OFFICIAL DOCUMENTS

ENERGY COMMUNITY OF SOUTH EAST EUROPE PROGRAM

Project Agreement

(Second Additional Financing for Dam Safety Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

ALBANIA POWER CORPORATION (KESH)
PROJECT AGREEMENT

AGREEMENT between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and Albania Power Corporation ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of the Signature Date between REPUBLIC OF ALBANIA ("Borrower") and the Bank, concerning Loan No. 8862-AL. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project and the Program. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions and the Schedule to this Agreement, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is its Chief Executive Officer.

3.02. For purposes of Section 10.01 of the General Conditions: (a) the Bank’s address is:

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

(b) the Bank’s Electronic Address is:

Telex: Facsimile: E-mail:
248423(MCI) or 1-202-477-6391 msaliml@worldbank.org
64145(MCI)
3.03. For purposes of Section 10.01 of the General Conditions: (a) the Project Implementing Entity's address is:

Albania Power Corporation
Blloku Vasil Shanto
Tirana, Albania; and

(b) the Project Implementing Entity's Electronic Address is:

Facsimile: E-mail:
355 422 34501 bundof@kesh.al
AGREED as of the later of the two dates written below.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

[Signature]

Authorized Representative

Name: MARYAM SALIM
Title: COUNTRY MANAGER
Date: June 21, 2018

ALBANIA POWER CORPORATION

By

[Signature]

Authorized Representative

Name: AGON BETUR
Title: CHIEF EXECUTIVE OFFICER
Date: June 21, 2018
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Project Implementing Entity shall maintain a Project Management Unit, responsible for all aspects of implementation of the Project, including procurement, financial management, Project monitoring and evaluation, and management of environmental, social and dam safety issues.

2. The Project Implementing Entity shall ensure that, during the entire life of the Project, the Project Management Unit is operational, adequately staffed, funded and maintained, under terms of reference acceptable to the Bank.

B. Implementation Covenants

1. The Project Implementing Entity shall carry out the Project in accordance with the Dam Safety Institutional Plan.

2. The Project Implementing Entity shall implement the Project in accordance with the Emergency Preparedness Plan, in a manner satisfactory to the Bank.

3. (a) Except as the Bank shall otherwise agree, the Project Implementing Entity shall not incur any debt, unless a reasonable forecast of the revenues and expenditures of the Project Implementing Entity, shows that its estimated net revenues for each fiscal year during the term of the debt to be incurred shall be at least 1.5 times its estimated debt service requirements in such year on all of its debt including the debt to be incurred.

(b) For purposes of this Section:

(i) The term “debt” means any indebtedness maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
(iii) The term "net revenues" means the difference between:

(A) the sum of revenues from all sources related to operations and net non-operating income; and

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payment if any) of, and interest and other charges on, debt.

(vi) The term "reasonable forecast" means a forecast prepared by the Project Implementing Entity not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Bank and the Project Implementing Entity accept as reasonable and as to which the Bank has notified the Project Implementing Entity of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Project Implementing Entity.

(vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

4. (a) Except as the Bank shall otherwise agree, the Project Implementing Entity shall produce for each fiscal year, funds from internal sources equivalent to not less than thirty-five percent (35%) of the annual average of its capital expenditures incurred or expected to be incurred, for the current, the previous fiscal year and subsequent fiscal year.
(b) By October 15 in each of its fiscal years, the Project Implementing Entity shall, on the basis of forecasts prepared by the Project Implementing Entity and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to the Bank the results of each such review upon its completion.

(c) If any such review shows that the Project Implementing Entity would not meet the requirements set forth in paragraph (a) for the Project Implementing Entity fiscal year covered by such review, the Project Implementing Entity shall promptly take all necessary measures (including, without limitation, proposing adjustments of the structure or levels of its prices) in order to meet such requirements.

(d) For the purpose of this Section:

(i) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations.

(ii) The term "funds from internal sources" means the difference between:

(A) the sum of revenue from all sources related to operations, consumer deposits and consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash; and

(B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures.

(iii) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

5. The Project Implementing Entity shall review, by October 15 of each year, its program of proposed capital expenditures for the following five years, and, thereafter, finalize said program, acceptable to the Bank.
C. Safeguards.

(a) Environmental Management Plan

The Project Implementing Entity shall:

1. carry out the Project in accordance with the Environmental Management Plan which shall not amend, suspend, abrogate, repeal or waive any provision thereof without prior approval of the Bank; and

2. ensure that all technical assistance under the Project shall only be undertaken pursuant to terms of reference satisfactory by the Bank, such terms of reference to ensure that the technical assistance takes into account, and calls for application of the Bank’s Safeguard Policies.

(b) Dam Safety

The Project Implementing Entity, at all times during Project implementation, shall:

(i) maintain the Panel of Experts, with qualifications, resources and experience, satisfactory to the Bank, which Panel of Dam Safety Experts is responsible for advising the Borrower and the Project Implementing Entity on matters related to safety of dams being rehabilitated under Part 1 of the Project; including reviewing designs and studies for rehabilitation of said dams and monitoring and reporting on the rehabilitation works of said dams and the completion of said works;

(ii) prior to commencement of tendering for works to be carried out under the Project:

(A) prepare, or cause to be prepared, in accordance with a framework acceptable to the Bank, detailed and time-bound plans, relating to said dams, for: (1) construction supervision and quality assurance; (2) instrumentation; (3) operation and maintenance; and (4) Emergency Preparedness Plan; and

(ii) finalize said plans taking into account the Bank’s comments thereon.

Thereafter, implement, or cause to be implemented, such plans that have been accepted by the Bank; and

(iii) after completion of construction works at said dams, have independent qualified professionals carry out periodic safety inspections of said dams.
(c) **Grievance Redress Mechanism**

The Project Implementing Entity shall maintain, throughout Project implementation, and publicize the availability of a grievance redress mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.

**Section II. Project Monitoring Reporting and Evaluation**

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank and the Borrower not later than two (2) weeks after the end of the period covered by such report for incorporation and forwarding by the Borrower, through the Ministry of Infrastructure and Energy, to the Bank of the overall Project Report.

2. The Project Implementing Entity shall provide to the Bank and the Borrower the information report not later than forty-five (45) days, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Bank or the Borrower shall reasonably request for the purposes of that Section.

**Section III. Procurement**

All goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.