Loan Agreement

(Additional Financing for the Water Resources and Irrigation Project)

between

REPUBLIC OF ALBANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
LOAN NUMBER 8817-AL

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF ALBANIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

WHEREAS (A) under an agreement, dated December 14, 2012, between the Borrower and the Bank ("Original Loan Agreement"), the Bank agreed to provide the Borrower with a loan ("Original Loan") in an amount equivalent to thirty-one million Euro (EUR 31,000,000) to assist in the financing of the Water Resources and Irrigation Project, as described in Schedule 1 to the Loan Agreement ("Original Project"); and

(B) the Borrower has requested the Bank to provide additional financing in support of the on-going activities related to Parts 1, 2 and 4 of the Original Project, as fully described and restated in Schedule 1 to this Agreement ("Project"), by making available to the Borrower an additional loan ("Additional Loan");

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing to extend such Additional Loan to the Borrower as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower the amount of EUR 23,000,000 (twenty-three million Euro) ("Loan"), to assist in financing the Project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.

2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
2.05. The interest rate is the Reference Rate plus the Fixed Spread subject to Section 3.02(e) of the General Conditions.

2.06. The Payment Dates are May 1 and November 1 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project, through MARD, in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS

4.01. The Additional Condition of Effectiveness consists of the following, namely that the Borrower has updated and adopted the Project Operational Manual prepared in a manner satisfactory to the Bank.

4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is its Minister of Finance and Economy or any successor thereto.

5.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower’s address is:

   Ministry of Finance and Economy
   “Dëshmorët e Kombit” Boulevard, No. 3
   Tirana, Albania

   and

(b) the Borrower’s Electronic Address is:

   Facsimile:

   355 42228494 sekretariamin@financa.gov.al
5.03. 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: 248423(MCI) or 64145(MCI)  
Facsimile: 1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF ALBANIA

By

Authorized Representative

Name: ARBEN AHMETAJ
Title: MINISTER
Date: 19.03.2018

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: MARYAM SALIM
Title: COUNTRY MANAGER
Date: MARCH 19, 2018
SCHEDULE 1

Project Description

The objective of the Project is to: (i) establish the strategic framework to manage water resources at the national level and at the level of the Drin-Buna and Semani river basins; and (ii) improve irrigation service delivery in Selected Irrigation Systems.

The Project consists of the Original Project, whose Parts are restated below for ease of reference:

Part 1. Dams and Irrigation and Drainage Systems Rehabilitation

(a) Rehabilitation and modernization of selected dams and irrigation and drainage systems.

(b) (i) Preparation and implementation of safeguard instruments and measures associated with the rehabilitation and modernization activities under Part 1(a) above, including environmental and social management plans and resettlement action plans, where applicable; and (ii) strengthening the framework governing safety of agricultural dams, including capacity strengthening and awareness raising and preparation of plans for construction supervision and quality assurance, instrumentation, operation and maintenance, and emergency preparedness.

Part 2. Institutional Support for Irrigation and Drainage

(a) Definition of responsibilities for operation and maintenance of irrigation and drainage systems among stakeholders (including ministries, drainage boards, local governments, water users organizations and private operators) through, inter alia:

(i) Preparation of a national irrigation and drainage strategy.

(ii) Development of cooperation arrangements (including contractual arrangements) among agencies including through provision of consultants services.

(iii) Development and formalization of irrigation and drainage service delivery standards.

(iv) Development and carrying out of small scale pilots in public private partnership, including outsourcing operations and maintenance of irrigation and drainage schemes to private operators.
(b) Strengthening the capacity of organizations that provide irrigation and drainage services and the capacity of stakeholders (including, ministries, drainage boards, local governments, water user organizations, and private operators), through *inter alia*, provision of goods and also training in selected areas, including contract management and outsourcing, administration, financial management, procurement, water management and operations, and maintenance.


Establishment of a strategic framework for management of water resources through, *inter alia*:

(a) Preparation of a national integrated water resource management strategy including: establishment of a stakeholder forum for cross-sectoral dialogue and decision making under the aegis of the National Water Council; and strengthening capacities of institutions responsible for integrated water resource management such as the National Water Council and its Technical Secretariat, and the River Basin Councils and River Basin Agencies of the Drin-Buna and Semani basins.

(b) Preparation of river basin management plans for the Drin-Buna and Semani river basins, including identification of structural and non-structural measures to improve the quality of integrated water resource management and strengthening capacity to implement said plans through provision of training and goods to River Basin Agencies and minor rehabilitation of their offices.

(c) Establishment of a consolidated water resources database to be used as basis for national water resources planning and programming.

Part 4. Implementation Support

Provide support for the implementation of the Project, including provision of technical assistance, training, and goods, and establishment and implementation of a performance based management information system.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall maintain, for purposes of carrying out the Project, the following organizations, with terms of reference, staffing and other resources acceptable to the Bank, throughout the period of implementation of the Project:

(a) The Project Steering Committee, established pursuant to Section 4.01(a) of the Original Loan Agreement.

(b) The Project Management Team, established within MARD, responsible for: day-to-day Project management, coordination with Project stakeholders, the Bank, and co-financiers; monitoring and evaluation of Project activities; preparation of annual implementation plan and budget; updating of the procurement planning and PPSD preparation of procurement documents; preparation of financial and progress reports; and maintaining of Project document filing.

B. Project Operational Manual

1. The Borrower, through MARD:

(a) shall carry out the Project, and cause the Project to be carried out, in accordance with the project operational manual that the Bank has confirmed to be satisfactory (“Project Operational Manual”); and

(b) shall not amend, delete, suspend, or waive any part of the Project Operational Manual, without the prior approval of the Bank.

C. Safeguards

Environment Protection and Resettlement

1. The Borrower, through MARD, shall carry out, and cause to be carried out, the following actions: (a) implementation of the Environmental and Social Framework Document; (b) preparation and furnishing to the Bank for approval of, site-specific environmental and social management plans (including provisions relating to pest management) in accordance with the Environmental and Social Framework Document; and (c) implementation of said site-specific environmental and social management plans that have been approved by the Bank, all in a manner
satisfactory to the Bank, and necessary to ensure that the Project is implemented in accordance with sound environmental practices and standards.

2. Without limitation to paragraph 1 of this Section I.C, the Borrower, through MARD, shall not commence, or permit, tendering for works under the Project until the Bank has approved the site-specific environmental and social management plan relating to such works in accordance with the provision of said paragraph 1.

3. The Borrower, through MARD, shall:

   (a) take all necessary actions to minimize, to the extent possible, any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, in carrying out the Project; and

   (b) whenever implementation of the Project or modification/finalization of any Project design or works would give rise to Displaced Persons, and prior to commencement of any works related to such implementation, modification or finalization, provide to the Bank for its review and approval, a site-specific resettlement action plan prepared in accordance with the principles and procedures set forth in the Resettlement Policy Framework and, thereafter, implement in a manner satisfactory to the Bank (which includes, unless otherwise agreed with the Bank, payment in full of compensation to all Displaced Persons) such site-specific resettlement action plan as shall have been approved by the Bank.

4. The Borrower, through MARD, shall:

   (a) provide, and cause to be provided, to the Bank for its prior concurrence, any proposed modification or waiver, in whole or part, any of the following: (i) Environmental and Social Framework Document; (ii) the site-specific environmental and social management plans prepared and approved by the Bank in accordance with paragraph 1 of this Section I.C; (iii) the Resettlement Policy Framework; and (iv) site-specific resettlement action plans prepared and approved by the Bank in accordance with paragraph 3 of this Section I.C; and

   (b) put into effect, and cause to be put into effect, only such modification or waiver as shall have been agreed by the Bank.
5. The Borrower, through MARD, shall:

(a) maintain policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of: (i) Environmental and Social Safeguard Framework; (ii) the site-specific environmental and social management plans prepared and approved by the Bank in accordance with paragraph 1 of this Section I.C; (iii) the Resettlement Policy Framework; and (iv) site-specific resettlement action plans prepared and approved by the Bank in accordance with paragraph 3 of this Section I.C, and the achievement of the objectives of each foregoing instrument; and

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank the results of the monitoring and evaluation activities with respect to each of the instruments referred to in sub-paragraph (a) above.

**Dam Safety**

6. To ensure the safety of the dams to be rehabilitated under Part 1 of the Project and/or included in the Selected Irrigation Systems, the Borrower, through MARD, shall:

(a) maintain the Panel of Dam Safety Experts, with qualifications, resources and experience, satisfactory to the Bank and which Panel of Dam Safety Experts is responsible for advising MARD on matters related to safety of said dams; including reviewing designs for rehabilitation of said dams and monitoring and reporting on the rehabilitation works of said dams and the completion of said works;

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

(i) 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: (A) construction supervision and quality assurance; (B) instrumentation; (C) operation and maintenance; and (D) emergency preparedness; and

(ii) finalize said plans or cause them to be finalized, 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

(c) after completion of construction works at said dams, have independent qualified professionals carry out periodic safety inspections of said dams.
Section II. Project Monitoring Reporting and Evaluation

The Borrower, through MARD, shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of Loan Proceeds

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay the Front-end Fee in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Additional Loan (expressed in Euro)</th>
<th>Percentage of Expenditures Financed (exclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services and Training under the Project with the exception of Part 3</td>
<td>22,942,500</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Front End Fee</td>
<td>57,500</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL</td>
<td>23,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

(a) for payments made prior to the Signature Date;
(b) until the amounts allocated to Category 1(b) of the table under Article IV.A. 2 of the Original Loan Agreement shall have been fully disbursed; and

(c) in respect of the following Parts of the Original Project: (i) activities under Part 3 of the Project; and Part 2(a)(i) of the Project.

2. The Closing Date is May 31, 2020.
SCHEDULE 3
Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 1 and November 1</td>
<td></td>
</tr>
<tr>
<td>Beginning May 1, 2025</td>
<td></td>
</tr>
<tr>
<td>Through May 1, 2042</td>
<td>2.78%</td>
</tr>
<tr>
<td>On November 1, 2042</td>
<td>2.70%</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.

2. “Category” means a category set forth in the table in Section III. A of Schedule 2 to this Agreement.

3. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation 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 persons.

4. “Environmental and Social Framework Document” means the Environmental and Social Framework Document dated October 1, 2017 updated for purposes of this Additional Loan, which sets out the policies and procedures for the screening of proposed Project activities (including, rehabilitation and modernization of dams and irrigation and drainage systems), and for the preparation of site-specific environment and social management plans therefor during the implementation of the Project, as such documents may be amended from time to time with the agreement of the Bank.


6. “MARD” means the Borrower’s Ministry of Agriculture and Rural Development or any successor thereto.

7. “National Water Council” means the National Water Council, which is the central decision making body for water resources management established pursuant to the Borrower’s Law No. 8093 dated March 21, 1996.

8. “Original Loan” means the Loan No. 8211-AL provided by the Bank to assist in the financing of the Original Project (as hereinafter defined).
9. "Original Loan Agreement" means the agreement for the financing of the Original Project (as hereinafter defined) between the Borrower and the Bank, dated December 14, 2012.

10. "Original Project" means the Project described in the Original Loan Agreement.

11. "Panel of Dam Safety Experts" means the panel of five (5) experts in the various technical fields relevant to the safety aspects of the dams included in the Selected Irrigation Systems, which panel was established pursuant to terms of reference acceptable to the Bank, in order to review and advise MARD on matters relative to dam safety.

12. "Procurement Regulations" means, for purposes of paragraph 85 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016.


14. "Project Operational Manual" means the manual prepared by the Borrower under the Original Project and confirmed to be satisfactory to the Bank which has been updated and adopted by the Borrower pursuant to Section 4.01 of this Agreement.

15. "Resettlement Policy Framework" means the resettlement policy framework dated October 9, 2012, which framework sets out the policies and procedures for the acquisition of land and other assets, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of site-specific resettlement action plans whenever required during the implementation of the Project, as said framework may be amended from time to time with the prior concurrence of the Bank.

16. "River Basin Agencies" means the river basin agencies established pursuant to the Borrower's Law No. 8093 dated March 21, 1996 with responsibilities relating to water resources, including keeping inventories and drafting of proposals for investment and management, with focus on reducing pollution and addressing other problems.

17. "River Basin Councils" means the river basin councils established pursuant to the Borrower's Law No. 8093 dated March 21, 1996 with responsibilities as defined by the National Water Council.

18. "Selected Irrigation Systems" means, inter alia: (a) the following dams and their associated irrigation and drainage systems: T'Plani, Vranishti 2, Tregtani 2, Tregtani 3, Murriz Thana, Kurjani, Strumi, Zharreza, Slanica, Belesova, Duhanasi,
Staravecka, Leminiti, and Koshnica; (b) the irrigation and drainage systems of Bushat and Xarrë; and (c) any other dams and/or irrigation and drainage systems agreed between the Borrower and the Bank.

19. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.

20. “Training” means expenditures to be incurred for the purchase of training materials, rental of training facilities, per diem and related travel of trainers with respect to the Project.