October 23, 2013

H.E. Shkelqim Cani
Ministry of Finance
Bulevardi Deshmoret e Konibit.
Tirana
ALBANIA

Re: Multi-Donor Programmatic Trust Fund for Europe and Central Asia Region Capacity Development - Grnt No. TF014761 for the Preparation of the Albania Results-based Road Maintenance and Safety Project

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 and International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors ("Donor(s)") under the Multi-Donor Programmatic Trust Fund for Europe and Central Asia Region Capacity Development, proposes to extend to the Recipient a Project in an amount not to exceed seven-hundred thousand United States Dollars (US$700,000) ("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 returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.
Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

Ellen A. Goldstein
Director, Southeast Europe
Europe and Central Asia

AGREED:
ALBANIA

By ____________________________
Authorized Representative

Name: Shkelqim Cimi
Title: Minister of Finance
Date: October 28, 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


1.02. 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 additional terms have the following meanings:

a. "Affected Persons" means persons who, on account of implementation of the Project, have experienced or would experience direct economic and social impacts caused by: (A) the involuntary taking of land, resulting in: (i) reallocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such 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 livelihood of such person.

b. "Albania Road Authority" or "ARA" means the institution established and operating pursuant to Albania Law No. 10164, dated October 10, 2009 or its legal successor thereto.

c. "Environmental Management Framework" or "EMF" means the framework to be prepared by the Recipient and referred to in Component 3 (a) of the Annex, to govern mandatory safeguards and mitigation actions for the project which could possibly have a negative environmental impact such as, in particular, through use of any pesticides, increase in deforestation, pollution of groundwater, negative impacts and protected species, increased pesticide level in food, increased soil erosion, impacts on national parks and protected areas, and encroachment on natural habitats.

d. "Environmental Management Plan" or "EMP" means the plan to be prepared by the Recipient, acceptable to the Bank, and referred to in Component 3 (a) of the Annex of the Grant Agreement, which sets forth the specific actions, measures and policies designed to maximize the benefits of the Project, as well as eliminate, offset, or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, along with administrative and monitoring arrangements to ensure the implementation of said actions, measures and policies, as said EMP may be revised from time to time with the prior written agreement of the Bank and such term includes any annexes or schedules to such plan.

e. "Implementation Team" means the ARA department tasked with the implementation of the Project, with functions, staffing, resources, terms of reference and qualifications satisfactory to the World Bank, including the procurement and financial management specialists.
f. "Incremental Operating Costs" means reasonable and necessary expenditures incurred by the Albania Road Authority for the implementation, administration and maintenance of the Project, including local travel, office supplies, communication costs, reasonable bank charges, translations, notarial services, and including the costs for extending the licenses for the financial management system to adequately reflect operations, resources and expenditures related to the Project, and other expenditure items agreed by the World Bank throughout the life of the Project (but excluding consultants' services and salaries of officials of the Recipient's civil service).

g. "Inter-ministerial Road Safety Council" or "IRSC" means the advisory and coordinating body for the implementation of the Road Safety Strategy in Albania, established by the Order No. 13, of the Council of Ministers, dated January 15, 2002 and amended with the Order No. 12 of the Council of Ministers on February 21, 2007. Coordination of road safety program will be the responsibility of Directorate of Road and Traffic Safety within the Ministry of Transport, which also acts as the IRSC Secretariat.

h. "Resettlement Action Plan or "RAP" means a resettlement plan referred to in Component 3 (a) of the Annex to the Grant Agreement to be prepared by the Recipient setting forth the principles and procedures governing the acquisition of land and related assets, and the compensation, resettlement, and rehabilitation of Affected Persons in accordance with the guidelines and procedures set forth in the RFP, as said plan may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.

i. "Resettlement Policy Framework" or "RPF" means the policy framework referred to in Component 3 (a) of Annex to the Grant Agreement to be prepared by the Recipient setting out mitigation, enhancement, monitoring and institutional measures, including capacity building through training, and carrying out of acquisition of land and related assets under the Project and compensation, resettlement, and rehabilitation of Affected Persons, and the preparation of the Project's RAPs during the implementation of the Project, as said RPF may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such framework.

j. "RRMSIP Operational Manual" means the document to be prepared by the Recipient covering the detailed and comprehensive implementation modalities to be followed in the carrying out of the RIMS to the same extent as may be amended from time to time with the prior agreement of the Bank.

k. "Training" means Project-related training courses, seminars, workshops and other training activities, not included under service providers' contracts, including costs of training materials, space, and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers' fees, and other training-related miscellaneous costs as shall have been approved by the World Bank.
Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to support the Recipient in preparing a Results-Based Road Maintenance and Safety Project (RRMSP) and to enhance the capacity of the Albanian Road Authority in road asset management and road safety.

The Project consists of the following parts:

**Component 1: National Road Network Repair/Maintenance**

a. Carrying out activities for the repair and maintenance of the road network including: (i) assessing the existing national road network inventory; (ii) improving the usability of existing road asset management system in ARA; (iii) identifying deficiencies in the road network; and (iv) providing on-the-job-training of ARA staff to populate, maintain and administer the computer-based road asset management system.

b. Planning and prioritizing the national road network repair/maintenance needs based on actual physical conditions, the socio-economic criteria and balanced geographical distribution.

c. Preparing the first year design and bidding documents for the RRMSP.

d. Providing capacity support to ARA in planning, prioritizing and expansion of performance-based maintenance contracting.

**Component 2: Capacity Enhancement of the Albanian Road Authority and the Secretariat of the Inter-ministerial Road Safety Council**

a. Improving road safety through introduction of road safety audit practices; operationalization of the road safety action plans, conducting independent road safety audits for priority sectors at design stage and incorporation of road safety standards in the bidding documents.

b. Training the Secretariat of the Inter-ministerial Road Safety Council in Inter-Ministerial in co-ordination, public outreach, and monitoring of action plan implementation.

**Component 3: Environmental and Social Safeguards**


b. Reviewing and identifying gaps/inconsistencies between regulations governing environmental and social safeguard policies of the government and guidelines of the World Bank and the European Union.
c. Providing on-the-job training of ARA staff on preparation and implementation of environmental and social safeguard documents.

Component 4: Implementation Support

a. Providing technical advisory services on Project preparation including defining the project development objectives, developing disbursement linked indicators related to the implementation of the road repair/maintenance, and establishing baseline values and annual targets.


c. Carrying out activities for project management and implementation support to ARA, including audit and training.

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 its ARA 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

a. The Recipient shall carry out the Project through the ARA which shall be responsible for the preparation of the RRMSP and overall implementation of the Project.

b. The Recipient shall ensure that the ARA maintains, throughout the implementation of the Project, an Implementation Team with functions, resources and staffing, with terms of reference and qualifications satisfactory to the World Bank, including procurement and financial management specialists.

c. The Recipient shall assign overall responsibility of the Project to the Deputy Director of ARA, who will act as manager and have the overall responsibility for providing the strategic link between the preparation and delivery of the RRMSP.

2.04. Project Monitoring, Reporting and Evaluation

a. The Recipient shall monitor and evaluate the progress of the Project and prepare Progress 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). 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) Prioritization of the National Road Network repair/maintenance works; and preparation of the RRMSP first year repair/maintenance program.

(ii) Introduction of Road Safety Audit practices in the design of road works.

(iii) Definition of the RRMSP development objectives and disbursement-linked indicators (DLIs), including for maintenance, road safety, institutional reforms; and establishment of the respective baseline and target values.

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.

2.05. 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 forty-five (45) days after the end of each calendar semester, covering the semester, 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.

2.06. Procurement. (a) General. All goods, non-consulting services and consultants' services required for the Project and to be financed, fully or partially, out of the proceeds of the Project 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, at least annually, by the Recipient of 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:** Goods and non-consulting services shall be procured under contracts awarded on the basis of Shopping.

(d) **Particular Methods of Procurement of Consultants' Services:** The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality and Cost Based Selection, (B) Least-Cost Selection, (C) Selection under Fixed Budget (D) Selection based on Consultants' Qualifications; and (E) 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 USD)</th>
<th>Percentage of Expenditures to be financed (including taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultants' Services, Goods, Non-consulting services, Training, Incremental operating costs, Audits</td>
<td>700,000</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>700,000</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 December 31, 204.

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**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 its Minister of Finance.

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

Ministry of Finance  
Bulevardi Deshmoret Kombit.  
Tirana  
Facsimile: +355 4 222 8494

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: **INTBAFRAI**  
Telex: 24843 (MCI) or 1-202-477-6391  
Facsimile: 6414 (MCI)