June 11, 2015

H.E. Shkelqim Cani
Minister of Finance
Ministry of Finance
Deshmoret e Kombit
Tirana, Albania

Your Excellency:

Re: REPARIS Multi-Donor Trust Fund Grant No TF019228
Enhancing Quality of Financial Report Project

In response to the request for financial assistance made on behalf of Republic of Albania ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided under the Road to Europe Program for Accounting and Institutional Strengthening (REPARIS), proposes to extend to the Recipient a grant from the REPARIS Trust Fund in an amount not to exceed one million eight hundred fifty thousand Euro (€1,850,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and return it to the World Bank. Upon receipt of this countersigned copy, this Agreement will become effective after notification by the Recipient of completion of its internal procedures; provided however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of the Agreement and the respective notification within ninety (90) days after the date of the signature of this Agreement by the World Bank, unless the World Bank and the Recipient shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By Andras Horvai
Acting Country Director for Southeast Europe
Europe and Central Asia Region

AGREED:
REPUBLIC OF ALBANIA

By
Authorized Representative

Name: DUKÉLID OMNI
Title: MINISTER OF FINANCE
Date: 13.02.2015

Enclosures:

2. Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement and the following terms will have the following meanings:

(b) "CFCU" means the Central Finance and Contracting Unit within the Recipient’s Ministry of Finance.
(c) "CFREP" means Corporate Financial Reporting Enhancement Project implemented in 2011-2013.
(d) "EU" means the European Union.
(e) "EU acquis communautaire" means the body of common rights and obligations binding on all the EU member states as in the attached link http://europa.eu/legislation_summaries/glossary/community_acquis_en.htm
(f) "AFSA" means the Albanian Financial Supervisory Authority established and operating pursuant to Law no. 9572, date 03.07.2006 "On Financial Supervisory Authority", or its legal successor thereto.
(g) "BoA" means Bank of Albania - central Bank established and operating pursuant to the Law No.8269 dated 23.12.1997 "On Bank of Albania" or its legal successor thereto.
(h) "POB" or "Public Oversight Board " means the Recipient’s agency responsible for oversight of auditors established and operating pursuant to the on statutory audit, organization of statutory auditor and certified accountant professions No. 10 091 dated 05.03.2009 or its legal successor thereto.
(i) "National Steering Committee" means a committee established by the Ministry of Finance to oversee corporate financial reporting reform.
(j) "NRC" means National Register Center established and operating pursuant to Law No. 9723 "On the National Registration Center" or its legal successor thereto.
(k) "Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of Project implementation, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and *per diem* for Project staff for travel linked to the implementation of the Project, and salaries of contractual staff for the Project (but excluding consultants’ services and salaries of officials of the Recipient’s civil service).

(l) “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 13, 2015, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

(m) "Training and Workshops" means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Project, including tuition,
travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consultants’ services).

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to improve the capacity of relevant national institutions to teach, support, regulate, enforce and disseminate high-quality corporate financial reporting in Albania in line with the relevant parts of the EU acquis communautaire and good international practice.

The Project consists of the following parts:

Part A: Accounting Education:
Developing and implementing training programs on accountancy and audit (including modern audit methodologies) to enhance the capacities of various stakeholders’ understanding and practical application of accounting and auditing standards; and facilitating the adoption of the recommendations on university and professional curricula as developed under CFREP.

Part B: Monitoring and Enforcement of Financial Reporting and Auditing

1. Carrying out activities to strengthen the capacity of the public audit oversight system and beneficiary institutions through consulting services and Training.

2. Strengthening the capacity of the financial regulators, POB, BOA and AFSA to: (a) monitor and enforce the quality of financial reporting; and (b) developing and establishing an efficient protocol of collaboration on quality assurance for the audits of financial sector companies.

3. Assisting the POB in carrying out inspections of audits of the financial sector companies and support follow up results.

Part C: Filing and Publication of Statutory Financial Statements

Improving NRC’s transparency and disclosure of financial information through: (1) establishing regulations and processes and proposing law amendments and/or regulations, and NRC’s operations manual which documents its regulations and processes; (2) upgrading software and hardware, and (3) providing capacity building activities to improve the system of collecting financial statements/audit reports and making them available to the general public, 4. carrying training for NRC staff on the new system and its procedures and on EU member country experience; and 5. providing public awareness raising of the new arrangements for submission and publication.
Part D: Project Management, Coordination and Evaluation

1. Strengthening the Recipient’s capacity to carry out the Project management including financial management, procurement, accounting, audits, project coordination, monitoring and evaluation.

2. Carrying out public awareness activities including disseminating information regarding the financial reporting system, preparing a project proposal on the next phase of the reform program, facilitating CAP revision to reflect achieved reform results and, financing of Operating Costs.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through CFCU within the MoF in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements.

The Recipient shall maintain at all times during the implementation of the Project maintain:

(a) the CFCU within its Ministry of Finance with adequate resources and professional staff in adequate numbers, responsible for administration of overall planning, coordination, monitoring, evaluation, reporting and communication of the activities, and the technical, fiduciary (i.e., procurement and financial management, including reviewing the progress made towards achieving the Project’s objective.

(b) National Steering Committee, with a composition, mandate, terms of reference and resources satisfactory to the Bank, responsible for (i) making key legal and regulatory issues affecting Project implementation and (ii) approving annual work-plans and budgets.

2.04. Donor Visibility and Visit. (a) The Recipient through CFCU shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient through CFCU shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. Project Monitoring, Reporting and Evaluation. (a) The Recipient through CFCU shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient through CFCU shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.
2.06. **Financial Management.** (a) The Recipient through CFCU shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient through CFCU shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


(ii) Sections I and IV of 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) ("Consultant Guidelines") in the case of consultants' services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World 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.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Limited International Bidding; (B) National Competitive Bidding, subject to the following additional provisions in paragraphs (iii) below, and (C) Shopping.

(iii) The National Competitive Bidding procedures ("NCB") shall be based on the Open Tendering procedures as defined in the Public Procurement Law ("PPL") of Albania (Law No. 9643 dated November 20, 2006, as amended), provided, however, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the Procurement Guidelines and the following additional provisions:
1. "Open Tendering" procedures as defined in the PPL of Albania shall apply to all contracts financed by the Bank.

2. Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process. Government-owned enterprises in Albania shall be permitted to bid only if they are legally and financially autonomous and operate under commercial law of the Recipient. Registration shall not be used to assess bidders' qualifications.

3. Bids shall be opened in public in one location, immediately after the deadline for submission of bids in the presence of the representatives who choose to attend.

4. The procuring entities shall use sample bidding documents as approved by the Bank.

5. In case of higher bid prices compared to the official estimate, all bids shall not be rejected without the prior concurrence of the Bank.

6. A single-envelope procedure shall be used for the submission of bids.

7. Post-qualification shall be conducted only on the lowest evaluated bidder; no bid shall be rejected at the time of bid opening on qualification grounds.

8. Bidders in the form of a joint venture shall be held jointly and severally liable.

9. Before rejecting all bids and soliciting new bids, the prior concurrence of the Bank shall be obtained.

10. Contracts shall be awarded to the lowest evaluated, substantially responsive bidder who is determined to be qualified to perform in accordance with pre-defined and pre-disclosed evaluation criteria.

11. Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders.

12. Contracts of long duration (more than 18 months) shall contain appropriate price adjustment provisions.

13. Bid and contract guarantees shall be in the format included in the bidding documents. The bid guarantee shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension if requested. No advance payments shall be made without a suitable advance payment guarantee.

14. The bidding document and contract as deemed acceptable by the Bank shall include provisions stating the Bank's policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

15. In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Grant shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Bank to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Bank. Acts intended to materially impede the exercise of the Bank's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.
(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Single-source Selection of consulting firms; (E) Selection of Individual Consultants; and (F) Single-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

### Article III

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in Euro)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consulting services, goods, Training, Workshops and Operating Costs under the Project</td>
<td>1,850,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,850,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2017.
Article IV
Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is Minister of Finance.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Bulevard “Dëshmorët e Kombit”;
Nr.3, Tirana, Albania

Facsimile: +355 4 222 8405

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile: 1-202-477-6391