

FINANCIAL AGREEMENT

BETWEEN
THE UNITED NATIONS OFFICE FOR PROJECT SERVICES
AND
THE CREDINS BANK Sh.a.

FOR A GUARANTEE FUND UNDER
THE PROGRAMME FOR ACTIVITIES IN SUPPORT OF THE ALBANIAN REGIONS
AND PREFECTURES (PASARP) - ALB/99/R71

This Agreement is made between:

The United Nations Office for Project Services, in its capacity as Executing Agency of the ALB/99/R71, "Program of Activities in Support of Albanian Regions and Prefectures" PASARP, represented by its Executive Director ... (hereinafter referred to as "UNOPS");

The Credins Bank S.H.a., a Bank having its headquarters in Tirana (Albania), in its capacity as the Fund Manager represented by its Executive Director. (Hereinafter referred to as the "BANK").

All of them in their legal capacity to contract have decided to subscribe to this Agreement, under the following considerations and clauses.

CONSIDERATIONS

I

UNOPS is a UN self-financing organization, which provides project management services for development and humanitarian projects undertaken by the United Nations system.

II

The BANK is duly licensed for credit activities in Albania and has adequate experience in dealing with small-scale credit operations. It is interested in extending permanently its own portfolio in a secure way, in order to support micro, small and medium entrepreneurs who normally have no access to the financial system, but who present economically and financially feasible as well as sustainable business plans.

The BANK has shown a sound track record in providing financial services and credit to micro, small and medium enterprises and is committed to managing the overall distribution of the funds to viable projects under the PASARP Program. In addition, The BANK has expertise in managing funds of the magnitude provided by UNOPS and carries out business in three Regions of Albania.

III

The "Program of Activities in Support of Albanian Regions and Prefectures" - ALB/99/R71 is funded by the Government of Italy and coordinated by the General Directorate for Development Co-operation (DGCS); the International Fund for Agricultural Development (IFAD) has been designated as fund manager and the United Nation for Project Services (UNOPS) as Executing Agency for PASARP.

The main objectives of the PASARP Program are:

- To re-establish normal conditions for economic growth and job creation, and strengthen local managerial and delivery capacities in the social and economic sectors;
- To support the reconstruction process at the local level, through enhancement of decision-making capacities in a context of economic recovery; and
- To support the efforts of governmental authorities in promoting decentralization policies by strengthening local economic and administrative capabilities and promoting local participation.

IV

During Phase I of the PASARP Program, and in order to achieve the objectives of the Local Economic Development component, UNOPS established Local Economic Development Agencies (LEDAs) in three different regions ("AULEDA" in VLORA, "TAULEDA" in DURRES, and "TEULEDA" in SHKODRA). The role of the LEDAs is to promote sustainable economic growth and employment creation at the local level in Albania.

During the Tripartite Review (TPR) meeting held on 20th March 2002, UNOPS presented a Workplan with activities of phase II of the PASARP Program, including "*the design of a sustainable credit scheme for the provision of financial support to local entrepreneurs*" approved at the central level by the Government of Italy as Donor and by the Ministry of Decentralization and Local Authorities as National counterpart, and endorsed at the local level by the Prefectural Working Groups (PWG) in the three designated regions.

Under the Economic Recovery component of the PASARP Program, the LEDAs conduct the following activities:

- Promoting the local economic potential through the creation and strengthening of micro, small and medium enterprises;
- Strengthening administrative and economic institutions at local and regional levels;
- Organizing the participation of the target population in the design and execution of the different components of the PASARP Program ;
- Offering technical assistance for micro and small business development
- Facilitating economic empowerment of small businesses and other enterprises; and
- Supporting the creation of entrepreneurial associations.

Mainly Through:

- a mechanism which enables access to credit and to financial services; and also
- Capacity building and training;
- Technical assistance;
- Information and research;
- Market linkages and business development, and
- Supporting concerted action of different organizations for international cooperation, in order to achieve multiplying effects of the different programs and projects.

V

The BANK, UNOPS and the LEDAs will promote access to credit for local entrepreneurs (hereinafter the "Clients") through the establishment of a Guarantee Fund (GF) and participation on a Credit Committee (CRC) deciding on the use of the funds deposited in the GF and the supervision of the overall credit scheme in the three Regions of SHKODRA, VLORA and DURRES.

In consideration of the above, the Parties have agreed on the following:

CLAUSES

1. PURPOSE OF THE AGREEMENT

- 1.1 The purpose of this Agreement is to establish a mechanism for channeling funds to micro, small, and medium enterprises (SMMEs), identified by the LEDAs, and provide them with access to the local banking system to support the development of local projects in the three designated Regions, on a sustainable basis.
- 1.2 The loans granted by the BANK under the PASARP Program will be secured by a Guarantee Fund established under the present Agreement. This mechanism will be implemented according to the conditions given in the following clauses and in its Operational Rules (Annex 2).

2. FINANCIAL RESOURCES

- 2.1 The financial resources of the Guarantee Fund (GF) under the PASARP Program are constituted by a deposit from UNOPS, representing a total amount of One Million and One Hundred Thousand United States Dollars (US\$ 1.100.000) of financial commitments.
- 2.2 UNOPS- shall deposit the funds upon signature of the present Agreement, on

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a special account administrated by the BANK under reference to be indicated by the BANK to UNOPS.

2.3 The total amount of One Million and One hundred Thousand United States Dollars (US\$ 1.100.000) will be subdivided in three specific sub-accounts, for each Agency (LEDA) of the prefectures of SHKODRA, VLORA, and DURRES according to the following :

- For the region of Shkodra an amount of **500.000 USD** (five hundred thousand US dollars)
- For the region of Vlora an amount of **350.000 USD** (three hundred and fifty thousand US dollars)
- For the region of Durres an amount of **250.000 USD** (two hundred and fifty thousand US dollars).

The respective amounts of the sub-accounts are not transferable from one to the other.

2.4 Additional resources may be deposited on the GF, either by UNOPS, or by other institutions and shall be recorded as an amendment to the present Agreement in accordance with clause 14 below .

2.5. After deposit in the GF of the amount mentioned above at paragraph 2.1 above , the BANK shall issue Loans to the Clients from its own resources under separate individual loan agreements to be entered into between the BANK and the Clients .

3. GUARANTEES AND COLLATERALS

3.1 UNOPS shall deposit its contributions in the GF to be used as collateral to Loans issued by the BANK to Clients for the purpose of financing enterprise development projects identified and presented by the LEDAs to the Credit Committee (CRC) as defined under Annex 1.

3.2 The G F may only be used to secure credit operations of the BANK to Clients guaranteed by UNOPS under the PASARP Program.

3.3 The financial resources of the GF will be subsidiary and complementary to collaterals presented by the Clients.

3.4 The BANK agrees that the GF shall serve to cover the risk of default that can be expected from a credit portfolio and is willing to promote credit operations for an amount that is superior to the Guarantee Fund itself. The Parties agree to apply a ratio of two (2) by one (1) between the credit and the Guarantee Fund. Based upon performance of the credit delivery, the Parties may decide to modify the above ratio.

3.5 Each loan financed by the BANK, with a decision of the Committee, shall be covered by the Guarantee Fund for a maximum amount of 84 % (which represents a coverage of 70% of the credit risk according to the regulations set by the Central Bank) and the balance by the Client (in accordance with the type of collateral offered from the client as per regulations set by the Central Bank of Albania).

3.6 In case of default the Bank will apply the regular procedures for the credit recovery based on the Rules and Procedures set by the Central Bank of Albania (see Annex 6).

4. INVESTMENT OF THE GUARANTEE FUND

4.1 The BANK agrees to administer the GF as described under Clause 10.2 below, and will advise UNOPS on the optimal type of investments by which to maximize returns on these funds.

4.2 The GF shall yield an interest at current market rate as shown in, the Operational Rules under Annex 2.

4.3 Interests and other incomes generated by the GF shall be credited by the BANK on a special savings account.

4.4 UNOPS may decide to use the funds deposited in the savings account to finance the operational costs of the GF, pay fees for technical assistance or other expenses, as required by UNOPS.

5. PROJECTS ELIGIBLE FOR LOANS

5.1 Projects seeking funds, should be financially and economically viable and should be in conformity with the Albanian law No. 8957 dated 17 October 2002 which defines micro, small and, medium enterprises as :

"1. Micro enterprises may employ up to 5 employees;

2. Small enterprise may employ 6-20 employees; The annual turnover not to exceed 40 Mil Lek and 100% of capital to be owned by the small entity

3. Medium enterprise may employ 21-80 employees. The annual turnover not to exceed 80 Mil Lek and Up to 25% of capital may be owned by other entities that are not classified as small or medium in the context of the law".

5.2 Preference will be given to business proposals in the regions of SHKODRA, VLORA, and DURRES and in the following sectors :

- a. Agriculture and Agro-industry ;
- b. Fishing ;
- c. Craftsmanship ;
- d. Tourism industry ;

As more fully described under Annex 4 , and other economic activities to be defined by mutual agreement of the Parties.

6. RESTRICTIONS ON USE OF CREDIT

- 6.1 The GF is not oriented to issue guarantees for credit operations that include
- a. Purchase of any type of used machinery or equipment except for the cases of machinery or equipment completely revised or reconstructed by a competent mechanic or mechanical firm, recognized by the BANK and UNOPS , and with a certificate of warranty valid for at least 12 months;
 - b. Refinancing outstanding debts the client has with third parties or with the BANK;
 - c. Lease or purchase of land;
 - d. Payment of dividends or recovery of investments made by members of enterprises or other associations;
 - e. Financing and trading of Stocks or commodities.

7. LOAN CONDITIONS

7.1 The conditions in terms of amounts (maximum of US\$ 150.000 per enterprise / loan), interest rates and guarantees shall be determined by the BANK taking into account the sector of economy, the profile of Beneficiaries, and their social vulnerability status.

7.2 The BANK shall offer the Client its prime rate, taking into account that the extent of the risk and the size of the Loans will be the determinant factor of the requirement for security and of the interest rate.

7.3 Conditions on reimbursement and grace period, shall be established by the BANK, in accordance with the monetary standards of the Central Bank of Albania attached as Annex 6.

8. ELIGIBLE CLIENTS

8.1 The beneficiaries of PASARP are new and existing small farmers, associations and cooperatives, and micro- small and medium entrepreneurs of the Regions of SHKODRA, VLORA, and DURRES.

8.2 Potential clients of the BANK, in order to be eligible , must fulfill the following conditions:

- a. Residency of the loan - applicant in the Regions of SHKODRA, VLORA, and DURRES, OR
- b. Locally registered farm/association- cooperative /business (including "Start-ups") in one of the designated Regions , with legal capacity to

contract; AND

- c. Submission of an economically and financially sustainable business plans approved by the LEDA;
- d. Lack of collateral for normal access to credit resources;
- e. Compliance with the other requirements mentioned in the Operational Rules of this Agreement under Annex 2.

8.3 LEDAs will provide technical assistance to interested Beneficiaries: first in reviewing business ideas, second in assisting eligible candidates in the preparation of a business plan and finally in submission of a loan application. During this pre-selection process, eligible candidates will be evaluated by the LEDAs according to internal criteria agreed with UNOPS, in order to determine whether the business plan qualifies for a formal submission to the Credit Committee.

8.4 Follow up

9. CREDIT COMMITTEE (CRC)

- 9.1 The Parties to this Agreement shall constitute a Credit Committee (CRC) at national level with the participation of the LEDAs of each PASARP Region.
- 9.2 The terms of reference and functioning of the CRC is further described under Annex 1.

10. OBLIGATIONS OF THE PARTIES

Under the present credit scheme, the obligations of the Parties shall be as follows :

10.1 UNOPS shall :

- a. Deposit the funds with the BANK as provided under clause 2 of this Agreement;
- b. Inform the Beneficiaries of PASARP in cooperation with the LEDAs, about the terms and conditions to access the loans in order to ensure the best possible use of the financial resources;
- c. Participate through the CRC in the evaluation and approval of the Clients' applications for Loans;
- d. Ensure the training of the LEDAs on the methodology to be used for selection and evaluation of business proposals
- e. Monitor with the assistance of LEDAs and follow up with the LEDAs on all loans granted to the Clients;
- f. Inform the CRC and the BANK about any misuse, deviation or problems concerning the loans;
- g. Prepare and submit to the Parties every three (3) months an evaluation

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report on the progress and impact of the enterprise development finance components of the PASARP Program with regard to the GF scheme;

- h. Assign a representative responsible for the follow-up of the PASARP Program.

10.2 The BANK shall:

- a. Administer the GF with due care, maintain clear, accurate and complete records in respect of the Deposit received from UNOPS under this Agreement , and ensure overall management and accountability for the use of all the Financial resources ;
- b. Maintain the Deposit in an interest bearing account (in Euro, US Dollars and local currency as agreed by the parties) and open a savings account for the interests ;
- c. Use the Funds deposited in the Guarantee Fund solely for the purpose of providing collateral for Loans issued to Eligible Clients, considering that the PASARP Program should strictly benefit Clients as described in clause 8;
- d. Participate in the CRC and share an advanced copy of the standard form for loan applications with the CRC Members ;
- e. Process loan applications of eligible candidates identified by the LEDAs with business proposals approved by the CRC;
- f. Issue loans following its own mechanisms of loan approval through its headquarters, branches or local corresponding Banks , as required;
- g. Submit to the CRC a monthly financial report on the status of the GF and a monthly progress report on the performance of the Loans disbursed with the rate of reimbursement;
- h. Facilitate the inspection of accounts, at any time, of the GF by any person/organization authorized by the CRC;
- i. Conduct an external audit on the use of the funds annually, as part of its normal function or upon request of the CRC ; and send a copy to the CRC members for comments as necessary;
- j. Disseminate through its normal channels of media-communication , information concerning the successful achievements of the GF and its outputs;
- k. Assign a representative responsible for the follow-up of the GF scheme as member of the CRC and designate focal points at the three branch offices.

10.3 The BANK shall be solely liable for claims by third parties arising from the BANK's acts or omissions in the course of performing this Agreement and under no circumstances shall UNOPS be held liable for such claims by third Parties.

11. FINANCIAL REQUIREMENTS

- 11.1 UNOPS in consultation with the LEDAs shall identify the needs in each Region and per sector of economy , and shall establish representatives for assisting in the preparation of business proposals in the 4 sectors of economy for financing purposes according to the Model business plan attached as Annex 5 .
- 11.2 The business proposal should contain the following information :
- 1) Summary project presentation
 - 2) Organization Area of intervention
 - 3) Description of product/service
 - 4) Market description
 - 5) Commercial aspects
 - 6) Economic and financial information
 - 7) Cash flow analysis.

11.3 Priorities

- 11.3 The Clients are to use the Loans as specified in their Loan applications and shall make reimbursements to the BANK on due date, and according to the terms and conditions of the individual Loan agreements between the BANK and the Client .

12. NOTIFICATIONS

All further correspondence regarding amendments, termination or disputes related to this Memorandum of Understanding should be addressed to:

12.1 For UNOPS: Mr. Nigel FISCHER
Executive Director
The Chrysler Building, 405 Lexington Avenue, 4th Floor
New York, NY 10174,USA

and copy to: Mr. Christophe BOUVIER
Head of UNOPS Office in Geneva
11-13 Chemin des Anemones
CH- 1219 Chatelaine , Geneva ,Switzerland

12.2 For the BANK Mr. Artan SANTO
Executive Director
Rr. Ismail Qemali, No.21
Tirana, Albania

With copy to : _____

13. DURATION OF AGREEMENT

- 13.1 This Agreement shall come into effect immediately upon signature by both Parties for a period of two(2) years, and shall expire with the closing of the PASARP Program, unless the parties decide otherwise.
- 13.2 If the parties decide to extend the Agreement and the GF after the closing of the PASARP Program, UNOPS may be substituted by LEDAs or by another institution that guarantees a sustainable follow-up to the financial and technical assistance towards the Beneficiaries, subject to prior approval by the Donor and UNOPS.

14. AMENDMENTS

- 14.1 This Agreement and the Annexes attached hereto shall form the entire Agreement between the Parties, superseding the contents of any other negotiations and/or agreements, whether oral or in writing, pertaining to the subject of this Agreement.
- 14.2 No modification of or change to this Agreement, waiver of any of its provisions or additional contractual provisions shall be valid or enforceable unless previously approved in writing by the parties to this Agreement or their duly authorized representatives in the form of an amendment to this Agreement duly signed by the parties hereto.

15. TERMINATION

- 15.1 This Agreement may be terminated by either Party, before completion of the Agreement by giving thirty (30) days written notice to the other Party.

16. DISTRIBUTION OF FUNDS

- 16.1 Upon expiry or termination of this Agreement, or its rescission, the BANK commits itself to return the balance of the Deposit in money and values, which were deposited by UNOPS along with the interest generated, deducting the amounts charged for default payments, upon justification by the BANK.

16.2 Funds in the Guarantee Fund that are still tied to guarantee outstanding Loans, will be temporarily withheld by the BANK until such Loans are fully reimbursed by the Clients.

16.3 The Bank will progressively release these funds from the Guarantee Fund and transfer them to UNOPS bank account, except for the amounts charged for default payments, if any.

17. SETTLEMENT OF DISPUTES

- 17.1 Any controversy or claim arising out of, or in accordance with, this Agreement or any breach thereof, as well as any claims on amount and mode of recuperation of the contribution made by UNOPS, including interests, shall unless it is settled by direct negotiation, be settled in accordance with the UNCITRAL Arbitration Rules as at present in force (Annex 7).
- 17.2 Where, in the course of such direct negotiation referred to above, the Parties wish to seek an amicable settlement of such dispute, controversy or claim by conciliation, the conciliation shall take place in accordance with the UNCITRAL Conciliation Rules as at present in force (Annex 7).
- 17.3 The Parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy or claim.

18. PRIVILEGES AND IMMUNITIES

Nothing in this Agreement or relating thereto shall be interpreted as constituting a waiver of the privileges or immunities of the United Nations, UNDP or UNOPS.

IN WITNESS WHEREOF, the undersigned, duly appointed representatives of both parties for UNOPS and the BANK, respectively, have signed the present Agreement on the dates indicated below their respective signatures.

On behalf of the BANK:

Represented by
Name
Title
Date

On behalf of UNOPS:

Represented by
Name
Title
Date

HONOR WITNESSES

AULEDA LEDA in VLORA
Represented by Mynr Gjikaaj,
President of the Executive Board

TAULEDA LEDA in DURRES
Represented by Genc Alizoti
President of the Executive Board

TEULEDA LEDA in SHKODRA
Represented by Arieta troshani
President of the Executive Board

ANNEXES (7)

1. Terms of References of the Credit Committee
2. Operational Rules
3. Chart of flow of funds
4. Selected economic sectors of activity
5. Model Business Plan
6. Albanian banking laws
7. UNCITRAL Arbitration and Conciliation Rules.

ANNEX 1

TERMS OF REFERENCES OF THE CREDIT COMMITTEE

I. COMPOSITION

1.1 The Credit Committee shall be composed of the following members:

- A representative for PASARP, assigned by the UNOPS Chief Technical Adviser;
- A representative of the BANK, assigned by its General Manager or its Executive Board and an alternate ;
- The Director of the LEDA or an official designated by him

1.2 The Committee shall nominate a Secretary among the members; the Secretary holds office for six (6) months term. The Secretary shall convene meetings, prepare the relevant documentation and send it to the members, in particular with sufficiently lead time for the internal credit committee of the BANK to review the cases prior to the CRC meeting, draft the minutes, and more generally co-ordinate and ensure proper communication among the Members.

II. INTERNAL RULES

Once it is established, the CRC shall adopt its own internal rules of procedure. Including the adoption and modification of the Operational Rules (Annex 2).

III. MEETINGS

The meetings will be convened in writing at least with a 7 days advance notice. The letter of invitation shall indicate the day, time, place and agenda of the meeting.

IV. DECISIONS

4.1 All decisions of the Committee shall be taken unanimously and in writing. The BANK and UNOPS shall attend as full member with a veto right, the LEDA representative shall act as submitting officer for its own case(s), and shall attend as Observer for cases presented by the other LEDAs.

4.2 The Credit Committee may approve, reject or suspend a decision for Loan application, in the latter case additional information may be requested to the loan applicant through the LEDA.

V. SCOPE OF REVIEW

More particularly the CRC shall have the following tasks:

- a. Select by unanimous decision the Client, and approve the loan application considering that the proposal presented for projects to be financed should be in conformity with the model business plan (Annex 5); and
- b. Approve by unanimous decision the Loan conditions , it being specified that only terms and conditions of the individual Loans shall be decided by the BANK according to its own rules and procedures;

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- c. Approve by unanimous decision the conditions of the guarantee (proportion to be secured respectively by the GF and by the client as collateral)
- d. Propose modifications concerning the Operational Rules (Annex 2) considered necessary to improve the functioning of the G Fund.
- e. Request an inspection or audit on the management of the financial resources in accordance with article 10.2 of the Agreement, whenever it is considered necessary;
- f. Prepare and submit to the parties, of an annual evaluation report on the progress and the impact of the credit scheme under the GF.
- g. Ensure overall coordination between the Parties to this Agreement; and other participating institutions, such as Leads, Prefectures at the level of the Working Group (PWG), follow up and communicate relevant financial and technical information on the PASARP Program.

OPERATIONAL RULES

A. FINANCIAL RULES OF THE GUARANTEE FUND

1. The Agreement shall become effective on the date of deposit of the financial resources in an amount of US\$ 1,100,000.00 (One Million One Hundred Thousand 00/100 US Dollars) which constitutes the guarantee fund, to the account N°.... at the Bank Head Quarters. The main account shall be made up of sub accounts corresponding to the amounts determined for each LEDA. The currency option (US\$/Euro/Albanian Lek) will be determined depending on type and number of loans approved.
2. Each sub account should be remunerated according to the following scheme:

TYPE OF ACCOUNT	UNOPS/PASARP MAIN ACCOUNT								
	AULEDA Sub- account [USD 350,000]			TAULEDA Sub- account [USD 250,000]			TEULEDA Sub- account [USD 500,000]		
CURRENCY	USD	EURO	LEK	USD	EURO	LEK	USD	EURO	LEK
1. GF Account	3M	3M	3M	3M	3M	3M	3M	3M	3M
2. Special Savings Account	LIBOR +0.5	LIBOR +0.5	T bills	LIBOR +0.5	LIBOR +0.5	T bills	LIBOR +0.5	LIBOR +0.5	T bills

3. Interest rates of the respective deposits will be paid to the special saving account of the GF.

4. Since the amount deposited will serve, as the base for the financial guarantee of loans, the amount and term of the deposits should match projected with the real structure of the credit portfolio.

5. The net interest income from credit should be divided 50/50 between the Fund and Bank. The income interest of PASARP will be paid in the special saving account in USD. The calculation of the net interest income is based as follows:

- NI=credit interest rate – Cost of Funds
- USD credit interest rate = Libor + 9%
- EUR credit interest rate = Libor + 10%
- Lek credit interest rate = T Bills + 8%

Cost of Funds = Average PASARP deposits interest rate + credit expenses + obligatory reserve + Insurance prime.

B. DEFAULT LOAN PROCEDURE

1. In case of a default loan the BANK will apply the normal procedures for credit recovery based on the Rules and Procedures set by the Central Bank of Albania (Regulation on Credit Risk Management – Annex 6).

2. The BANK has to pay the total provision for the first and second loan classifications

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respectively for standard and under monitoring category in the amount of 1% and 5%.

3. If a loan falls in the third classification as substandard loan, which means that it might be, provisioned 20 % of principal and 100% of interests. The provisional amount has to be paid 70% from the BANK and 30% from the PASARP.

4. If a loan falls overdue to fourth classification as doubtful loan, which means that it might be, provisioned 50% of principal and 100% of interests. The provisional amount has to be paid 50% from the Bank and 50% from PASARP.

5. If a loan falls overdue to fifth classification as lost loan, which means that it might be provisioned 100% of principal and 100% of interests, the guarantee will be executed from the respective deposit in UNOPS account and the normal procedure will be attended for the execution of the clients collateral as well.

6. In case of the reclassification of the loan from a lower to a higher category the provisions will be booked from an expenses item into an income item in the same ratios as set in paragraphs 2, .3 and .4 above.

7. If the efforts for the recuperation of the amount not paid back by the client, would permit the total or partial credit recuperation, the fund will be in a proportional way reintegrated from the net lost amounts from the expenditures made for the recuperation.

C. MANAGEMENT OF THE GUARANTEE FUND

1. Role of the LEDAs

1. identify in co-ordination with PASARP the business initiatives within the productive sectors, which will be supported by PASARP's local economic strategies;
2. assist the local authorities and the private sector in designing a local economic development plan;
3. assist potential entrepreneurs in the preparation and finalisation of business plans.
4. present business plans to the CRC
5. participate in the CRC meetings as observer;
6. monitor the implementation of the business plans and reports to the CRC.
7. follow up

2. . Role of UNOPS

1. Identify in co-ordination with the LEDAs the business initiatives within the productive sectors, which will be supported by PASARP's local economic strategies;
2. assists the local authorities and the private sector in designing a local economic development plan;
3. manages the secretariat of the CRC;
4. participates in the CRC meetings;
5. analyses and approves the business plans presented by the LEDAs in consultation with the BANK ;
6. defines GF and collateral portions of the loan in consultation with the BANK ;
7. rejects loan applications if they are not within the established credit policies in consultation-with the BANK ;
8. provides the CRC with periodic reports on the implementation of the GF.

3. . Role of the BANK

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1. analyses the business plans presented by the LEDAs;
2. participates in the CRC meetings;
3. approves the business plans and loan applications presented by the LEDAs;
4. rejects loan applications if they are not within the established credit policies as member of the CRC
5. defines GF and collateral portions of the loan as member of the CRC ;
6. issues an authorisation for loan approval;
7. performs loan accounting functions and ensures to inform CRC on the status of Loan(s) on a monthly basis;
8. In case of a default loan the BANK will effect the normal procedures for the credit recovery based on the Rules and Procedures set by the Central Bank of Albania (Regulation on Credit Risk Management – Annex 6).
9. provides reports on the implementation of the loans;
10. participates in the events organised by the local entrepreneurs and associations;
11. provides the Bank's network for marketing and promotion.

**Sectors Eligible for Funding: Agriculture/Agro-Industry
in the Regions of Shkodra, Vlora, and Durres**

General Objectives:

The aim at hand is to support the regional Agriculture/Agro-Industry Sectors through development, rationalisation, and reinforcement of productive structures as well as the rehabilitation of the structure itself and any unused equipment.

The general objective of this measure is to improve the life conditions of the rural populations by encouraging the restoration of the normal activity of the villagers in the Regions of Shkodra, Vlora and Durres.

In particular, the aim is to promote:

1. The recovery of the activities related to the transformation of agricultural products and production through the realisation and the improvement of the existing equipment;
2. The enhancement of the endowment of services and the introduction of technological innovation, especially in the bio-technologic field;
3. The improvement in the competitiveness of a decentralised agriculture and light industry system;
4. The improvement in qualitative terms of product, services, and partnerships;
5. The development of services and related products within a chain of Agro-production.

In order to reduce the negative effects of existing productive and territorial unbalance, this measure aims at two strategic objectives:

- Increasing the production
- Raising it's the productivity and quality.

Specific Objectives:

- a) Remodeling, re-structuring, enlargement, modernization, and maintenance of machinery as well as transformation and sale of the already existing products and processes;
- b) Construction of new harvest equipment and maintenance as well as the transformation and sale of agricultural products;
- c) Acquisition of cars and equipment, including information programs for improving the competitiveness and the efficiency of existing harvest equipment, transformation and sale of the agricultural products.

Territorial Area: The Regions of Shkodra, Durres, and Vlora.

Typology of the beneficiaries: micro, small, and medium existing enterprises, operating individually or collectively in the elected Regions will benefit from the provision of credit. They should be duly registered, present adequate reliable guarantees, and a sustainable program of investments.

New enterprises should also be duly registered and present an exhaustive business plan according to the format available at the LEDAs.

Nature of Credit: The admissible financing is between USD 10,000 and USD 150,000 Dollars or equivalent. The credit foresees a grace period of a minimum of 3 months up to a maximum of 6 months according to the type of investments.

The annual interest rate is fixed at:

LIBOR+8% for USD

TBILL+7% for LEK

LIBOR+8% for EUR

The reimbursement will be made in monthly fixed instalments including principal and interest.

Investment Constraints:

The credit is to be used for the acquisition of machinery and productive equipment and materials. The constitution of new enterprises will be supported by buying the first materials for the first three months up to a maximum of 20% of the entire amount of the investment.

Formality of presentation and documentation required:

A request has to be submitted to the Local Development Agency of the respective region.

The Enterprise has to present the following documentation, if applicable:

Dopo il credito acquisito

Legal documentation

- *Inscription by Court. Foundations act and Company Status.*
- *Inscription certificate at the tax duty office.... (License)*
- *Certificate on the identification number of taxed person*
- *Declaration by the tax duty office for the fiscal obligation of the last 6 months (VAT+ withholding tax)*
- *Declaration for the last 6 months obligatory social insurance registration (payment).*
- *Documents certifying the ownership of the property, which is going to be pledged.*
- *A certificate issued by the immovable properties registry office that confirms the actual property proposed as a guarantee.*
- *Evaluation act of the property (confirmed by other persons)*
- *Insurance policy of the pledged property.*
- *Life insurance of the borrower.*

Financial documents

- *Previous year of business audited financial statements and current interim financial statement*
- *Actual business plan*
- *Agreements or contracts with suppliers or consumers.*
- *A certificate issued from the financial institution, which confirms that such property is not pledged.*
- *Bankruptcy Statement*

Personal data from applicant/representative

- *Passport or identity document (notarised photocopy)*
- *Other personal certificate with photo (if one of the above mentioned documents is missing).*

Selection Criterion:

Credit will be granted based on the documentation presented to the Credit Committee, CRC.

Terms of Disbursement: The client will open a bank account at CREDINS Bank or an associate financial entity, which will issue the loan. In return, the client will make monthly payments including both principal and interest, in accordance with both the credit contract and the reimbursement plan approved.

Application Period:

This credit proposal is valid from December 1st, 2003 until further notice

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Title and reference of the Program: PASARP – ALB/99/R71

Executing Agency: UNOPS

Funding source COOPERAZIONE UNOPS – ITALIANA through IFAD

Local Implementing Agencies: LEDAs in DURRES, VLORA and SHKODRA.

Local financial Partner: CREDINS Bank S.H.a.

Contact person : _____

Name and address

Tel/fax/email

**Sectors Eligible for Funding: Fishing
in the Regions of Shkodra, Vlora, and Durres**

General Objectives:

The idea is to support the regional Fishing Sector through the development and reinforcement of fleets as well as the reconstruction of boats, the rehabilitation of harbours, and the improvement of the overall system.

The general objective of this measure is to improve the life conditions of the fisherman and producers by encouraging the restoration of the normal activity in the Regions of Shkodra, Vlora and Durres.

In particular, the aim is to promote:

1. The recovery and development of the activities related to the capture, conservation, distribution, and transformation of fish;
2. The enhancement of the endowment of services and the introduction of technological innovation;
3. The improvement in the competitiveness of a decentralised light industrial system;
4. The improvement in qualitative terms of product, services, and partnerships;
5. The restructuring and reorganisation of fish plants;

In order to reduce negative effects of the existing productive and territorial unbalance, this measure aims at two strategic levels:

- Increasing the production;
- Improving the systems of production by raising its productivity and quality levels.

Specific Objectives:

- a) Remodeling, re-structuring, strengthening, modernization, and maintenance of harvest machinery as well as transformation and sale of the already existing products and processes;
- b) Construction of new harvest equipment and maintenance as well as transformation and sale of the fishing products;
- c) Acquisition of boats and equipment (GPS systems) which will help to improve the competitiveness and efficiency of existing harvest equipment as well as transformation and sale.

Territorial Area: The Regions of Shkodra, Durres, and Vlora.

Type of the beneficiaries: micro, small, and medium existing enterprises, operating individually or collectively in the chosen regions will benefit from the provision of credit. They should be duly registered, present an adequate reliability guarantee and a sustainable business program.

New enterprises should also be duly registered and present an exhaustive business plan according to the format of the application form provided by the LEDAs and CREDINS BANK.

Nature of Credit: The admissible financing is between **USD 10,000** and USD 150,000 Dollars or equivalent. The credit foresees a grace period of a minimum of 3 months to a maximum of 6 months according to the type of investment.

The annual interest rate is fixed at:

LIBOR+8% for USD

TBILL+7% for LEK

LIBOR+8% for EUR

The reimbursement will be made on a monthly basis -fixed instalments including principal and interest.

Investment Constraints:

The credit is to be used for the acquisition of machinery and productive equipment.

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The constitution of new enterprises will be supported by buying the first materials for the first three months up to a maximum of the 15% of the entire amount of the investment.

Formality of presentation and documentation required:

A request has to be submitted to the Local Development Agency of the respective region.

The Enterprise has to present the following documentation, if applicable:

Dopo l'approvazione

Legal documentation

- *Inscription by Court. Foundations act and Company Status.*
- *Inscription certificate at the tax duty office.... (License)*
- *Certificate on the identification number of taxed person*
- *Declaration by the tax duty office for the fiscal obligation of the last 6 months (Vat + withholding tax)*
- *Declaration for the last 6 months obligatory social insurance registration (payment).*
- *Documents certifying the origin of the property which is going to be pledged.*
- *A certificate issued by the immovable properties registry office that confirms the actual property suggested as a guarantee.*
- *Evaluation act of the property (confirmed by other persons)*
- *Insurance policy of the pledged property.*
- *Life insurance of the borrower.*

Financial documents

- *Previous year of business audited financial statements and current interim financial statement*
- *Actual business plan including the business market and the concurrence, the future perspective, table of cash flow, loss and profit statement.*
- *Agreements or contracts with suppliers or consumers.*
- *A certificate issued from the financial institution, which confirms that such property is not pledged.*
- *Bankruptcy Statement*

Personal data of the authorised persons related to the subject.

- *Passport or identity document (notarised photocopy)*
- *Other personal certificate with photo (if one of the above mentioned documents is missing).*

Selection Criterion:

Credit will be granted based on the documentation presented to the Credit Committee, CRC.

Terms of Disbursement: The client will open a bank account at the Bank that will issue the loan. In return, the client will make monthly payments including both principal and interest, in accordance with both the credit contract and the reimbursement plan approved.

Application Period:

This credit proposal is valid from December 1, 2003 until further notice.

Title and reference of the Program: PASARP – ALB/99/R71

Executing Agency: UNOPS

Funding source COOPERAZIONE UNOPS – ITALIANA through IFAD

Local Implementing Agencies: LEDAs in DURRES, VLORA and SHKODRA.

Local financial Partner: CREDINS Bank S.H.a.

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Contact person : _____
Name and address
Tel/fax/email

ANNEX 4 - C

**Sectors Eligible for Funding: Craftsmanship
in the Regions of Shkodra, Vlora, and Durres**

General Objectives:

The idea is to support the Craftsmanship Sector through the development, the rationalisation, and the reinforcement of the existing productive activities as well as the creation of a wider range of handcraft products like: carpets, objects of wicker, etc.

The general objective of this measure is to improve the life conditions of the population of the rural and urban areas involved in the production of these manufactured articles as well as the recovery of traditions and capabilities of local producers.

In particular, the aim is to promote:

1. The recovery and development of the activities related to the handcraft production;
2. The enhancement of the endowment of services and the introduction of technological innovation;
3. The improvement in the competitiveness of both the sector and the light industrial system in a cluster context;
4. The improvement in qualitative terms of products, services, and partnerships
5. The restructuring and reorganisation of the distribution system as well as to the value added to brands and products.

In order to reduce the negative effects of existing productive and territorial unbalance, this measure aims at two strategic levels:

- Increasing the production;
- Improving the systems of production by raising productivity and quality.

Specific Objectives:

a) Remodeling, re-structuring, strengthening, modernization and maintenance of harvest machinery as well as transformation and sale of the already existing products and processes;

b) Construction of new harvest equipment and maintenance as well as transformation and sale of fishing products;

c) Promoting at local, national, and international level the local production through marketing initiatives in order to strengthen the territorial chain value.

Territorial Area: The Regions of Shkodra, Durres, and Vlora.

Type of the beneficiaries: micro, small, and medium existing enterprises, operating individually or collectively in the chosen regions will benefit from the provision of credit. They should be duly registered, present an adequate reliability guarantee and a sustainable business program.

New enterprises should also be duly registered. The new enterprises have to present an exhaustive business plan prepared according with the scheme and the application form of the LEDAs.

Nature of Credit: The allowable financing is between USD 10,000 and USD 150,000 Dollars or equivalent. The credit foresees a grace period of a minimum of 3 months up to a maximum of 6 months according to the type of investments.

The annual interest rate is fixed at:

LIBOR+8% for USD

TBILL+7% for LEK

LIBOR+8% for EUR

The reimbursement will be made in monthly fixed instalments including principal and interest.

Investment Constraints:

The credit is to be used for the acquisition of machinery and productive equipment as well as investment on brands and distribution channels like promotion materials, participation at specialised fairs, etc.

The constitution of new enterprises will be supported by buying the first gross materials for the first three months up to a maximum of the 15% of the whole amount of the investment. The working capital will be financed for a maximum of 15% of the whole amount of the credit requested.

Formality of presentation and documentation required:

A request has to be submitted to the Local Development Agency of the respective region.

The Enterprise has to present the following documentation, if applicable:

Legal documentation

- *Inscription by Court. Foundations act and Company Status.*
- *Inscription certificate at the tax duty office.... (License)*
- *Certificate on the identification number of taxed person*
- *Declaration by the tax duty office for the fiscal obligation of the last 6 months (Vat + withholding tax)*
- *Declaration for the last 6 months obligatory social insurance registration (payment).*
- *Documents certifying the origin of the property, which is going to be pledged.*
- *A certificate issued by the immovable properties registry office that confirms the actual property suggested as a guarantee.*
- *Evaluation act of the property (confirmed by other persons)*
- *Insurance policy of the pledged property.*
- *Life insurance of the borrower.*
- 1. Financial documents**
 - *Previous last year of business audited financial statements and current interim financial statement*
 - *Actual business plan including the business market and the concurrence, the future perspective, table of cash flow, loss and profit statement.*
 - *Agreements or contracts with suppliers or consumers.*
 - *A certificate issued from the financial institution, which confirms that such property is not pledged.*
 - *Bankruptcy Statement*
- 2. Personal data of the authorised persons related to the subject.**
 - *Passport or identity document (notarised photocopy)*
 - *Other personal certificate with photo (if one of the above mentioned documents is missing).*

Selection Criterion:

Credit will be granted based on the documentation presented to the Credit Committee, CRC.

Terms of Disbursement: The Enterprise will open a bank account at the Bank that will issue the loan.

In return, the client will make monthly payments including both principal and interest, in accordance with both the credit contract and the reimbursement plan approved.

Application Period:

Credit proposals are valid from December 1, 2003 until further notice.

Title and reference of the Program: PASARP – ALB/99/R71

Executing Agency: UNOPS

Funding source COOPERAZIONE UNOPS – ITALIANA through IFAD

Local Implementing Agencies: LEDAs in DURRES, VLORA and SHKODRA.

Local financial Partner: CREDINS Bank S.H.a.

Contact person : _____

Name and address

**Sectors Eligible for Funding: Tourism
in the Regions of Shkodra, Vlora, and Durres**

General Objectives:

The idea is to support the tourist sector through the development, the rationalisation and reinforcement of the existing services and the creation of a wider offer of linked services to tourism like: transportation, accommodation, services for entertainment and sports, etc.

The general objective of this measure is to improve the conditions and the opportunities of the population in rural and urban areas involved or linked to the tourist market.

In particular, the aim is to promote:

1. The recovery and development of the activities related to tourism;
2. The enhancement of the endowment of services and the introduction of technological innovation;
3. The improvement in the competitiveness of the sector in a cluster context;
4. The improvement in qualitative terms of products, services and partnerships;
5. The restructuring and reorganisation of the system and the value added to local tourist resources.

In order to reduce the negative effects of existing productive and territorial unbalance, this measure aims at two strategic levels:

- Increasing the quality of the tourist offer and the profitability;
- Realise actions, which increase the presence and the expenditures made by tourists in the country.

Specific Objectives:

- a) Re-structuring, strengthening, modernization of the local offer of tourist services
- b) Creation of new services and activities;
- c) Promoting at local, national, and international level the local tourist resources through marketing initiatives in order to strengthen the territorial chain value.

Territorial Area: The Regions of Shkodra, Durres, and Vlora.

Type of the beneficiaries: micro, small, and medium existing enterprises, operating individually or collectively in the chosen regions will benefit from the provision of credit. They should be duly registered, present an adequate reliability guarantee and a sustainable business program.

New enterprises should also be duly registered. The new enterprises have to present an exhaustive business plan prepared according with the scheme and the application form of the LEDAs.

Nature of Credit: The allowable financing is between USD10, 000 and USD150, 000 Dollars or equivalent. The credit foresees a grace period of a minimum of 3 months up to a maximum of 6 months according to the type of investments.

The annual interest rate is fixed at:

LIBOR+8% for USD

TBILL+7% for LEK

LIBOR+8% for EUR

The reimbursement will be made in monthly fixed instalments including principal and interest.

Investment Constraints:

The credit is to be used for the acquisition of machinery and productive equipment as well as to invest in the improvement of tourist services at local and national level, etc.

The constitution of new enterprises will be supported by buying the first gross materials for the first three months until to a maximum of the 15% of the whole amount of the investment. The working capital will be financed for a maximum of 15% of the whole amount of the credit request.

Formality of presentation and documentation required:

A request has to be submitted to the Local Development Agency of the respective region.

The Enterprise has to present the following documentation, if applicable:

Legal documentation

- *Inscription by Court. Foundations act and Company Status.*
 - *Inscription certificate at the tax duty office.... (License)*
 - *Certificate on the identification number of taxed person*
 - *Declaration by the tax duty office for the fiscal obligation of the last 6 months (Vat + withholding tax)*
 - *Declaration for the last 6 months obligatory social insurance registration (payment).*
 - *Documents certifying the origin of the property which is going to be pledged.*
 - *A certificate issued by the immovable properties registry office that confirms the actual property suggested as a guarantee.*
 - *Evaluation act of the property (confirmed by other persons)*
 - *Insurance policy of the pledged property.*
 - *Life insurance of the borrower.*
- 3. Financial documents**
- *Previous last year of business audited financial statements and current interim financial statement*
 - *Actual business plan including the business market and the concurrence, the future perspective, table of cash flow, loss and profit statement.*
 - *Agreements or contracts with suppliers or consumers.*
 - *A certificate issued from the financial institution, which confirms that such property is not pledged.*
 - *Bankruptcy Statement*
- 4. Personal data of the authorised persons related to the subject.**
- *Passport or identity document (notarised photocopy)*
 - *Other personal certificate with photo (if one of the above mentioned documents is missing).*

Selection Criterion:

Credit will be granted on the presented documentation to the Credit Committee, CRC.

Terms of Disbursement: The Enterprise will open a bank account at the Bank that will issue the loan.

In return, the client will make monthly payments including both principal and interest, in accordance with both the credit contract and the reimbursement plan approved.

Application Period:

This credit proposal is valid from December 1, 2003 until further notice.

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Title and reference of the Program: PASARP – ALB/99/R71

Executing Agency: UNOPS

Funding source COOPERAZIONE UNOPS – ITALIANA through IFAD

Local Implementing Agencies: LEDAs in DURRES, VLORA and SHKODRA.

Local financial Partner: CREDINS Bank S.H.a.

Contact person : _____

Name and address

Tel/fax/email .

LEDA

MIR

(Minimum Information Required)

BUSINESS PLAN

Type of activity _____

Name of the firm's representative

Surname _____ Name _____
..... Tel. _____

Street _____ N° City: _____

Signature:

3.2 Needs satisfied by the product/services?

3.3 How were these needs satisfied before?

**3.4 Why would potential clients prefer this product/service?
Indicate the competitive advantages**

3.5 Which are the weaknesses and the strengths of this business?

3.6 Which are the opportunities and threats for this business to succeed?

4

Market analysis

4.1 Description of consumer and buyer behaviour:

Type of client	Characteristics

4.2 Indicate, if possible the potential clients contacted:

Client	Characteristics

Please include agreements, if any

4.3 Existence of competitors:

- 4.3.1 No competitor on the market
- 4.3.2 One competitors on the market
- 4.3.3 Few competitors on the market (1-5)
- 4.3.4 Many competitors on the market (5-10, or more)
- 4.3.5 Many competitors on the market with some leaders

4.4 List main competitors with related products and services.

Competitor	Products/Services

4.5 Please list the potential suppliers

Please include agreements, if any

5	Commercial aspects
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5.1 Description of the distribution/sale policy for the product/service:

5.2 Description of the marketing strategy for the product/service:

6	Economic and financial information
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6.1 Indicate components of proposed investment

Description	US\$/currency
Costs of legalization	
Constructions	
Rehabilitations	
Productive Equipment	
office installation	
Other Equipment:	
Other:	
TOTAL	

6.2 Indicate relative quantity and price for each product/service to carry out

	Qty	Price Unit	US\$/currency
Product/Service A			
Product/Service B			
Product/Service C			
Product/Service D			
Product/Service E			
Product/Service F			
TOTAL			

6.3 Indicate production costs for six months

(include description and quantities)

Description	US\$/currency
Gross Materials (include description and quantities)	
Salaries	
Operative Costs	
Transports	
Administrative costs	
Promotional costs	
Other (indicate)	
TOTAL	

6.4. Additional comments (if any) :

6.5 Cash flow of the activities. (Pse, indicate for each month and whole duration of the credit, projected n income and expenditure using the table below)

Currency: <input type="checkbox"/> LEK <input type="checkbox"/> USD <input type="checkbox"/> EUR												
PERIOD: <input type="checkbox"/> Montly <input type="checkbox"/> Bimonthly <input type="checkbox"/> Quarterly												
Description	1	2	3	4	5	6	7	8	9	10	11	12
ENTRANCES/INCOME												
START BANK ACCOUNT												
Cash from sales												
Credit provided by bank												
Partners financing												
Other income												
A) TOTAL INCOME												
PAYMENTS/EXPENDITURES												
Purchase for investments												
Purchase gross materials												
Services												
Salaries												
Other Costs												
VAT												
Profits												
Interest on credit												
Capital on credit												
Other costs related to other debts												
Taxes												
B) TOTAL PAYMENTS												
CASH FLOW (A-B)												
FINAL BANK ACCOUNT												

PROPOSALS OF AMENDEMENTS TO THE GUARANTEE FUND AGREEMENT

Clause 3.5 of Article 3 of the Agreement is amended as follows

- 3.5 Each loan financed by the BANK, with a decision of the Committee, shall be covered by the Guarantee Fund for a maximum amount of 84 % (which represents a coverage of 70% of the credit risk according to the regulations set by the Central Bank) and the balance by the Client (in accordance with the type of collateral offered from the client as per regulations set by the Central Bank of Albania). **The BANK and the LEDAs shall verify the possibility for the client of providing a collateral above the 30%, before issuing the loan contract.**

Clause 4.3 of Article 3 of the Agreement is amended as follows:

- 4.3 Interests and other incomes generated by the GF shall be credited by the Bank every month to the respective LEDA accounts, unless PASARP decides otherwise.”
The interests provided by the Guarantee Fund shall be calculated on the total amount of the residual deposit of Guarantee Fund, including those not yet committed, and those saved for guaranteeing the disbursed loans.

Clauses 5.3 and 5.4 of Article 5 of the Agreement are added as follows:

- 5.3 the proposals will be evaluated in accordance to the list of criteria, including mainly the impact poverty reduction, the coherence with the regional strategic plans, as far as prioritised sectors or chains of value (i.e. tourism, agri-business, fishing, aquaculture, handicraft, etc.), the environment safeguard, the gender equity.
- 5.4 besides those criteria, priority will be given to those proposals accompanied by a presentation letter from those entrepreneurial associations to which the proponent is already associated or has presented a membership request.

Clause 8.2 b of Article 8 of the Agreement is amended as follows:

Locally registered farm/association or cooperative business (including "Start-ups") **before the disbursement of the approved loan and the signature of the contract** in one of the designated Regions, with legal capacity to contract.

Clauses 8.4 of Article 8 of the Agreement are added as follows:

(The same shall be reported in the annex 4)

- 8.4 The LEDAs are responsible for monitoring the performance of the enterprise after credit approval, through visits to the enterprises, followed by an obligatory report to be sent to the parties (UNOPS and Bank), countersigned

by the entrepreneur. The blueprint for the report will be shared by the parties.

Clause A of Annex 2, Operational Rules, is amended as follows”

”A. FINANCIAL RULES OF THE GUARANTEE FUND

2. This Amendment to the Agreement shall become effective with total financial resources of US\$ 850,000.00 (Eight Hundred Fifty Thousand 00/100 US Dollars) upon signature by both parties. The main account shall be made up of sub accounts corresponding to the amounts determined for each LEDA. The currency option (US\$/Euro/Albanian Lek) will be determined depending on type and number of loans approved.
2. Each sub account should be remunerated according to the following scheme:

TYPE OF ACCOUNT	UNOPS/PASARP MAIN ACCOUNT								
	AULEDA Sub- account [USD 180,000 (?)]			TAULEDA Sub- account [USD 250,000 (?)]			TEULEDA Sub- account [USD 420,000]		
CURRENCY	USD	EURO	LEK	USD	EURO	LEK	USD	EURO	LEK
1. GF Account	3M	3M	3M	3M	3M	3M			3M
2. Special Savings Account	LIBOR +0.5	LIBOR +0.5	T bills	LIBOR +0.5	LIBOR +0.5	T bills	3M LIBOR +0.5	3M LIBOR +0.5	T bills

3. Interest rates of the respective deposits will be paid to the special savings account of the GF and then distributed by the Bank to the respective LEDA accounts, unless it is decided otherwise by PASARP.
4. A mechanism which recompenses the best performing LEDAs will be applied, according to the UNOPS proposals
5. Since the amount deposited will serve, as the base for the financial guarantee of loans, the amount and term of the deposits should match projected with the real structure of the credit portfolio.
6. The net interest income from credit should be divided 50/50 between the Fund and Bank. The interest income of PASARP will be paid in the special savings account in USD and then distributed to the respective LEDA accounts, unless it is decided otherwise by PASARP. The calculation of the net interest income is based as follows:
 - NI=credit interest rate – Cost of Funds
 - USD credit interest rate = Libor + 9%
 - EUR credit interest rate = Libor + 10%
 - Lek credit interest rate = T Bills + 8%

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Cost of Funds = Average PASARP deposits interest rate + credit expenses +
obligatory reserve + Insurance prime.”

Articles regarding the Nature of Credit of the Annex 4 are amended as follows

The admissible financing is between USD **5,000** and USD 150,000 Dollars or equivalent. The credit foresees a grace period of a minimum of 3 months up to a maximum of 6 months according to the type of investments.

The annual interest rate is fixed at:

LIBOR+8% for USD

TBILL+7% for LEK

LIBOR+8% for EUR

The reimbursement will be made in monthly fixed instalments including principal and interest.