Development Credit Agreement

(Integrated Coastal Zone Management and Clean-Up Project)

between

ALBANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 29, 2005
CREDIT NUMBER 4083 ALB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 29, 2005, between Albania (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated April 21, 2005, describing a program designed to carry out policy reform, institutional development and investments to protect coastal resources and promote sustainable development and management of the Borrower’s coast (the Program) and declaring the Borrower’s commitment to the execution of such program;

(B) the Borrower has requested that the Association support the Borrower’s execution of the Program through a series of credits over a period of approximately seven years to be utilized by the Borrower in the implementation of the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(D) the Borrower intends to contract from the Association, acting as an administrator for the Government of Japan, a grant (the Japanese Grant) in an aggregate principal amount equivalent to two million two hundred thirty thousand Dollars ($2,230,000) to assist in financing of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and the Association, acting as an administrator of grant funds provided by the Government of Japan (the Japanese Trust Fund Grant Agreement);

(E) the Borrower intends to contract from the Association, acting as an administrator for the European Community, a grant (the EC Grant) in an aggregate principal amount equivalent to five million two hundred thousand Dollars ($5,200,000) to assist in financing of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and the Association, acting as an administrator of grant funds provided by the European Communities (the EC Trust Fund Grant Agreement);

(F) the Borrower intends to contract from the International Bank for Reconstruction and Development (the Bank), acting as an implementing agency (the Implementing Agency) of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF, a grant in an amount of nine hundred fifty thousand Dollars ($950,000) (the GEF Grant) to assist in financing part of the Project on the terms and conditions set forth in an agreement between the Borrower and the Implementing Agency (the GEF Trust Fund Grant Agreement);
(G) the Borrower intends to contract from the Association, acting as an administrator for the Government of the Netherlands, a grant (the Dutch Grant) in an aggregate principal amount of three million one hundred thirteen thousand Dollars ($3,113,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and the Association, acting as an administrator of grant funds provided by the Government of the Netherlands (the Dutch Trust Fund Grant Agreement);

(H) the Borrower intends to contract from the Association, acting as an administrator for the Government of Austria, a grant (the Austrian Grant) in an aggregate principal amount equivalent to two million six hundred thousand Dollars ($2,600,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and the Association, acting as an administrator of grant funds provided by the Government of Austria (the Austrian Trust Fund Grant Agreement); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. Treatment of Taxes

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such
item in the Development Credit Agreement as required to be consistent with such policy of the Association.”

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

(c) Paragraph (c) of Section 9.06 of the General Conditions is amended to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit.”

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Beneficiary” or “Beneficiaries” means public entities and local governments, such as villages, communes or municipalities, as well as local associations, schools and home owners in traditional villages, that benefit from Sub-Projects under Part B.4 (a) of the Project;

(b) “Coastal Village Conservation and Development Program” means the program located within the MoTAT, as hereinafter defined, pursuant to which financial and other support for the implementation of Sub-Projects is provided to Beneficiaries;

(c) “Eligible Categories” means Categories (1) through (8) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(d) “Eligible Expenditures” means expenditures for goods, works and services referred to in Section 2.02 of this Agreement;

(e) “Environmental and Social Safeguards Framework” or “ESSF” means the framework document prepared by the Borrower and submitted to the Association on April 4, 2005, as amended on April 20, 2005, acceptable to the Association, setting forth measures to minimize and mitigate negative environmental and social impacts of the Project on potentially affected individuals, including a resettlement framework for the Southern coastal zone, as well as measures addressing impacts resulting from the proposed management plan for the Butrint National Park, measures addressing issues of land acquisition and resettlement that result from investments related to the Saranda solid
waste management, and issues of land acquisition and rights of way related to civil works to be implemented pursuant to the Coastal Village Conservation and Development Program, as the same may be amended from time to time with the agreement of the Association;

(f) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 (a) of this Agreement;

(g) “Fiscal Year” means the 12-month period commencing on January 1 and ending on December 31;

(h) “Grant” means the financing of a Sub-project, as hereinafter defined, under Part B.4 (a) of the Project in accordance with the Operational Manuals, as hereinafter defined;

(i) “MoAF” means the Ministry of Agriculture and Food of the Borrower, and includes any successor thereto;

(j) “MoCYS” means the Ministry of Culture, Youth and Sports of the Borrower, and includes any successor thereto;

(k) “MoE” means the Ministry of Environment of the Borrower, and includes any successor thereto;

(l) “MoEP” means the Ministry of Economy and Privatization of the Borrower, and includes any successor thereto;

(m) “MoF” means the Ministry of Finance of the Borrower, and includes any successor thereto;

(n) “MoLGD” means the Ministry of Local Government and Decentralization of the Borrower, and includes any successor thereto;

(o) “MoTAT” means the Ministry of Territorial Adjustment and Tourism of the Borrower, and includes any successor thereto;

(p) “MoTT” means the Ministry of Transport and Telecommunications of the Borrower, and includes any successor thereto;

(q) “Operational Manuals” or “OMs” means the Operational Manuals for the Butrint National Park Small Grants Facility and for the Infrastructure Improvement Small Grants Program under the Coastal Village Conservation and Development Program, referred to in Section 6.01 (b) of this Agreement, satisfactory to the Association and adopted by the Borrower, setting out the operational and administrative procedures for
the implementation of Part B.4 (a) of the Project, as the same may be amended respectively from time to time by agreement between the Association and the Borrower;

(r) “PAO” or “Project Authorizing Official” means the Deputy Minister of Territorial Adjustment and Tourism assigned by the Minister of Territorial Adjustment and Tourism of the Borrower to have overall responsibility to supervise the work of the PCU, as hereinafter defined;

(s) “PCU” or “Project Coordination Unit” means the unit within the MoTAT in charge of overall Project coordination;

(t) “PIP” or “Project Implementation Plan” means the plan referred to in paragraph 3 of Schedule 4 to this Agreement, satisfactory to the Association and adopted by the Borrower on April 23, 2005 setting out the operational and administrative procedures for the implementation of the Project, as the same may be amended from time to time by agreement between the Association and the Borrower;

(u) “PSC” or “Project Steering Committee” means the inter-ministerial committee to be appointed by the Council of Ministers of the Borrower, chaired by a Deputy Minister of the MoTAT, and including members of the MoF, the MEP, the MoE, the MoTT, the MoCYS, the MAF, and the MoLGD, as well representatives from regional and local governments and from non-governmental organizations;

(v) “Procurement Plan” means the Borrower’s procurement plan, dated April 15, 2005, covering the entire period of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement;

(w) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on August 3, 2004, and on behalf of the Borrower on November 4, 2004;

(x) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.5 of Schedule 1 to this Agreement;

(y) “Resettlement Plan” means the plan for the relocation of four families in the Porto Romano area, prepared and to be implemented by the Ministry of Environment of the Borrower, dated April 4, 2005, as amended on April 20, 2005, integrated into and provided as part of the ESSF;

(z) “Southern Coast Development Plan” means a land use development and zoning plan to be prepared under Part A.2 (f) of the Project and to be adopted by the National Council of Territorial Adjustment of the Borrower, establishing a framework for
sustainable tourism development in line with environmental assessment concepts and social safeguard requirements to guide future investments in the Southern coastal zone;

(aa) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement; and

(bb) “Sub-Project” means a development project selected in accordance with the procedures and criteria set forth in the Operational Manuals through use of the proceeds of a Grant under Part B.4 (a) of the Project and to benefit the Beneficiaries.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to eleven million seven hundred thousand Special Drawing Rights (SDR 11,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Association shall so agree, to be paid), by the Borrower on account of withdrawals made by, or for, a Beneficiary under a Grant to meet the reasonable cost of goods, works and services required for Part B.4 (a) of the Project in respect of which the withdrawal from the Credit Account is requested; and (ii) for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works, and services required for the Project and to be financed out of the proceeds of the Credit.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be March 31, 2010 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.
(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15, commencing September 15, 2015 and ending March 15, 2025. Each installment shall be five per cent (5%) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental, coastal and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.
(c) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower, through the MoTAT, shall, commencing in Fiscal Year 2006, review with the Association, by September 30 of each year, the provision for counterpart funds that are necessary for Project implementation in the following fiscal year and allocate adequate funds for such purposes in the Borrower’s National Budget for the following Fiscal Year.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association’s approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each Fiscal Year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each Fiscal Year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for the respective Fiscal Year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements), or on the basis of statements of expenditure, the Borrower shall:

(i) retain, until at least one year after the Association has received the audit report for, or covering, the Fiscal Year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Association’s representatives to examine such records; and

(iii) ensure that such reports and statements of expenditure are included in the audit for each Fiscal Year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower’s progress reporting obligations set out in paragraph 7 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and
explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) The EC Trust Fund Grant Agreement shall have failed to be duly executed and delivered or any condition precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder shall have failed to be met by March 31, 2006 or such later date as the Association may agree; provided, however, that the provision of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(b) The Japanese Trust Fund Grant Agreement shall have failed to be duly executed and delivered or any condition precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder shall have failed to be met by December 31, 2005 or such later date as the Association may agree; provided, however, that the provision of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(c) The Austrian Trust Fund Grant Agreement shall have failed to be duly executed and delivered or any condition precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder shall have failed to be met by March 31, 2006 or such later date as the Association may agree; provided, however, that the provision of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the
Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(d) The GEF Trust Fund Grant Agreement shall have failed to be duly executed and delivered or any condition precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder shall have failed to be met by December 31, 2005 or such later date as the Association may agree; provided, however, that the provision of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(e) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the EC Grant, the Japanese Grant, the GEF Grant, the Dutch Grant or the Austrian Grant, respectively, made to the Borrower for the financing of the Project, shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the EC Trust Fund Grant Agreement, the Japanese Trust Fund Grant Agreement, the GEF Trust Fund Grant Agreement, the Austrian Trust Fund Grant Agreement, or the Dutch Trust Fund Grant Agreement, respectively.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the EC Trust Fund Grant Agreement, the Japanese Trust Fund Grant Agreement, the GEF Trust Fund Grant Agreement, the Austrian Trust Fund Grant Agreement, or the Dutch Trust Fund Grant Agreement, respectively; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(f) The Borrower shall have failed to perform any of its obligations under the EC Trust Fund Grant Agreement, the Japanese Trust Fund Grant Agreement, the GEF Trust Fund Grant Agreement, the Austrian Trust Fund Grant Agreement, or the Dutch Trust Fund Grant Agreement, respectively.

(g) The ESSF, the Resettlement Plan, the Project Implementation Plan or the Operational Manuals shall have been amended, suspended, abrogated, repealed or waived, so as to affect materially and adversely, in the opinion of the Association, the carrying out of the Project.
(h) A situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely that any events specified in paragraphs (f) and (g) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) The Dutch Trust Fund Grant Agreement has been duly executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement, have been fulfilled; and

(b) the Operational Manuals have been adopted by the Borrower.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:
For the Borrower:

Ministry of Finance
Bulevardi “Deshmoret e Kombit”
Tirana
Albania

Facsimile:
355 42 28494

For the Association:

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

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Tirana, Albania, as of the day and year first above written.

ALBANIA

By /s/ Arben Malaj

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Nadir Mohammed

Authorized Representative
SCHEDULE 1
Withdrawal of the Proceeds of the Credit

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works</td>
<td>3,450,000</td>
<td>80%</td>
</tr>
<tr>
<td>(3) Grants under Part B.4 (a) of the Project</td>
<td>2,960,000</td>
<td>80%</td>
</tr>
<tr>
<td>(4) Engineering Services</td>
<td>1,160,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Consultants’ Services</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Training</td>
<td>150,000</td>
<td>100%</td>
</tr>
<tr>
<td>(7) Incremental Operating Costs</td>
<td>290,000</td>
<td>100%</td>
</tr>
<tr>
<td>(8) Refunding of Project Preparation Advance</td>
<td>1,000,000</td>
<td>Amount due pursuant to Section 2.02 (b) of this Agreement</td>
</tr>
<tr>
<td>(9) Unallocated</td>
<td>190,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>11,700,000</td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule:

   (a) the term “Incremental Operating Costs” means reasonable and necessary incremental expenditures, as approved by the Association on the basis of budgets acceptable to the Association, which would not have been incurred absent the Project and include, inter alia, costs with respect to: (i) maintenance and operation of equipment
procured or used for the management of the Project; (ii) salaries paid to staff, other than
civil servants’ salaries, hired for purposes of the Project; (iii) travel costs and per diems
paid to staff hired for purposes of the Project; and (iv) consumable office supplies;

(b) the term “Training” means expenses incurred by the Borrower in
connection with carrying out training activities, study tours and workshops under the
Project, including travel costs and per diem for local trainees, trainers and workshop
attendees, rental of facilities and equipment and training materials and related supplies; and

(c) the term “Engineering Services” means expenditures for costs of surveys,
feasibility studies, design and construction supervision.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be
made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on
the basis of statements of expenditure for expenditures under contracts for: (a) goods
costing less than $100,000 equivalent per contract; (b) works costing less than $200,000
equivalent per contract; (c) services of individual consultants costing less than $50,000
equivalent per contract; (d) services of consulting firms under contracts costing less than
$100,000 equivalent per contract; and (e) all grants under Part B.4 (a) of the Project, all
under such terms and conditions as the Association shall specify by notice to the
Borrower.

5. Upon receipt by the Borrower of a written notice from the Association, the
Borrower may request withdrawals from the Credit Account to be made on the basis of
reports to be submitted to the Association in form and substance satisfactory to the
Association, such reports to include the FMR and any other information as the
Association shall specify by notice to the Borrower (Report-based Disbursements). In
the case of the first such request submitted to the Association before any withdrawal has
been made from the Credit Account, the Borrower shall submit to the Association a
statement with the projected sources and applications of funds for the Project for the six-
month period following the date of such request.

B. Special Account

1. The Borrower may open and maintain in Dollars a special deposit account in a
bank acceptable to the Association, on terms and conditions satisfactory to the
Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special
Account has been opened, withdrawals from the Credit Account of amounts to be
deposited into the Special Account shall be made as follows:
(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provision of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of paragraph 2 of Part B of this Schedule, the Association shall not be required to make further deposits into the Special Account:

   (a) if the Association, at any time, is not satisfied that the reports referred to in paragraph 5 of Part A of this Schedule 1 adequately provide the information required for Report-based Disbursements;

   (b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

   (c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of paragraph 2 of Part B of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall
so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to subparagraphs (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.
Annex A  
 to  
 SCHEDULE 1  

Operation of Special Account  
When Withdrawals Are Not  
Report-based Disbursements

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount equivalent to $1,700,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to $1,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 5,500,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested.

   (b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall
specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.
Annex B

to

SCHEDULE 1

Operation of Special Account
When Withdrawals Are
Report-based Disbursements

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.
SCHEDULE 2

Description of the Project

The objective of the Project is to establish an integrated approach to coastal zone management by carrying out policy reform, institutional development and investments to protect coastal resources and promote sustainable development and management of the Borrower’s southern coast.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Policy and Institutional Capacity Building for Integrated Coastal Zone Management

1. Provision of technical assistance for the development of a legal and policy framework and a financial and economic incentive framework for integrated coastal zone management.

2. Provision of equipment, training and technical assistance to:
   
   (a) build capacity for land use planning, enforcement and compliance with land use regulations for the MoTAT, municipal staff and construction police staff;
   
   (b) build capacity for resolution of disputes arising from demolition of buildings on the southern coast;
   
   (c) build institutional capacity for management of the coastal areas;
   
   (d) develop environmental monitoring and reporting procedures and practices with the goal to meet the requirements of the European Environmental Agency;
   
   (e) update and implement a protected area management plan for Butrint National Park; and
   
   (f) develop the Southern Coast Development Plan.

Part B: Infrastructure Building and Rehabilitation on the Southern Coast

1. Construction of two regional landfills for the municipalities of Saranda and Himare and piloting of a construction and demolition waste collection scheme, as well as community awareness raising, through the provision of construction works, Engineering Services, technical assistance and training.
2. Improvement of the water supply and sewage systems in the town of Sarranda through provision of Engineering Services, civil works and equipment.

3. Conversion of the port of Saranda into a ferryboat and passenger terminal, capacity building for management of the terminal, and completion of an Environmental Impact Assessment for the terminal area, through provision of construction works, Engineering Services, and technical assistance.

4. Implementation of the Coastal Village Conservation and Development Program through:

   (a) the provision of Grants for Sub-Projects for: (i) improvements of infrastructure, such as repair or extensions of water supply and sewage systems, protection measures for cultural heritage sites, repair and rebuilding of village roads and other village infrastructure, and improvements of tourism infrastructure; and (ii) activities relating to environmental protection and economic sustainability, such as participatory forest and pasture management activities, and the establishment of environmental demonstration farms; and

   (b) the provision of technical assistance and Engineering Services for capacity building and technical activities, such as training for local government staff and staff of other Beneficiaries, for the development of participatory village development plans.

Part C: Decontamination, Remediation and Rehabilitation of the Porto Romano Chemical Plant and Dump Site

1. Provision of technical assistance for the management of hazardous waste processes and community awareness raising.

2. Provision of technical assistance for the establishment of the baseline for a hydrogeological and environmental monitoring program to measure pollution levels in soil and groundwater.

3. Provision of technical assistance for the development of a participatory land use management plan for the Porto Romano area.

4. Provision of civil works for the decontamination, remediation and rehabilitation of the Porto Romano chemical plant and dump site, including the construction of a drainage system.

Part D: Project Management and Monitoring

Provision of goods, technical assistance and training for:
1. Establishment and maintenance of the PCU and support for Project implementation by the PCU.

2. Establishment and maintenance of Project implementation teams within the MoE and the Butrint National Park Administration.

3. Monitoring and evaluation of the Project and development of a public awareness and communication strategy for the Project.


5. Preparation of the second phase of the Program.

* * *

The Project is expected to be completed by September 30, 2009
SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding

   (a) General

       Works estimated to cost less than $500,000 but more than $100,000 equivalent per contract, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

   (b) Improvement of Bidding Procedures

       In order to ensure economy, efficiency, transparency and broad consistency with the provision of Section 1 of the Guidelines:
(i) invitations to bid shall be advertised locally in regional newspapers and in at least two national newspapers with wide circulation, at least thirty (30) days prior to the deadline for the submission of bids;

(ii) 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 Borrower;

(iii) bidding shall not be restricted to pre-registered firms;

(iv) procuring entities should use the bidding documents approved by the Association prior to their issue to bidders;

(v) bids shall be opened in public in one location, immediately after the deadline for submission of bids in the presence of the representatives of the bidders;

(vi) in case of higher bid prices compared to the official estimate, all bids may be rejected with the prior concurrence of the Association;

(vii) in case of less than three (3) responsive bids, all bids may be rejected and new bids may be solicited without prior concurrence of the Association;

(viii) a single-envelope procedure shall be used for the submission of bids;

(ix) 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;

(x) bidders who contract as a joint venture shall be held jointly and severally liable;

(xi) bidders may be required to submit bid securities in an amount appropriate to the estimated value of the contract and in a form acceptable to the Borrower;

(xii) before rejecting all bids and soliciting new bids, the prior concurrence of the Association shall be obtained;
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;

post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders; and

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

2. **Shopping.** Goods and works estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. **Direct Contracting.** Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. **Community Participation.** Goods, works and services required for Part B.4 (a) of the Project may be procured on the basis of community participation in accordance with the procedures set forth in the Procurement Plan and in the Operational Manuals.

5. **Commercial Practices.** Items to be financed under Grants made for Subprojects under Part B.4 (a) (ii) of the Project, developed by local associations or private enterprises, may be procured in accordance with commercial practices acceptable to the Association in accordance with the procedures set forth in the Procurement Plan and in the Operational Manuals.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality- and Cost-based Selection.** Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $100,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Selection Under a Fixed Budget.** Services provided by the consulting firm carrying out the design and implementation of the public awareness campaign shall be procured under a contract awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. **Least-cost Selection.** Services provided by the consulting firm carrying out the Project audit shall be procured under a contract awarded on the basis of Least-cost
Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. **Selection Based on Consultants' Qualifications.** Services by consulting firms estimated to cost less than $200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. **Individual Consultants.** Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

**Section IV. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.
SCHEDULE 4

Implementation Program

Overall Project Coordination and Management

1. The Borrower shall carry out the Project in accordance with the following overall coordination mechanisms:

   (a) The Project Steering Committee shall be responsible for Project oversight.

   (b) The MoTAT, through the PCU and the Project implementation team within the Coastal Village Conservation Development Program, shall generally be responsible for implementation of Project activities, and for the support of implementation activities to be carried out by other entities and agencies. The Project Coordination Unit shall be responsible for Project coordination, procurement, financial management, disbursement, and monitoring and evaluation of the Project.

   (c) The Project Authorizing Official shall supervise the work of the PCU and have sign-off authority over procurement activities.

2. The Borrower shall take, or cause to be taken, all measures necessary for the implementation of the ESSF and the Resettlement Plan.

3. The Borrower shall take, or cause to be taken, all measures necessary to ensure that the Project is implemented in accordance with the Project Implementation Plan and the Operational Manuals in a timely manner.

4. The Borrower shall, by October 3, 2005, appoint the members of the Project Steering Committee.

5. The Borrower shall ensure that, by October 3, 2005, the PCU shall be operational and adequately staff and, thereafter, maintained, under terms of reference acceptable to the Association.

6. The Borrower shall ensure that, by October 3, 2005, the staff in charge of Project implementation within the Coastal Village Conservation and Development Program and the Ministry of Environment has been appointed, is operational and is thereafter maintained, under terms of reference acceptable to the Association.
7. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about October 31, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) review with the Association, by November 30, 2007, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter; and

(d) prepare and furnish to the Association for review, the budget for the MoTAT for each calendar year.

Project Coordination and Management for Part A of the Project

8. The MOE shall be responsible for implementation of activities under Part A.2 (c) and A.2 (d) of the Project.

9. The MoCYS, through the Butrint National Park Administration, and coastal communes and municipalities shall be responsible for implementation of Part A.2 (e) of the project.

Project Coordination and Management for Part B of the Project

10. The municipalities of Saranda and Himare, in coordination with the MoTAT, shall be responsible for implementation of activities under Part B.1 of the Project.

11. The MoTT shall be responsible for implementation of activities under Part B.3 of the Project

12. The MoCYS, through the Butrint National Park Administration, and coastal communes and municipalities shall be responsible for implementation of certain activities under Part B.4 (a) of the Project.
Project Coordination and Management for Part C of the Project

13. The MoE shall be responsible for implementation of activities under Part C of the Project.

Project Coordination and Management of Part D of the Project

14. The MOE and the MoCYS, through the Butrint National Park Administration, in coordination with MoTAT, shall be responsible for implementation of activities under Part D of the Project.