ADMINISTRATION AGREEMENT FOR THE
SWEDISH TRUST FUND FOR ALBANIA ENVIRONMENTAL SERVICES PROJECT
TRUST FUND NO. TF072239 / SIDA CONTRIBUTION NO. 53030017

Article 1
Subject and Amount of the Grant

Section 1.01. In pursuance of the Single Donor Trust Funds Framework Agreement between Sweden, represented by the Swedish International Development Cooperation Agency, Sida ("Sweden") and the International Bank for Reconstruction and Development ("IBRD") and the International Development Association (the "IDA") (collectively the "Bank") dated March 17, 2011 (the "Framework Agreement"), I am pleased to inform you that Sweden will make available a grant (the "SIDA Grant") of sixty eight million four hundred fifty thousand Swedish Kronor (SEK 68,450,000), to be administered by the Bank for the Albania Environmental Services Project (Trust Fund No. TF072239).

Section 1.02. The terms of the Framework Agreement shall apply to the SIDA Grant. The Bank shall administer the SIDA Grant in accordance with the provisions of the Framework Agreement, except as otherwise provided herein.

Section 1.03. The SIDA Grant shall be used exclusively for the activities (with the exception of Part 3 (b)) described in the Annex hereto, which forms an integral part of this Framework Agreement. Such activities form part of the Project described in the Bank’s Project Appraisal Document (PAD No. 86548-AL). The Grant shall be used to finance the following categories of expenditures, namely: consultants’ services, goods, works, operating costs, training, and subprojects. Notwithstanding the foregoing, and so long as there is no change in the overall objectives or characteristics of the SIDA Grant, the Bank may reallocate the SIDA Grant funds between such categories of expenditures in accordance with the Bank's applicable policies and procedures on reallocation, without the need to obtain Sweden's approval for any such reallocation.

Section 1.04. In addition to the financial reports on the SIDA Grant to be made available pursuant to Section 10.01 of the Framework Agreement, the Bank shall provide an annual narrative progress report on the activities financed by the SIDA Grant and a final narrative progress report on the activities following the Completion Date.

Article 2
Payment Modalities

Section 2.01. Sweden shall deposit the SIDA Grant funds with the Bank, upon request from the Bank, into such bank account designated by the Bank in accordance with the provisions of Section 6.02 the Framework Agreement. The first installment of the SIDA Grant will be SEK 13,450,000 on 2014. Subsequent installments will be made annually in accordance with the provisions of Section 6.02(b) of the Framework Agreement and as following: SEK 15,000,000 on 2015; SEK 15,000,000 on 2016; SEK 15,000,000 on 2017; and SEK 10,000,000 on 2018.

Section 2.02. The Bank shall convert the Contribution funds into the holding currency of the Trust Fund, namely United States Dollars, promptly upon receipt of the Contribution funds and...
the Deposit Instruction containing the information specified in paragraph 4 at the exchange rate obtained by the Bank on the date of the conversion. Where the Contribution proves to be insufficient to complete the activities as a result of an exchange rate fluctuation, neither the Bank nor the Donor shall bear any responsibility for providing any additional financing.

Article 3
Administrative Cost Recovery

Section 3.01. Consistent with Section 8.02 of the Framework Agreement, in order to assist in the defrayment of the costs associated with the establishment of this Agreement, the Bank may, following deposit of the Grant by Sweden, deduct from the SIDA Grant and retain for the Bank's own account an amount equal to thirty-five Thousand United States Dollars ($35,000).

Section 3.02. In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Agreement, the Bank may, following deposit of the SIDA Grant by Sweden, deduct from the total Grant and retain for the Bank's own account an amount equal to five percent (5%) of the Grant, as stated in Article VIII in the Framework Agreement.

Article 4
Commencement and Completion Dates

Section 4.01. The SIDA Grant funds may be used to finance expenditures for the Project commencing on June 30, 2014 and ending on December 31, 2019. The Bank may make disbursements of the SIDA Grant funds for up to six (6) months after such latter date for expenditures incurred on or before such date, in accordance with the Bank's applicable policies and procedures.

Article 5
Cancellation

Section 5.01. Either party may, upon giving the other party three (3) months' prior written notice, cancel that part, if any, of the SIDA Grant funds provided under this Administration Agreement that the Bank has not committed prior to receipt of such notice under agreements entered into by the Bank with any third party, including any grant agreement.

Article 6
Communications

Section 6.01. The offices responsible for coordination of all matters related to this Administration Agreement are:
For Sweden:

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The Bank will disclose this Administration Agreement and related information on this Trust Fund in accordance with the World Bank Policy on Access to Information, in effect at the tie of such disclosure. By entering into this Agreement, the Donor consents to disclosure of this Agreement and related information on this Trust Fund.
This Administration Agreement is drawn up in two originals, one for each party. It may be amended only by written agreement of the parties hereto.

**SWEDEN**
Represented by SIDA

By: [Signature]

(Authorized Representative)

Name: [Name]

Title: [Title]

Date: [Date]

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**
**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By: [Signature]

(Authorized Representative)

Name: [Name]

Title: [Title]

Date: [Date]
ANNEX

Project Components Activities

Part 1: Strengthening Institutional Capacity to Improve Environmental Services from Integrated Landscape Management

(a) Strengthening the Borrower’s capacity for governance of forests and pastures including:

(i) preparing a change detection National Forest Inventory to provide information on how forest cover and volume have changed over an agreed intervening period;
(ii) developing a ten year rolling National Forest Inventory whereby plots sampled for forest cover and volume are examined on annual basis for a duration of ten years;
(iii) supporting forest management planning in the state managed production forests excluding the protected areas;
(iv) establishing the Albanian Forest Information System;
(v) strengthening the capacity of the Regional Forest Directorate to carry out its obligations including the independent monitoring of the forests; and
(vi) registering forests and pastures transferred by the central government to the communes.

(b) Carrying out activities to empower beneficiaries including Local Government Units (LGUs), Communal Forest and Pastures Users Associations (CFPUAs) and farmers to practice sustainable land and pasture management practices including:

(i) implementing the Gender Action Plan to promote gender equity in natural resource management;
(ii) supporting Local Action Groups (LAGs) to contribute to the rural development strategy;
(iii) training LGUs and CFPUAs on sustainable use of forests, pastures and agricultural lands; and
(iv) promoting rural income generation, through analysis of values chains and preparation of short and medium-term forest products processing and marketing plans.

Part 2. Planning and Provision of Grants to Improve Land Management

(a) Carrying out activities to prepare and implement Communal Micro-Catchment Plans (CMCPs) to improve land management, including:
developing guidelines for the preparation of CMCPs to promote integrated use of natural resources;

(ii) preparing CMCPs for new communes; and

(iii) upgrading existing Communal Forest Pasture Management Plans (CFPMPs) which will expire during the life of the Project into CMCPs.

(b) Providing Grants to eligible Beneficiaries to carry out Subprojects.

(c) Strengthening the capacity of staff for the Regional Forest Directorates, District Forest Office, ARDA and bodies involved in the agricultural and forests extension services as well as applicants to carry out their responsibilities under the Project.

Part 3: Introducing Payment for Environmental Services

Establishing financing mechanisms for reducing land degradation and supporting sustainable livelihoods including:

(a) Preparing technical studies for the development of carbon projects and establishing monitoring, reporting and verification systems to quantify carbon sequestered by Project activities;

(b) Developing mechanisms for Payment for Watershed Services to ensure that those who benefit from environmental services pay those who generate these services; and a model for linking land use practices with the generation of ecosystem services; and

(c) Piloting the Payment for Watershed Services mechanism in selected areas.

Part 4: Supporting Project Implementation

(a) Carrying out activities for Project implementation including supplying of office equipment, building staff capacity, and the implementation of the environmental safeguards.

(b) Supplying and installing a Project monitoring information system to promote effective tracking of project activities; and carrying out surveys, conducting environmental audits and monitoring and evaluation.