the Social Transparency



System to enable stakeholders in the transport sector to participate and provide feedback in the monitoring of the Project, under terms of reference in a manner acceptable to the Bank.

**D. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**E. Safeguards**

1. The Borrower shall, through MOTI, ensure that the ARA:
  - (a) prior to the commencement of any works under Part 1 of the Project where a Resettlement Action Plan (RAP) is required in accordance with the Resettlement Policy Framework (RPF): (i) prepares a RAP satisfactory to the Bank; and (ii) discloses and carries out consultations for said RAP;
  - (b) carries out the Project in accordance with the pertinent RAP; and
  - (c) does not amend, suspend or abrogate any of the provisions of the RAP(s), as the case may be, without the prior agreement of the Bank.
2. The Borrower, through MOTI, shall ensure that the ARA:
  - (a) prepares prior to the commencement of any works under Part 1 of the Project, a site-specific Environmental Management Plan (EMP), satisfactory to the Bank, in accordance with the Environmental Management Framework (EMF);
  - (b) carries out the Project in accordance with the EMF and the site-specific EMP; and
  - (c) does not amend, suspend or abrogate any of the provisions of the site-specific EMP or EMF without the prior written concurrence of the Bank.
3. The Borrower, through MOTI, shall ensure that the ARA: (a) maintains satisfactory terms of reference in respect of any consultancy in connection with the Project following the Bank's review thereof and; (b) ensures that such terms of reference duly incorporate the requirements of the Bank's Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.

**Section II. Project Monitoring Reporting and Evaluation**

**A. Project Reports**

1. The Borrower shall, through MOTI, ensure that the ARA monitors and evaluates the progress of the Project and prepares Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.
2. For purposes of Section 5.08 (c) of the General Conditions, the Borrower shall through MOTI ensure that the ARA prepares the report on the execution of the Project and related plan required pursuant to that Section, and furnishes said report to the Bank not later than the Closing Date.
3. The Borrower shall, through MOTI, ensure that the ARA, not later than one month prior to the mid-term review referred to in paragraph 4 of this Section, furnishes to the Bank for comments, a report, in such detail as the Bank shall reasonably request, on the progress of the Project, and giving details of the various matters to be discussed at such review.
4. The Borrower shall, through MOTI, ensure that the ARA, not later than 40 months after the Effective Date, undertake in conjunction with all agencies involved in the Project, a comprehensive mid-term review of the Project during which it shall exchange views with the Bank and generally on all matters relating to the progress of the Project, the performance of the Borrower and its obligations under this Agreement, and the performance by said implementing agencies, having regard to the performance indicators.
5. Following the mid-term review, the Borrower shall, through MOTI, ensure that the ARA acts promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measure as may be required in furtherance of the objectives of the Project.

**B. Financial Management, Financial Reports and Audits**

1. The Borrower, through MOTI, shall ensure that the ARA maintains or causes to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower, through MOTI shall ensure that ARA prepares and furnishes to the Bank not later than 45 days after the end of each calendar semester, interim

unaudited financial reports (IFRs) for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower, through MOTI, shall ensure that ARA shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

**C. DLI Audits**

1. In implementing Parts 1 and 2 of the Project, the Borrower, through MOTI, shall ensure that ARA:
  - (a) No later than three months prior to the end of each Year or by such later date as agreed with the Bank, carries out an independent DLI Audit which shall *inter alia* certify the extent to which: (i) the Eligible Expenditures under the Year covered by the audit have been incurred in compliance with the safeguards and procurement arrangements provided for in this Agreement and under the Project Operational Manual; and (ii) the Disbursement-Linked Indicators for the Year covered by the audit have been met.
  - (b) No later than three months after the end of each Year, or by such later date as agreed with the Bank, furnishes to the Bank a complete DLI Audit Report satisfactory to the Bank, including all the findings and results from the DLI Audit, as well as any additional certifications from the DLI Audit.

**D. Technical Audits**

1. In implementing Part 1 of the Project, the Borrower, through MOTI, shall ensure that the ARA:
  - (a) Carries out, no later than three months prior to the end of each Year or by such later date as agreed with the Bank, an independent Technical Audit.
  - (b) Furnishes, no later than three months after the end of each Year, or by such later date as agreed with the Bank, a complete Technical Audit report satisfactory to the Bank, including all the findings and results from the Technical Audit to the Bank.
  - (c) Affords the Bank a reasonable opportunity to exchange views with the Borrower and the ARA on such report, and thereafter implements such

recommended measures, taking into account the Bank's views on the matter.

### **Section III. Procurement**

#### **A. General**

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; and (b) Direct Contracting.

#### **C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for

procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below (the "Additional Instructions").
3. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

| Category   | Amount of the Loan Allocated (expressed in Euro) | Percentage of Expenditures to be financed (inclusive of Taxes) |
|--|--|--|
| (1) Goods, Works, consultants' services, and Training for Parts 1 and 2 of the Project | 59,310,000                                       | up to 50% in accordance with the provisions of the POM         |
| (2) Consultants' services and Operating Costs for Parts 3 and 4 of the Project         | 6,425,250  | up to 84% in accordance with the provisions of the POM         |
| (3) Front-end Fee  | 164,750  | Amount payable pursuant to Section 2.03 of this                |

| Category  | Amount of the Loan Allocated (expressed in Euro) | Percentage of Expenditures to be financed (inclusive of Taxes)          |
|---|--|---|
|   |  | Agreement in accordance with Section 2.07 (b) of the General Conditions |
| (4) Interest Rate Cap or Interest Rate Collar premium | 0  | Amount due pursuant to Section 2.08(c) of this Agreement                |
| <b>TOTAL AMOUNT</b>                                   | <b><u>65,900,000</u></b>                         |   |

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. Prior to the initial advance to the Designated Account (as the terms “advance” and “Designated Account” are defined in the Additional Instructions), the Borrower shall, through MOTI, ensure that the ARA submits to the Bank a cash flow forecast for the first two semesters in Year 1, covering the Eligible Expenditures for said semesters in Year 1.
3. Notwithstanding the Additional Instructions and the provisions of paragraph 2 above, no withdrawal shall be made under Category (1) until the Borrower through MOTI ensures that the ARA has furnished to the Bank:
  - (a) the IFRs referred to in Section II.B.2 of this Schedule for the respective Year, in form and substance satisfactory to the Bank; and
  - (b) the applicable DLI Audit Report, evidencing the achievement of the DLIs for the respective Year, as set out in Schedule 4 to this Agreement.
4. In connection with the foregoing, the Bank may restrict withdrawals as set out below, if it determines, based on the evidence referred to in Section IV.B.3 above, that the DLI targets as set out in Schedule 4 to this Agreement, are not met or partially met:
  - (a) with respect to DLIs 1.1, and 1.2, if the targets for the said DLIs have only been partially met, the amount of the Loan to be withdrawn shall be reduced in proportion to the respective degree of DLI achievement in

accordance with the formula set forth in the Project Operational Manual, and any unwithdrawn balance of the withdrawal requested for said Year shall remain available for subsequent withdrawal; or

- (b) with respect to DLIs 1.1, 1.2, 1.3 (with respect to Year 1), 2.1, and 2.3, if there has been no achievement of DLIs, the total amount of the respective withdrawal request shall remain available for subsequent withdrawal; or
  - (c) with respect to DLIs 1.3 (in relation to Years 2 to 5), and 2.2, if the targets for the said DLIs have been partially met, or remain unmet for the respective Year, the amount of the Loan to be withdrawn shall be reduced in proportion to the respective degree of DLI achievement in accordance with the formula set forth in the Project Operational Manual, and any unwithdrawn balance for the respective Year may be cancelled or reallocated to Category (2) by the Bank in consultation with the Borrower's Ministry of Finance and any readjustment to the amount assigned to each Eligible Expenditure within Category (1) shall be made with the agreement of the Borrower's Ministry of Finance; and
  - (d) without limitation to the provisions of paragraphs (a) and (b) above, any amount of the Loan withheld pursuant to said paragraphs may be cancelled or reallocated to Category (2) by the Bank in consultation with the Borrower's Ministry of Finance, and any readjustment to the amount assigned to each Eligible Expenditure within Category (1) shall be made with the agreement of the Borrower's Ministry of Finance.
5. The Bank may, after consultation with, and by notice to the Borrower, adjust from time to time the amounts and targets set forth in Schedule 4 of this Agreement for specific DLIs.
6. The Closing Date is December 31, 2021.

### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date.

| <b>Principal Payment Date</b>   | <b>Installment Share<br/>(Expressed as a<br/>Percentage)</b> |
|---|--|
| On each May 15 and November 15<br><br>Beginning May 15, 2022<br>through November 15, 2036 | 3.23%  |
| On May 15, 2037   | 3.10%  |

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
  - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.



3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
  - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

**SCHEDULE 4**

**Disbursement Linked Indicators**

| DLI Targets   |   | Year 1                    | Year 2                                       | Year 3  | Year 4  | Year 5   | Total proportion of Loan amount (EUR million) | Evidence to be submitted to the Bank             |
|---|---|---------------------------|--|---|---|--|---|--|
| <b>1.1 Length of roads where periodic maintenance completed</b> | Percentage of Project Roads where periodic maintenance completed                        | 28% from a baseline of 0% | 22% in addition to target achieved in Year 1 | 22% in addition to target achieved in Years 1 and 2 | 22% in addition to target achieved in Years 1-3 | 6% in addition to target achieved in Years 1-4 |   |  |
|   | <b>Proportion of Loan amount (expressed in EUR million)</b>                             | <b>7.48</b>               | <b>5.87</b>                                  | <b>5.87</b>   | <b>5.87</b>                                     | <b>1.60</b>                                    | <b>26.69</b>                                  | <b>DLI Audit Report for each respective Year</b> |
| <b>1.2 Routine maintenance targets achieved</b>                 | Percentage of the aggregate contract amount of the HRMPBCs paid in each respective Year | On average at least 80%   | On average at least 80%                      | On average at least 80%                             | On average at least 80%                         | On average at least 80%                        |   |  |

|   |   |  |                                 |                                 |   |                                 |   |              |  |  |
|---|---|--|---------------------------------|---------------------------------|---|---------------------------------|---|--------------|--|--|
|   | <b>Proportion of Loan amount (expressed in EUR million)</b>                       | <b>5.33</b>  | <b>3.56</b>                     | <b>3.56</b>                     | <b>3.56</b>   | <b>3.56</b>                     | <b>1.78</b>   | <b>17.79</b> |  | <b>DLI Audit Report for each respective Year</b> |
| <b>1.3 Social Transparency System developed and operational</b> | STS is developed and operational (as set forth in the Project Operational Manual) | STS Developed  | STS Operational for entire Year | STS Operational for entire Year | STS Operational for entire Year   | STS Operational for entire Year | STS Operational for entire Year   |              |  |  |
|   | STS is developed and operational (as set forth in the Project Operational Manual) | STS Developed  | STS Operational for entire Year | STS Operational for entire Year | STS Operational for entire Year   | STS Operational for entire Year | STS Operational for entire Year   |              |  |  |
| <b>2.1 Completion of periodic IRAP Surveys</b>                  | <b>Proportion of Loan amount (expressed in EUR million)</b>                       | <b>0.375</b>   | <b>0.74</b>                     | <b>0.74</b>                     | <b>0.74</b>   | <b>0.74</b>                     | <b>0.375</b>  | <b>2.97</b>  |  |  |
|   | Periodic IRAP Surveys completed showing Star Ratings                              | IRAP Survey completed and baseline Star Rating established | N/A                             | N/A                             | IRAP Survey completed and Star Rating higher than baseline Star Rating achieved | N/A                             | IRAP Survey completed and Star Rating higher than baseline Star Rating achieved |              |  |  |
|   | <b>Proportion of Loan</b>   | <b>0.99</b>  | -                               | -                               | <b>0.99</b>   | -                               | <b>0.99</b>   | <b>2.97</b>  |  |  |

|   | amount<br>(expressed in<br>EUR million)   |              |              |              |              |              |              |              | DLI Audit Report<br>for each<br>respective Year |
|---|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---|
|   | Annual<br>condition<br>survey<br>completed<br>under the<br>terms of<br>reference<br>specified in<br>the Project   |              |              |              |              |              |              |              |   |
| <b>2.2 RAMS<br/>established<br/>and<br/>operational</b> | Operational<br>Manual and<br>multi-year<br>maintenance<br>program<br>prepared as<br>per Part<br>2(b)(ii) and<br>(iii)<br>respectively<br>of the Project | Yes          | Yes          | Yes          | Yes          | Yes          | Yes          | Yes          |   |
|   | <b>Proportion<br/>of Loan<br/>amount<br/>(expressed in<br/>EUR million)</b>   | <b>1.186</b> | <b>1.186</b> | <b>1.186</b> | <b>1.186</b> | <b>1.186</b> | <b>1.186</b> | <b>1.186</b> | <b>5.93</b>                                     |
| <b>2.3 Service<br/>Level</b>                            | Service Level<br>Agreement<br>signed  | N/A          | N/A          | Signed       | N/A          | N/A          | N/A          | N/A          |   |

| Agreement signed  | Proportion of Loan amount (expressed in EUR million) | -     | -     | 2.96  | -     | -    | -                      | 2.96 |  |
|---|--|-------|-------|-------|-------|------|------------------------|------|--|
| <b>PROPORTION OF LOAN AMOUNTS FOR EACH DLI PER YEAR</b> |  | 15.36 | 11.36 | 15.31 | 11.36 | 5.93 | <b>TOTAL:</b><br>59.31 |      |  |

## APPENDIX

### **Section I. Definitions**

1. "Accident Information System" means the accident database established at the traffic police department of the Borrower's Ministry of Interior.
2. "Additional Instructions" means the additional instructions referred to in Section IV.A.1 of Schedule 2 to this Agreement, as such Additional Instructions may be revised from time to time by the Bank and delivered to the Borrower.
3. "Albanian Road Authority" or "ARA" means the agency of the Borrower responsible for the construction, upgrading, rehabilitation, and maintenance of the national road network (including the Primary Roads and Primary-Secondary Roads network) and associated planning, budgeting, and programming, established pursuant to the Borrower's Law No. 10164 of October 2009, or its legal successor.
4. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.
5. "Bank's Safeguards Policies" means the Bank's operational policies and procedures, set forth in the Bank's operational manual and identified as OP/BP 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60, as said manual is published under [www.WorldBank.org/op/manual](http://www.WorldBank.org/op/manual).
6. "Beneficiary Impact Assessment" means a systematic inquiry carried out to obtain and document the impacts of the Project on road-users, with a view to improving the Borrower's road maintenance practices.
7. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
8. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
9. "Disbursement-Linked Indicator" or "DLI" means an indicator, set forth in Schedule 4 of this Agreement, the achievement of which is a condition for disbursement of the Loan proceeds, pursuant to Section IV.B.3 of Schedule 2 to this Agreement.
10. "Displaced Persons" means persons who, on account of the execution of the Project would suffer direct economic and social impacts resulting in: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; and (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of said person.

11. "DLI Audit" means any of the independent verification audit of the Disbursement Linked Indicators performed for each Year, referred to in Section II.C.1(a) of Schedule 2 to this Agreement.
12. "DLI Audit Report" means any of the reports prepared and furnished to the Bank pursuant to Section II.C.2 (b) of Schedule 2 to this Agreement.
13. "Environmental Management Framework" or "EMF" means the framework prepared by the Borrower in November 2014 and disclosed on December 1, 2014, setting forth the modalities for environmental screening and procedures for the preparation and implementation of environmental management plans under Part 1 of the Project, and such term includes all schedules and annexes to the EMF.
14. "Environmental Management Plan" or "EMP" means the Borrower's plan for Part I of the Project in form and substance satisfactory to the Bank for mitigating potential environmental impacts, giving details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts, together with adequate institutional, monitoring, and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as such plan may be amended and/or supplemented from time to time with prior written approval of the Bank.
15. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
16. "Hybrid Road Maintenance Performance Based Contracts" or "HRMPBCs" means the four multi-year contracts under Part 1 of the Project, to be entered into by the ARA with four private sector contractors, each for the entire duration of the Project, which obligates the private sector contractors to undertake: (i) periodic maintenance; (ii) routine maintenance; and (iii) emergency works with respect to an identified portion of the Project Roads where payment for deliverables is linked to performance.
17. "IFR" means interim unaudited financial report.
18. "IMRSC" means the Inter-ministerial Road Safety Committee chaired by the Prime Minister of the Borrower.
19. "International Road Assessment Program" or "IRAP" means a charity registered in the United Kingdom under charity number 1140357 dedicated to road safety, or its legal successor thereto.
20. "International Road Assessment Program Survey" or "IRAP Survey" means a detailed road survey and data collection carried out by the IRAP on Project Roads with results presented as a Star Rating.
21. "MOTI" means the Borrower's Ministry of Transport and Infrastructure.

22. “Operating Costs” means the reasonable incremental expenses arising under the Project, and consisting of salaries of the Project Management Team (excluding the salaries of the Borrower’s civil servants) and expenditures associated with the implementation of Project activities, costs for office maintenance, *per diems* for staff, office furniture, materials and supplies, communication costs, advertising and fuel and transportation costs for field visits.
23. “Primary Roads” means the Borrower’s highways and main road corridors.
24. “Primary-Secondary Roads” means the Borrower’s roads, other than Primary Roads, that connect major cities and tourist hubs, as well as lead to border crossings with neighboring countries, within the Borrower’s territory.
25. “Procurement Guideline:” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
26. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated January 29, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
27. “Project Management Team” means the selected group of ARA personnel and individual consultants responsible for providing Project management support and referred to in Section 1.A.1(c) of Schedule 2 to this Agreement.
28. “Project Operational Manual” or “POM” means the manual, including all appendices and schedules thereto, satisfactory to the Bank and adopted by the Borrower setting forth the policies and procedures that apply to the carrying out of the Project, which include, *inter alia*: (a) the roles and responsibilities of the ARA; (b) the staffing requirements for the Project; (c) the estimated implementation schedule; (d) procedures for accessing, disbursing and accounting for funds under the Project; (e) the DLIs for monitoring and evaluation of Parts 1 and 2 of the Project; (f) procedures for Project monitoring, supervision and evaluation, including the format and content of the Project Reports; and (g) procurement and financial management procedures as the same may be amended from time to time with the prior written approval of the Bank, and such term shall include any schedules, tables and annexes to the Projects Operations Manual.
29. “Project Roads” means the Primary Roads and the Primary-Secondary Roads.
30. “Road Asset Management System” or “RAMS” means an IT platform used for collecting and administering road conditions surveys, to plan and budget for road maintenance expenditures and investments at section, corridor or network level.
31. “Resettlement Action Plan” or “RAP” means the site-specific resettlement action plan, including any abbreviated resettlement plan, adopted by the Borrower and ARA, pursuant to the RPF and this Agreement, and satisfactory to the Bank, containing, *inter alia*, a program of actions, measures and policies for compensation and resettlement of Displaced Persons, including compensation and resettlement arrangements, budget and cost



estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on, compliance with its terms for each site.

32. "Resettlement Policy Framework" or "RPF" means the Borrower's resettlement policy framework, dated November 2014 and disclosed locally on December 1, 2014, setting forth the modalities for resettlement and compensation of Displaced Persons under Part 1 of the Project.
33. "Service Level Agreement" means the agreement to be signed between the MOTI and the ARA, pursuant to the Borrower's Law No. 10164 of October 2009, setting forth, *inter alia*, the standards of maintaining the national road network based on annual funding allocations based on the medium-term period.
34. "Social Transparency System" or "STS" means a feedback and grievance redress system which allows road users and the public to submit their feedback on the Project, and provides an interface for sharing information on road maintenance.
35. "Star Rating" means the RAP's measure of the level of road safety where a five-star rating indicates the safest roads while a one-star rating indicates the least safe roads.
36. "Technical Audit" means the independent technical review of the planning, design, construction and management of the maintenance works under Part 1 of the Project.
37. "Technical Steering Committee" means the Borrower's committee referred to in Section I.A.2 of Schedule 2 to this Agreement.
38. "Training" means expenditures (other than those under Consultants' Services) incurred in connection with Project related training and workshops carried out according to training plans to be prepared by the ARA and agreed by the Bank, including study tours, training courses, seminars, workshops and other training activities, including costs of training materials, facility and equipment rental, local travel, *per diem* costs of trainees and trainers' fees, and interpretation and translation services.
39. "Year" or "Years" means any or all of Year 1, Year 2, Year 3, Year 4 or Year 5, as the context may require.
40. "Year 1" means the period starting on the Effective Date and ending on December 31, 2016.
41. "Year 2" means the 12 month period starting on January 1, 2017 and ending on December 31, 2017.
42. "Year 3" means the 12 month period starting on January 1, 2018 and ending on December 31, 2018.
43. "Year 4" means the 12 month period starting on January 1, 2019 and ending on December 31, 2019.

44. "Year 5" means the 12 month period starting on January 1, 2020 and ending on December 31, 2020.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

"Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."