May 30, 2013

H.E. Ridvan Bode
Minister of Finance
Ministry of Finance
Bulevardi Deshmoret e Kombit
Tirana, Albania

Re: Swedish Grant for Co-financing of the Albania Water Resources and Irrigation Project
Grant No. TF014255

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 ("World Bank"), acting as administrator of grant funds provided by Sweden, represented by Swedish International Development Cooperation Agency (Sida) ("Donor"), proposes to extend to the Recipient a grant in an amount not to exceed four million six hundred seventy-five thousand United States Dollars (US$ 4,675,000) ("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"). The purpose of the Grant is to cofinance a Water Resources and Irrigation Project, for which a loan (IBRD Loan Number 821-AL) has been extended to Albania, pursuant to the Agreement between Albania and the World Bank dated December 14, 2011, in the amount of thirty-one million Euros (€31,000,000) (the "IBRD Loan Agreement").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. 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 Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective after notification by the Recipient of completion of its internal
procedures; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement and the respective notification within 60 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Anthony A. Gaeta
Acting Country Director for Southeast Europe
Europe and Central Asia Region

AGREEED:
ALBANIA

By: ____________________________
Authorized Representative

Name: __________________________

Title: __________________________

Date: __________________________

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guide lines 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, the Loan IBRD Agreement, or in this Agreement.

Article II
Project Execution

2.01. **Project Objective and Description.** The objective of the Project is to co-finance Parts 3 and 4 of the Water Resources and Irrigation Project (Loan 8211-AL) which aims to establish the strategic framework to manage water resources at the national level and in the Drin-Buna and Semani river basins. The Project consists of the following parts:

**Part 3: Institutional Support for Integrated Water Resources Management**

Provision of works, consultant services, goods, and training for the establishment of a strategic framework for management of water resources through, *inter alia*:

(i) preparation of a national integrated water resource management strategy;
(ii) preparation of river basin management plans for the Drin-Buna and Semani river basins; and
(iii) establishment of a consolidated water resources database to be used as a basis for national water resources planning and programming.

**Part 4: Implementation Support**

Provision of works, technical assistance, training, office equipment and vehicles, and incremental operating costs in support of project management, and establishment and implementation of a performance-based management information system.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Environment, Forestry and Water Administration (MEFWA) in accordance with the provisions of (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.
2.03. **Institutional and Other Arrangements.** The Recipient shall carry out the Project in accordance with the Project Operations Manual and shall not amend, suspend, abrogate, repeal or waive any provision of the Project Operations Manual without prior approval by the Bank.

2.04 **Safeguards.**

(a) Environment Protection and Resettlement

The Recipient, through MAFCP and MEFWA, shall carry out, and cause to be carried out, the following actions: (a) implement the Environmental and Social Safeguard Framework; (b) prepare and furnish to the World Bank for approval, site-specific environmental and social management plans (including provisions relating to pest management) in accordance with the Environmental and Social Safeguard Framework; and (c) implement said site-specific environmental and social management plans that have been approved by the World Bank, all in a manner satisfactory to the World Bank, and necessary to ensure that the Project is implemented in accordance with sound environmental practices and standards.

(b) Without limitation to sub-paragraph (a) of this paragraph, on Environment Protection and Resettlement, the Recipient shall not commence tendering for works under the Project until the World Bank has approved the site-specific environmental and social management plan relating to such works in accordance with the provision of said sub-paragraph 2.04 (a).

(c) The Recipient, through MAFCP and MEFWA, shall:

(i) 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

(ii) whenever implementation of the Project or modification/finalization of any Project design or works would give rise to Displaced Persons, prior to commencement of any works related to such implementation, modification or finalization, provide to the World 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 World Bank (which includes, unless otherwise agreed with the World Bank, payment in full of compensation to all Displaced Persons) such site-specific resettlement action plan as shall have been approved by the World Bank.

2.05. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.
2.06  *Project Monitoring, Reporting and Evaluation.* (a) The Recipient through MEFWA shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than 45 days after the end of the period covered by such report.

(b) The Recipient through MEFWA 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.

2.07. *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, through MEFWA, shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient through MEFWA shall have its Financial Statements related to the Project 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.

2.08. *Procurement* 

(a) **General.** All goods, works and consultants' services required for the Project and to be financed from the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods, works and non-consulting services;

(ii) Sections III and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient through MEFWA for the Project in accordance with paragraph 1.14 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").
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 Works

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts which are specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting; and (C) National Competitive Bidding, subject to the following additional provisions:

Modifications to the Recipient’s National Competitive Bidding Procedures.

The National Competitive Bidding procedures (“NCB”) shall be based on the Open Tendering procedures as defined in the Public Procurement Law (“PPL”) of Albania (Law No. 9643 dated November 20, 2006, as amended), provided, however, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the Procurement Guidelines and the following additional provisions:

(i) “Open Tendering” procedures as defined in the PPL of Albania shall apply to all contracts financed by the World Bank.

(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 Republic of Albania. Registration shall not be used to assess bidders’ qualifications.

(iii) Bids shall be opened in public in one location, immediately after the deadline for submission of bids in the presence of the representatives who choose to attend.

(iv) The procuring entities shall use sample bidding documents as approved by the World Bank.

(v) In case of higher bid prices compared to the official estimate, all bids shall not be rejected without the prior concurrence of the World Bank.

(vi) A single-envelope procedure shall be used for the submission of bids.

(vii) 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.

(viii) Bidders in the form of a joint venture shall be held jointly and severally liable.

(ix) Before rejecting all bids and soliciting new bids, the prior concurrence of the World Bank shall be obtained.
(x) 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.

(xi) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidder.

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

(xiii) Bid and contract guarantees shall be in the format included in the bidding documents. The bid guarantee shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension requested. No advance payments shall be made without a suitable advance payment guarantee.

(xiv) The bidding document and contract as deemed acceptable by the World Bank shall include provisions stating the World Bank's policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

(xv) In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Loan shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personal, consultants, service providers, or suppliers, shall permit the World Bank to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the World Bank. Acts intended to materially impede the exercise of the World Bank's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the 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 (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works, Goods, Consultants' Services, Training, and Incremental Operating Costs for Parts 3 and 4 of the Project</td>
<td>4,675,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>4,675,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section, “Incremental Operating Costs” means the reasonable incremental administration costs of MAFCP and MEFWA administration associated with the implementation of Project activities, including office maintenance, equipment, furniture, materials and supplies, communication costs and cost of fuel for field trips.

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 May 31, 2018.

Article IV
Recipient's Representative; Addresses

4.01. Recipient's Representative. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

4.02. Recipient's Address. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:
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  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:  
INTBAFRAD  
Washington, D.C.  
Telex:  
243423 (MCI) or 64145 (MCI)  
Facsimile:  
1-202-477-6391