March 7, 2013

Mr. Ridvan Bode
Minister of Finance
Ministry of Finance
Deshmaret e Kombit
No. 1
Tirana, Albania

Re: Albania
Capacity Building Support to Implement the Integrated Planning System (IPS)
Grant No. TF013972

Excellency:

In response to the request for financial assistance made on behalf of Albania ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors" means Austrian Development Agency, Swedish International Development Cooperation Agency, and Swiss Agency for Development and Cooperation under the Second Multi-Donor Trust Fund for Albania IPS (IPS 2)), proposes to extend to the Recipient, a grant in an amount not to exceed two million seven hundred fourteen thousand two hundred ninety-seven Euros (€2,714,297) ("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 returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall 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Recipient of completion of its internal procedures; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement and the respective
notification within 60 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT
ASSOCIATION

By
Ellen Goldstein
Country Director

AGREED:
MINISTRY OF FINANCE

By
Authorized Representative
Name
Title
Date: 27.03.2013

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.

- "CFCU" means Central Finance and Contracting Unit
- "PFM" means Public Financial Management.
- "PEFA" means Public Expenditure and Financial Assessment
- "PDO" means Project Development Objective
- "IPS" means Integrated Planning System
- "AFMIS" means the Albania Financial Management Information System
- "EAMIS" means the External Assistance Management Information System
- "IPSIS" means the Integrated Planning Information System.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to strengthen the implementation of the Integrated Planning System, by creating the conditions for introducing a performance orientation in the policy planning and budgetary processes and by improving the institutional capacity to monitor results at the strategy and program levels. The Project consists of the following parts:

**Part One:**
Public Financial Management (PFM) including management of donor funds: this component will finance technical assistance and training for strengthening PFM performance, primarily targeting weaknesses identified by the PEFA 2011 assessment. The activities are envisaged and rated in terms of priority based on their contribution to the achievement of the PDO in order to ensure the attainability of the PDO under different funding scenarios.

**Part Two:**
Policy Coordination and Aid Management: this component will finance technical assistance and training for policy planning, coordination, and monitoring and evaluation of the IPS in central government.
Part Three:
Developing IPS Management Information Systems: this component will finance investment in the development of the AFMIS, and technical assistance for the preparation and implementation of the AFMIS system. The design and implementation of the EAMIS and IPSIS are also included in this component.

Part Four:
Project Management: this component will support CFCU to strengthen its capacity for improved project implementation, focusing on procurement, financial management and monitoring. This component also will include necessary incremental operating costs related to project management, including the overall management and coordination, and project-related fiduciary activities (procurement and financial management).

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 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 Central Financing and Contracting Unit (CFCU) part of the Ministry of Finance will be the responsible unit for the implementation of the Trust Fund. They will follow the Procurement and Financial Guidelines of the World Bank. An Operations Manual will be produced and specify all the institutional and other implementation arrangements in details. The OM will be discussed between and agreed upon Government, World Bank and contributing donors, within at least 30 days after the Grant Agreement has been signed.

2.04. Donor Visibility and Visit. (a) The Recipient 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 shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor(s) 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 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 the indicators set forth below in paragraph (b) of this Section. 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 performance indicators referred to above in paragraph (a) consist of the following:

(i) Improved consistency in annual and medium term budget execution evidenced by reduced divergence in revenue and expenditure outturns from the originally approved budgets;
(ii) Selected line ministries have developed prioritized and costed sector strategies and regularly report on program-level results indicators; strengthened foreign aid management structures; and annual NSDI progress report provide updated values of key results indicators;

(iii) AFMIS system operationalized and monitoring of performance indicators at the level of budget programs enabled;

(c) The Recipient 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 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 shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 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 the Project 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, non-consulting services 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:

(i) Section I of 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 (“Procurement Guidelines”), in the case of goods, and non-consulting services;

(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 (“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 paragraph 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) National Competitive Bidding, subject to the following additional provisions:

(i) Registration: (a) bidding shall not be restricted to pre-registered firms; (b) where registration is required, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

(ii) Eligibility: foreign bidders shall not be precluded from bidding, and no preference of any kind shall be given to national bidders.

(iii) Procedures: "Open procedures" shall be followed in all cases. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper, allowing a minimum of thirty (30) days for the preparation and submission of bids.

(iv) Pre-qualification: when pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical and financial requirements shall be explicitly stated in the pre-qualification documents.

(v) Participation by government-owned enterprises: government-owned enterprises in Albania shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the
government. Such enterprises shall be subject to the same bid and performance security requirements as other bidders.

(vi) **Bidding documents:** procuring entities shall use the appropriate standard bidding documents for the procurement of works which shall contain draft contract and conditions of contract, satisfactory to the Bank.

(vii) **Submission of bids:** bidders may, at their option, deliver bids either in person, by courier service, or by mail at any time prior to the deadline set for the submission of bids.

(viii) **Bid opening and bid evaluation:** bids shall be opened in public and, if two envelopes are submitted for technical and price components, both shall be opened simultaneously. The time for the bid opening shall be the same as for the deadline for receipt of bids or immediately thereafter, and shall be announced, together with the place for bid opening, in the solicitation documents. Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents. Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be requested without the prior approval of the Bank. Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid. Negotiations shall not be allowed with the lowest evaluated bidder or any other bidder.

(ix) **Price adjustment:** civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.

(x) **Rejection of bids:** all bids shall not be rejected and new bids solicited without the Bank's prior concurrence.

(xi) **Contracts:** all contracts shall be in writing, signed and stamped by authorized signatories of the purchaser and the supplier, and shall contain identical terms and conditions of contract to those included in the tender documents.

(xii) **Securities:** bid securities (if required) shall not exceed two percent (2%) of the estimated cost of the contract; performance securities shall not exceed ten percent (10%). No advance payments shall be made to contractors without a suitable advance payment security. The wording of all such securities shall be included into the bidding documents and be acceptable to the Bank.

(xiii) **Right to inspect and audit:** Each contract financed out of the proceeds of the Grant shall provide that the suppliers, contractors and subcontractors shall permit the Bank, at its request, to inspect their accounts and records relating to the procurement and performance of the contract and to have said accounts and records audited by auditors.
appointed by the Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

(xiv) Fraud and Corruption: The Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank Group.

(B) Shopping;

(C) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank;

(D) Direct Contracting;

(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:

(B) Selection under a Fixed Budget;
(C) Least Cost Selection;
(D) Selection based on Consultants’ Qualifications;
(E) Single-source Selection of consulting firms;
(I) Selection of Individual Consultants in accordance with procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines, and

(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) Goods, and consultants’ services, Trainings and Incremental Operating Costs under the Project</td>
<td>2,714,297</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>2,714,297</td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this section the term “Incremental Operating Costs” means operating
costs required for the Project including consumable materials and supplies, translation,
communications, mass media and printing services, vehicle rental, operation and maintenance,
charges for the opening and operation of bank accounts required for the Project, and travel, lodging
and per diems, but excluding salaries of officials of the Recipient’s civil service.

For the purpose of this section the term “Training” Training is an integral element of the project’s
capacity building under the project. The TF would finance training programs, including training
workshops, study tours and local training. Expenditures related to such training activities
include: means expenditures incurred in connection with training, workshops, seminars and study
tours, and other training activities not included under goods and service providers’ contracts, to
be carried out under the Project, including fees, travel costs and per-diem allowances for the
trainers and travel costs and per-diem allowances for the trainees, cost of training materials, space
and equipment rental, and other related expenditures; all such expenditures shall be based on
plans adopted by the CFCU and satisfactory to the Bank, which shall include proposed budgets
and terms of reference.

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, except that withdrawals up to an aggregate amount not to
exceed Euro 200,000 equivalent may be made for payments prior to the date of countersignature
but on or after April 2, 2013, of this Agreement by the Recipient, for Eligible Expenditures under
Category (1).

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard
Conditions is March 31, 2016.
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 the Minister of Finance.

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

Minister of Finance
Ministry of Finance
Deshmorkë Kombit
No. 1
Tirana, Albania

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/International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:  Telex:  Facsimile:
INTBAFRAD  248423 (MCI) or  1-202-477-6391
INDEVAS  Washington, D.C.  64145 (MCI)