Loan Agreement

(Additional Financing for the Social Assistance Modernization Project)

between

REPUBLIC OF ALBANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF ALBANIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

WHEREAS (A) under an agreement, dated June 6, 2012 between the Borrower and the Bank ("Original Loan Agreement") as amended, the Bank agreed to provide the Borrower with a loan ("Original Loan") in an amount equivalent to thirty eight million Euro (EUR38,000,000) to assist in the financing of the Original Project; and

(B) the Borrower has requested the Bank to provide additional financing in support of the new activities reflected in the Description of the Project in Schedule 1 to this Agreement;

NOW THEREFORE:

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) apply to and form 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 the amount of eleven million Dollars (USD11,000,000), ("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 III of Schedule 2 to this Agreement.

2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest rate is the Reference Rate plus the Fixed Spread subject to Section 3.02(e) of the General Conditions.

2.06. The Payment Dates are February 1 and August 1 of each year.
2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

**ARTICLE III — PROJECT**

3.01. The Borrower, through MHSP, declares its commitment to the objective of the Project. To this end, the Borrower, through MHSP, shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

**ARTICLE IV — REMEDIES OF THE BANK**

4.01. The Additional Events of Suspension consist of the following:

(a) The NEP and the DAP have been amended, suspended, abrogated, repealed or waived so as to affect, materially and adversely, in the opinion of the Bank in consultation with Borrower, the ability of the Borrower to achieve the objective of the Project.

(b) The Borrower, through MHSP, has taken any action that would have the effect of reversing any Disbursement-linked Indicator (DLI) that has been achieved and in respect of which the related DLI Amount has been disbursed.

4.02. The Additional Event of Acceleration consists of the following, namely, that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

**ARTICLE V — EFFECTIVENESS**

5.01. The Additional Conditions of Effectiveness consists of the following, namely that the Project Operations Manual (POM) has been adopted in a manner satisfactory to the Bank.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Borrower's Representative is its Minister of Finance and Economy or any successor thereto.

6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

   Ministry of Finance and Economy
   Bulevardi "Dëshmorët e Kombit", No. 3
   Tiranë, Albania; and

(b) the Borrower's Electronic Address is:
6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex: Facsimile: E-mail:
248423(MCI) or 1-202-477-6391 msalim1@worldbank.org
64145(MCI)
AGREED as of the Signature Date.

REPUBLIC OF ALBANIA

By

Authorized Representative

Name: ALEKSEH DHERI
Title: MINISTER OF FINANCE & ECONOMY
Date: 5.6.2018

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: LINDA VAN GELDER
Title: COUNTRY DIRECTOR
Date: June 5, 2018
SCHEDULE 1

Project Description

The objective of the Project is to support the Borrower's implementation of reforms to improve the equity and efficiency of its social assistance programs.

The Project consists of the following parts:

Part 1: Strengthening the Implementation and Performance of Social Assistance Programs

Support improved implementation of both the Ndihma Ekonomike Program (NEP) and the Disability Assistance Program (DAP) through provision of financing for reimbursement of payments of benefits incurred by the Borrower out its budgetary allocations for the Ndihma Ekonomike Program ("EEP").

Part 2: Technical Assistance and Investment Activities to Strengthen the Implementation Capacity for Social Assistance Programs

Support the capacity of the Borrower for implementing improvements in the delivery of social assistance benefits, including through the following:

(a) Revision of the parameters of social assistance programs, including new evaluation systems for disability assistance based on the social model, reviewing business procedures and institutional arrangements and design of alternative assistance strategies for people with disabilities who do not meet the DAP eligibility criteria under the DAP reform.

(b) Development of an exit strategy for NEP beneficiaries based on innovative models and international experience.

(c) Implementation of a Management Information System (MIS) for the DAP, including: review of core business processes, institutional roles, and functional requirements to determine inputs for the design of the MIS; developing quality assurance for MIS development and implementation; developing a revised sanctions policy and enforcement mechanisms to strengthen the ability to remedy fraud and errors; and designing tools for the detection of fraud and errors, and other social inspection mechanisms.

(d) Promote transparency in communications and monitoring and evaluation, as well as, citizen engagement, including through:

(i) continuation of carrying out of awareness campaigns to ensure understanding and acceptance of the reforms of Social Assistance Programs, through, implementation of a comprehensive communications strategy and specific communications tools tailored to specific themes and target groups;

(ii) strengthening monitoring and evaluation through, designing and implementation of a process for evaluating reforms in Social Assistance Programs and carrying out of a follow-up disability survey to support the monitoring of disability assistance reforms;
(iii) strengthening MHSP's monitoring and evaluation capacity for reviewing business procedures and institutional arrangements, analyzing data and updating the USF; and

(iv) carrying out a beneficiary assessment survey for DAP beneficiaries to evaluate their level of satisfaction with the DAP reform.

(e) Continue to provide Project implementation support through financing of Operating Costs and consulting services to enhance technical expertise of MHSP in areas including day-to-day Project management, monitoring and evaluation, procurement and financial management.
SCHEDULE 2

Project Execution

Section I. Implementation

A. Implementation Arrangements

1. The Borrower shall establish and maintain, throughout the period of Project implementation, an inter-ministerial Coordination Working Group, chaired by the Minister of MHSP and including representatives from MoFE, Institute of Statistics of Albania, High State Control, MHSP, SSS and National Agency for Information Society, which group shall be responsible for leading implementation of reforms in social assistance programs and ensuring coordination of activities under the Project among all relevant agencies and entities.

2. The Borrower through MHSP shall ensure that the Directorate of Health and Social Protection Development Programs of MHSP shall continue to maintain, with terms of reference acceptable to the Bank, its staff during Project implementation with expertise in Project management, monitoring and evaluation, procurement and financial management.

3. The Borrower, through MHSP, shall not later than: (a) September 30, 2018, prepare and furnish to the Bank, a time-bound action plan, prepared in accordance with terms of reference acceptable to the Bank, for the clear definition of roles and responsibilities for validating eligibility for benefits under the Social Assistance Programs; and (b) March 31, 2019 implement said plan, taking into account the Bank’s comments thereon.

4. The Borrower, through MHSP, shall ensure throughout Project implementation that appropriate budget allocations are made available yearly for Project implementation purposes.

5. The Borrower, through MHSP, shall ensure that the Project is implemented in accordance with the Project Operations Manual (POM).

B. Safeguards.

1. The Borrower, through MHSP, shall ensure the rehabilitation of works under DL118 in Schedule 4 to this Agreement are carried out in accordance with the EMP.

2. The Borrower, through MHSP, shall ensure that all technical assistance under the Project shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Bank, such terms of reference to ensure that the technical assistance takes into account, and calls for application of the Bank’s Safeguard Policies, including the Bank’s Health and Safety Guidelines.
Section II. **Project Monitoring Reporting and Evaluation**

(a) The Borrower, through MHSP, shall furnish to the Bank each Project Report not later than forty five days after the end of each calendar semester, covering the calendar semester.

(b) The Borrower, through MHSP, shall monitor and evaluate the progress of the Project, and more particularly, the progress in achieving the DLIs and, to that end, shall include in each Project Report said information, in such scope and in such detail as shall be determined in accordance with the Verification Protocol.

Section III. **Withdrawal of Loan Proceeds**

A. **General.**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay the Front-end Fee the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan (expressed in Dollars)</th>
<th>DLI Amount (expressed in Dollars)</th>
<th>Percentage of Expenditures Financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Eligible Expenditures Program under Part 1 of the Project.</td>
<td>10,202,500</td>
<td>DLI 17: 3,000,000</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DLI 18: 2,500,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>DLI 19: 2,202,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>DLI 20: 2,500,000</td>
<td></td>
</tr>
<tr>
<td>(2) Consulting services and Operating Costs under Part 2 of the Project</td>
<td>770,000</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(3) Front End Fee</td>
<td>27,500</td>
<td></td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11,000,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement; and

   (b) for payments under Category (1) with respect to each DLI Amount for which a withdrawal request has been submitted, unless the Borrower has furnished evidence satisfactory to the Bank that:

      (i) payments for EEP have been made to eligible beneficiaries by the Borrower in accordance, and in compliance, with the procedures set forth in the Borrower’s applicable laws and regulations and the Project Operations Manual; and

      (ii) the provisions in paragraph 2 below have been satisfied.

2. Without limitation to the provision set forth in paragraph 1 of Section III. B of this Schedule, withdrawals by the Borrower under Category (1) shall be made in a single one-time payments for each DLI and each payment shall be in the amount specified in the “DLI Amount”, subject to submission to the Bank of evidence satisfactory to the Bank and as defined in the Project Operations Manual that:

   (a) the inflation indexation for DAP benefits has continued to be implemented since 2010 and each increase in benefits does not exceed such indexation (“Global Disbursement Condition”); and

   (b) the DLI set forth in Schedule 4 to this Agreement (and for which a withdrawal request has been submitted) has been achieved in compliance with the pertinent provisions of this Agreement.

3. Notwithstanding the foregoing:

   (a) if the Bank determines that the Global Disbursement Condition has not been met and as a result of which the Bank has withheld disbursement of Loan proceeds under Category (1) in respect of any DLI that has been achieved, the Bank, at its sole discretion, may:

      (i) at a later date when the Bank is satisfied that the Global Disbursement Condition has been achieved, authorize withdrawal of the Loan proceeds so withheld in respect of the DLI that has been achieved; or

      (ii) at any time, by notice to the Borrower, cancel the amount of the Loan proceeds so withheld or reallocate said amount to other DLIs.

   (b) If the Bank determines, at any time, that any portion of the amounts disbursed by the Borrower under Category (1) was made for reimbursement of expenditures that are not eligible under the Eligible Expenditures Program or not in compliance with the provisions of paragraphs 1(b) and 2 of Section III of this Schedule, the Borrower
shall promptly refund any such amount to the Bank as the Bank shall specify by notice to the Borrower.

4. The Closing Date is June 30, 2021.

Section IV: Other Undertakings

1. The Borrower shall roll-out the implementation of the revised DAP procedures for defining eligibility for DAP and the related benefits for all administrative units in the Tirana region by December 31, 2019.
SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

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").

**Level Principal Repayments**

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 1 and August 1</td>
<td></td>
</tr>
<tr>
<td>Beginning August 1, 2025</td>
<td></td>
</tr>
<tr>
<td>through February 1, 2045</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
## SCHEDULE 4
Disbursement-linked Indicators and DLI Amount

<table>
<thead>
<tr>
<th>Number</th>
<th>Disbursement-linked Indicator (DLI)</th>
<th>DLI Amount (expressed in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>(a) At least 66 percent of the new applications and recertification requests received in all administrative units in the Three Pilot Regions, have been processed using the automated DA; and</td>
<td>3,000,000</td>
</tr>
<tr>
<td></td>
<td>(b) the DAP MIS has been expanded to cover second-stage functions, including integrating data from the revised eligibility assessment based on the Social Model.</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>The State Social Services (SSS) regional offices in each of the Three Pilot Regions are rehabilitated according to quality standards provided in the official regulations on accessibility for disabled persons in public buildings, spaces and services.</td>
<td>2,500,000</td>
</tr>
<tr>
<td>19</td>
<td>An exit strategy and an action plan for NEP beneficiaries are developed, consulted, approved and disseminated in accordance to the Verification Protocol.</td>
<td>2,202,500</td>
</tr>
<tr>
<td>20</td>
<td>At least 55 percent of suspected fraud and error cases in the DAP in Tirana are investigated by social inspectors in accordance with the Verification Protocol.</td>
<td>2,500,000</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions

1. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.

2. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

3. "DLI Amount" means the amount of Loan proceeds set forth in the column entitled "DLI Amount" in the tables in Section III. A of Schedule 2, and in Schedule 4 to this Agreement.

4. "Disability Assistance Program" or "DAP" mean the Borrower's program for the payment of benefits to disabled persons, as defined, and provided for, in various legislations including the Borrower's following laws: Law No. 8098, dated March 28, 1996 on the Status of Blind Persons and Law No. 8626, dated June 22, 2000, on the Status of Paraplegic Tetraplegic Invalids and other categories of disabled persons, as well as related Status of Paraplegic Tetraplegic Invalids and other categories of disabled persons, and Law no. 9355, dated 10.03.2005 "On social assistance and services" as amended and its bylaws, as well as decisions by the Borrower's Council of Ministers on benefits deriving from the status of blind persons, and paraplegic and tetraplegic invalids and other categories of disabled persons.

5. "Disbursement-linked Indicators" or "DLIs" mean, collectively, the disbursement linked targets set forth in the column entitled “Disbursement-linked Indicator (DLI)” in the table in Schedule 4 to this Agreement; and "Disbursement-linked Indicator" and “DLI” mean, individually, any of such targets.

6. "EHS Guidelines" means the General Environmental, Health and Safety Guidelines of the World Bank Group, dated April 30, 2007, and referenced in OP/BP 4.01, as the same may be amended from time to time by the World Bank Group, which can be found in www.ifc.org/ehsguidelines.

7. "Eligible Expenditures Program" or "EEP" means the Borrower’s eligible expenditure program in respect of Part 1 of the Project which consists of expenditures on cash transfers to beneficiaries under the NEP.

8. "Environmental Management Plan" or "EMP" means the environmental management plan for the rehabilitation works to be conducted under DLI 18, referred to in the table in Schedule 4 to this Agreement, in the SSS regional office of Tirana, dated January 26, 2018, the environmental management plan for the rehabilitation works to be conducted in the SSS regional office of Elbasan, dated January 26, 2018, and the environmental management plan for the rehabilitation works to be conducted in the SSS regional office of Durres, dated January 26, 2018, all satisfactory to the Bank, and disclosed in country on January 26, 2018, and at the Bank’s website on January 26, 2018, comprising mitigation measures and check lists prepared and adopted by the Borrower to manage and/or mitigate identified or potential environmental, health and safety risks and impacts associated with
said rehabilitation works under DLI 18, as the same may be amended and supplemented from time to time with the Bank’s prior written approval.


10. "Global Disbursement Condition" means the disbursement condition set forth in paragraph 2(a) of Section III.B of Schedule 2 to this Agreement.

11. "Health and Safety Guidelines" means the General Environmental, Health and Safety Guidelines of the World Bank Group, dated April 30, 2007, and referenced in OP/BP 4.01, as the same may be amended from time to time by the World Bank Group, which can be found in www.ifc.org/ehsguidelines.


13. "MoFE" means the Borrower’s Ministry of Finance and Economy or any successor thereto.

14. "MHSP" means the Borrower’s Ministry of Health and Social Protection or any successor thereto.

15. "MIS" means management information system.

16. "Ndihma Ekonomike Program" or "NEP" mean the cash benefit social assistance program established by the Borrower’s Law Number 9355 dated March 10, 2005, as amended through April 2011.

17. "Operating Costs" means reasonable incremental costs, which would not exist absent the Project incurred by MHSP in connection with the administration associated with the implementation of Project activities, including office rental, maintenance, office equipment, furniture, materials and supplies, and communication.

18. "Original Loan" means the loan referred to in the Whereas clause (A) in this agreement.

19. "Original Loan Agreement" means the agreement referred to in the Whereas clause (A) in this Agreement.

20. "Original Project" means the project described in Schedule 1 of the Original Loan Agreement.


22. "Project Operations Manual" or "POM" means the manual prepared and adopted by the Borrower, acceptable to the Bank, providing inter alia: the institutional arrangements for the implementation of the Project; the arrangements for the flow of Project funds, including protocols and guidelines for Project financial management, preparation of withdrawal
applications, maintenance of records, auditing, reporting and internal controls; guidelines for planning and execution of procurement activities under the Project; the protocol for the production of documentary evidence on compliance with/achievement of the DLIs; and policies and procedures for monitoring Project activities, as well as complying with the reporting requirements thereof, as said manual may be amended from time to time with the agreement of the Bank.

23. "Safeguard Policies" means, the operational policies and procedures of the Bank (as the same may be amended or replaced from time to time by the Bank) set forth in the Bank's Operational Manual and identified as OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams); which can be found on the Bank's website at www.worldbank.org.

24. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.

25. "Social Model" means a model that incorporates both medical and non-medical assessment of functional capacities and needs.

26. "Social Assistance Programs" means jointly DAP and NEP.

27. "SSS" means State Social Services, the Borrower's entities established further to DCM no. 542, dated 27.07.2005 "On the approval of State Social Service" as amended.

28. "Three Pilot Regions" means collectively, the Borrower's regions of Durres, Elbasan, and Tirana.

29. "Verification Protocol" means the Borrower's document contained in the POM detailing the means by which the fulfillment of the DLIs shall be verified under the Project.

30. "Unified Scoring Formula" or "USF" means a formula that defines household eligibility (for NEP) benefits using explicit weights and variables derived from objective correlations with economic and poverty status.