

Italian-Albanian Debt for Development Swap Agreement – IADSA II

PROJECT AND FINANCING CONTRACT

Ref. No. *IADSA II/2020/*_____

ANNEX

GUIDELINES for PROJECT IMPLEMENTATION (GPI)

GENERAL AND ADMINISTRATIVE PROVISIONS

CLAUSE 1 – Scope of Implementation Guidelines

Scope of these Guidelines for Project Implementation (hereinafter referred to as the “GPI”) is to define the modalities and procedures adopted by the Parties for the utilization of the financial resources granted by the IADSA II for the implementation of the Project according to the provisions of the Project and Financing Contract signed between the Parties (hereinafter referred to as the “Contract”). The GPI contain and explain the procedures for undertaking the Project in accordance with what stated in the Contract itself.

CLAUSE 2 – Definitions

Definitions used in the Contract and in the GPI are listed below with their respective meanings:

IADSA II Programme	The Italian-Albanian Debt for Development Swap Agreement (IADSA II) which provides, partially or totally, the financial resources necessary for the execution of the Project. The IADSA II Programme represents an innovative instrument in the framework of the current Italian-Albanian Development Cooperation Programme. It supports the financing of projects in the social sector through swap operations of Official Development Assistance (ODA) bilateral debt owed by the Republic of Albania to the Republic of Italy. After the signing and entering into force of the Intergovernmental Agreement, in order to make effective such financing instrument through Debt Swap operations, a Counterpart Fund (CPF) in Albanian LEK was established by the Council of Ministers of the Republic of Albania at the Central Bank of Albania in the name of the “Italian Albanian Debt Swap Agreement – Management Committee”.
Management Committee	The Management Committee of the IADSA (IADSA MC) is responsible for the selection, the monitoring and the evaluation of the projects financed by the IADSA II Programme as well as for the verification of projects’ achievements. The IADSA MC has the responsibility towards both the Italian and Albanian Governments to verify and control that the funds provided are efficiently and effectively used for the approved Project according to the Contract.
Technical Support Unit	The Technical Support Unit (TSU) assists the IADSA MC in the performance of its tasks. The TSU provides technical support for the approval of eligible projects and monitors their implementation.
Executing Entity	The Executing Entity is the Albanian Public Institution that has submitted the Project Proposal approved by the IADSA MC and signed the Contract. The Executing Entity is responsible for the

	execution of the Project in line with the provisions of the Contract and these GPI.
Partner	Those Albanian Public Institutions, Italian and Albanian NGOs, Italian Regions and Local Authorities or International Organizations that jointly with the Executing Entity will implement totally or partially the project's activities in the framework of the Project.
Contractor	A person or any public or private entity that enters into a contract for the execution of contractual activities in the framework of the Project (i.e. construction works, supply of goods and/or services), selected by means of competitive bidding.
Grant	The financial resources in grant approved by the IADSA MC for the financing or co-financing of the activities related to the execution of the Project, in accordance with the provisions of the Contract and its Annexes.
Project	It is fully described in the approved Project Proposal and its annexes (Grant Application Form, Logical Framework, Budget, Action Plan, Legal Entity Form and Partnership Statement/s, if any), attached in Annex to the Contract.

CLAUSE 3 – General principles

The Contract and the grant financing attached to it shall not be assigned to a third party in any manner whatsoever without the prior written consent of the IADSA MC.

CLAUSE 4 – Role of the Executing Entity

The Executing Entity shall:

- i. Have full responsibility for ensuring that the Project is implemented in accordance with the Contract and its Annexes seven if the Project is implemented together with its Partner/s (if any);
- ii. Submit to the IADSA MC the fund transfer requests in accordance with the Contract and its Annexes;
- iii. Be the sole recipient, on behalf of all of the Partner/s (if any), of the financing from IADSA II. The Executing Entity shall ensure that the appropriate payments are then made to the Partner/s (if any) without unjustified delay;
- iv. Act as contracting party for works, goods and services to be procured to implement the Project;
- v. Be directly responsible for the bidding, awarding, signature and management of the contracts stipulated in connection with the implementation of the Project;
- vi. The Executing Entity is solely responsible for all procurement made by the partner (if any), when the Partner for his activities under the Project, and according to the Partnership Agreement has to procure subcontractors;

- vii. Be responsible to submit all documents and information to the IADSA MC through the TSU as required by the Contract, in particular in relation to the requests for transfer of Grant installments. Where information from the Partner/s (if any) is required, the Executing Entity shall be responsible for obtaining, verifying and consolidating this information before submitting it to the IADSA MC through the TSU;
- viii. Be responsible for any information provided, as well as for any request made by the Executing Entity to the IADSA MC, which shall be deemed as given in agreement with all Partner/s (if any);
- ix. Inform in written the IADSA MC through the TSU of any event likely to affect or delay the implementation of the Project;
- x. Inform in written the IADSA MC through the TSU of any change in the legal, financial, technical, organizational situation of any of the Partner/s (if any), as well as, of any change in the name address of legal representative of any of the Partner/s (if any);
- xi. Be responsible in the event of audits, checks, monitoring or evaluations, as described in the Contract for providing all the necessary documents, including those from the Partner/s (if any), copies of the most relevant supporting documents and signed copies of any contract concluded according to Clause 13. here to.
- xii. Not delegate any, or part of, these tasks to other entities.

CLAUSE 5 – Obligation to provide financial and technical reports

- 5.1 The Executing Entity shall provide the IADSA MC through the TSU with all required information on the implementation of the Project. The report shall be laid out in such a way as to allow comparison of the objective(s), the means envisaged or employed, the results expected and obtained and the budget details for the Project. The level of detail in any report should match that of the approved Project Proposal and of the Budget for the Project. The Executing Entity shall collect all the necessary information and draw up consolidated progress and final reports. These reports shall:
 - Cover the Project as a whole, regardless of which part of it is financed by the Grant from IADSA II;
 - Consist of a technical and a financial report prepared using the templates provided in annex to the Contract;
 - Be provided in the currency and language of the Contract.
- 5.2 The IADSA MC through the TSU may request additional information at any time. The Executing Entity shall provide this information within thirty (30) days of the request, in the language of the Contract.
- 5.3 If the Executing Entity fails to provide any report or any additional information requested by the IADSA MC, through the TSU, within the set deadline without an acceptable and written explanation of the reasons, the IADSA MC may suspend or terminate the Contract according to pertinent Articles thereto.

CLAUSE 6 – Liability

- 6.1 The IADSA MC can not under any circumstances or for any reason be held liable for damage or injury sustained by the staff or property of the Executing Entity including its Partner/s (if any) while the Project is being carried out or as a consequence of the

Project. The IADSA MC cannot, therefore, accept any claim for compensation or increases in payment in connection with such damage or injury.

- 6.2 The Executing Entity shall assume sole liability towards third parties, including liability for damage or injury of any kind sustained by them while the Project is being carried out or as a consequence of the Project. The Executing Entity shall discharge the IADSA MC of all liability arising from any claim or Project brought as a result of an infringement of rules or regulations by the Executing Entity or its Partner(s)'s (if any) employees are responsible, or as a result of violation of a third party's rights.

CLAUSE 7 – Conflict of Interest

- 7.1 The Executing Entity shall take all necessary measures to prevent or end any situation that could compromise the impartial and objective implementation and performance of the Project. Such conflict of interest may arise in particular as a result of economic interest, political or national affinity, or any other relevant connection or shared interest.
- 7.2 Any conflict of interest which may arise during performance of this Project must be notified in writing to the IADSA MC without delay. In the event of such conflict, the Executing Entity shall immediately take all necessary steps to resolve it.
- 7.3 The IADSA MC reserves the right to verify that the measures taken are appropriate and may require additional measures to be taken if necessary.
- 7.4 The Executing Entity shall ensure that its staff, including its management, is not placed in a situation which could give rise to conflict of interests. Without prejudice to its obligation under the Contract, the Executing Entity shall replace, immediately and without compensation from the IADSA MC, any member of its staff and/or Project's personnel in such a situation.

CLAUSE 8 - Abuse and Illegal Use of the Grant

- 8.1. For the purposes of applicable article of the Contract, the terms set-forth below are defined as follows:
- i. "Corrupt practice" is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party¹;
 - ii. "Fraudulent practice" is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party¹ to obtain a financial or other benefit or to avoid an obligation;

¹ "Another party" refers to any official formally acting in relation to the Project implementation, monitoring and evaluation, auditing or contract award and execution. In this context, "any official" includes staff and employees of the Executing Entity and its Partner/s (if any) or assigned by the IADSA MC (including its representing Entities, separately) or any other organization purposely appointed through the IADSA MC to monitor or review procurement decisions.

- iii. “Collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party¹;
- iv. “Coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party¹;
- v. “Obstructive practice” is
 - a. deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede an investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party¹ to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or
 - b. acts intended to materially impede the exercise of the IADSA MC’s inspection and audit rights provided for in the Contract.

CLAUSE 9 – Confidentiality

- 9.1 Subject to what purposely specified in the Contract, the IADSA MC and the Executing Entity undertake to preserve the confidentiality of any information, notwithstanding its form, disclosed in writing or orally in relation to the financing and implementation of the Project and identified in writing as confidential until at least 5 years after the termination of the Project as defined in the Contract.
- 9.2 The Executing Entity shall not use confidential information for any aim other than fulfilling their obligations under the Contract unless otherwise agreed with the IADSA MC.

CLAUSE 10 – Visibility

- 10.1 The Executing Entity and its Partner/s (if any) shall mention the Project and the IADSA II’s financial contribution in any information given to the final recipients/beneficiaries of the Project, in its internal and annual reports, and in any dealings with the media. Wherever appropriate, must display the IADSA II’s logo, officially provided by the TSU. The IADSA II’s logo must be displayed in all the published materials, goods, equipment and infrastructures funded by the Grant.
- 10.2 Any notice or publication by the Executing Entity and its Partner/s (if any) concerning the Project, including those given at conferences or seminars, shall specify that the Project has received IADSA II funding. Any publication by the Executing Entity and its Partner/s (if any), in whatever form and by whatever medium, including the internet, shall include the following statement: “This document has been produced with the financial contribution in grant of the Debt for Development Swap Agreement (IADSA II) in the framework of the Italian-Albanian Development Cooperation Programme. The contents of this document are the sole responsibility of the Executing Entity and can under no circumstances be regarded as reflecting the position of the

Council of Ministers of the Republic of Albania or the Government of the Italian Republic.”

- 10.3 The Executing Entity authorizes the IADSA MC (including its representing Entities, separately) to publish its name and address, nationality, the purpose of the Grant, duration and location as well as the maximum amount of the Grant and the rate of funding of the Project’s costs, as laid down in the Contract.

CLAUSE 11 – Ownership/Use of Results and Assets

The Executing Entity concedes to the IADSA MC (including its representing Entities, separately) the right to use freely and as it sees fit, and in particular, to store, modify, translate, display, reproduce by any technical procedure, publish or communicate by any medium all documents deriving from the Project whatever their form, provided it do not thereby breach existing industrial and intellectual property rights.

CLAUSE 12 – Implementation

- 12.1 If the Executing Entity has to conclude implementation contracts with contractors in order to carry out the Project, these may only cover a well-defined portion of the Grant and shall respect the procurement and contract-award procedures and rules of nationality and origin set out in Clause13 hereto.
- 12.2 The Executing Entity shall provide in writing a comprehensive and detailed report to the TSU on the overall procurement procedure and award of any contract awarded under Clause 12.1.
- 12.3. Contracts awarded cannot be modified, unless the modification is approved by the IADSA MC through the TSU, pursuant to the following sub-clause:
- i. modifications and those, in the interest of the Executing Entity and Project Beneficiary (ies), necessary to improve the quality and performance of the Project may not increase or reduce the total contract amount beyond 20%, provided that the funding is available within the approved Budget of the Project and no substantial modification is made; the modifications shall be only due to objective reasons, unforeseeable when the contract was made.
- 12.4 The provisions of these GPI apply *mutatis mutandis* to contracts to be concluded by the Partner/s of the Executing Entity, if any.

Financial support to third parties

- 12.5 In order to support the achievement of the objectives of the Project, and in particular where the implementation of the Project requires financial support (e.g. seed grants and/or matching grants) to be given to the final recipient/beneficiary (ies), the Executing Entity may award financial support on grant if so provided in the approved Project Proposal and annexed Budget.

- 12.6 The Executing Entity shall provide the TSU with a comprehensive and detailed report on the award and implementation of any financial support given. These reports shall provide, amongst other, information on the award procedures, on the identities of the beneficiary/ies of financial support, the amount granted, the results achieved, the problems encountered and solutions found, the activities carried out as well as a timetable of the activities which still need to be carried out.

Selection and recruitment of Project staff and personnel

- 12.7. The recruitment of project staff and personnel appointed for the implementation of the Project and paid on the Grant shall be performed through an open selection procedure in accordance with the principles of transparency and fair competition for potential candidates. Any position must be advertised on the national press of Albania and institutional web site of the Executing Entity and the vacancy must remain open for a period not less than thirty (30) calendar days from the date of the first publication of the vacancy announcement. The vacancy announcement must clearly indicate the minimum requirements (education, years of experience in the specific field, languages etc.) that potential candidates must have in order to compete, specifically identified for each position. In order to obtain a prior review in written by the TSU before contract signing, the Executing Entity shall provide the TSU with a comprehensive and detailed report on the selection process for the recruitment of all the project staff and personnel, including relevant job descriptions and published vacancy announcements.
- 12.8. The IADSA MC (through the TSU) holds the right to review or to reject any recruitment decision in order to confirm that selection has been conducted transparently and efficiently in conformity with established rules and procedures in the Contract and these GPI.
- 12.9. In the event of failure to comply with the rules referred to above, expenditure on the recruitments in question is not eligible for IADSA II financing without prejudice to what purposely specified in the Contract.

CLAUSE 13 – Procurement Rules and Contract Award Procedure

General principles

- 13.1. If the implementation of a Project requires procurement by the Executing Entity, the contract must be awarded to the most economically advantageous offer (i.e. the bidder offering the best price-quality ratio), in accordance with the principles of transparency and fair competition for potential contractors and taking care to avoid any conflicts of interest.
- 13.2. All the tender procedures (including pre-qualifications) for the Project shall be carried out under the responsibility of the Executing Entity.
- 13.3. To this end, the Executing Entity must comply with the rules set out in Clauses 13.8. to 13.11 below.
- 13.4. In the event of failure to comply with the rules referred to above, expenditure on the operations in question is not eligible for IADSA II financing without prejudice to the pertinent article on resolution of the Contract.

- 13.5. The IADSA MC (through the TSU) holds the right to review or to reject any contract award decision in order to confirm that procurement activities have been conducted transparently and efficiently in conformity with established rules and procedures in the Contract and these GPI.
- 13.6. The TSU must be informed in written by the Executing Entity at least one week before the publication of procurement tender advertisement for the tender procedures that requires the publication of the procurement notice.
- 13.7. The provisions of these GPI apply *mutatis mutandis* to contracts to be concluded by the Partner/s of the Executing Entity, if any.

Eligibility for contracts

13.8. The nationality rule

- i. Participation in tender procedures administered by the Executing Entity is open on equal terms to all natural and legal persons of the Republic of Albania and the EU Member States. Bidders must state, in the tender, the country of which they are nationals by presenting the usual proof of nationality under their national legislation;
- ii. This rule applies also to the experts proposed by service providers taking part in tender procedures or service contracts financed by the IADSA II Grant.

13.9. The rule of origin

For supplies acquired by the Executing Entity in the context of the Grant provided by the IADSA II, the bidder must state the origin of supplies. Contractors must comply with the rules laid down by the relevant Albanian legislation.

13.10. Grounds for exclusion from participation in procurement

Candidates or bidders will be excluded from participation in a procurement procedure if:

- i. They are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- ii. They have been convicted of an offence concerning their professional conduct by a judgment which has the force of *res judicata*;
- iii. They have been guilty of grave professional misconduct proven by any means which the Executing Entity can justify;
- iv. They have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established or with those of the Republic of Albania;
- v. They have been the subject of a judgment which has the force of *res judicata* for fraud, corruption, involvement in a criminal organization or any other illegal activity detrimental to the financial interests of Albania and Italy;

- vi. They are in the conditions as referred to in the Italian Legislative Decree 8.8.1994, n. 490 (“Antimafia”). Italian Candidates or Bidders must provide the evidence thereof by the “certificate antimafia”, issued by the competent Italian authorities. Non-Italian Candidates or Bidders must provide equivalent certificates, if issuable under their respective national law;
- vii. They are currently subject to an administrative penalty.

Candidates or bidders must certify that they are not in one of the situations listed above.

13.11. Exclusion from award of contracts

Contracts may not be awarded to candidates or bidders which, during the procurement procedure:

- i. Are subject to a conflict of interests;
- ii. Are guilty of misrepresentation in supplying the information required by the Executing Entity as a condition of participation in the contract procedure or fail to supply this information.

Rules common to all tender procedures

- 13.12. The tender documents must be drafted in accordance with best international practice if they do not have their own templates.
- 13.13. The time-limits for receipt of offers and requests to participate must be long enough to allow interested parties a reasonable and appropriate period to prepare and submit their offers, in all cases not less than thirty (30) calendar days following the publication of the procurement advertisement or from the date of the request for expressions of interest or letter of invitation to pre-qualified bidders.
- 13.14. All requests to participate and offers declared as satisfying the requirements must be evaluated and ranked by an evaluation committee on the basis of the exclusion, selection and award criteria announced in advance. This committee must have an odd number of members, at least three, with all the technical and administrative capacities necessary to give an informed opinion on the offers.
- 13.15. The exchange rate applicable to estimate the contract value in Euro equivalent is the one indicated by the Bank of Albania on the date of launching of the relevant Call for Proposals on response of which the Executing Entity submitted its Project Proposal to which the Contract refers.
- 13.16. The Executing Entity shall provide the TSU with a comprehensive and detailed report on each Procurement and Contract Award Procedure, including in annex relevant tender documents, published procurement notices, tender evaluation report as per sub-clause 16.7. below.

Rules applicable to service contracts

- 13.17. Contracts of € 150,000 (Euro equivalent) or more

- i. Service contracts worth € 150,000 (Euro equivalent) or more must be awarded by means of an international restricted tender procedure following publication of a procurement notice.
- ii. The procurement notice is to be published on the Executing Entity's web site, in the international press and the national press of Albania, or in other specialist periodicals. It must be stated the number of candidates which will be invited to submit offers within a range of four to eight candidates, and must be sufficient to ensure genuine competition.
- iii. All would-be service providers fulfilling the conditions referred to in Clauses 13.8. to 13.11. may ask to participate but only candidates satisfying the published selection criteria and invited in writing by the Executing Entity may submit an offer.

13.18. Contracts between € 60,000 and € 150,000 (Euro equivalent)

- i. Such contracts are awarded by means of an open tender procedure published locally: the procurement notice is published in the national press of Albania or in other specialist periodicals.
- ii. A local open tender procedure must provide other eligible service providers with the same opportunities as local firms.

13.19. Contracts under € 60,000 (Euro equivalent)

Service contracts worth less than 60,000 (Euro equivalent) must be awarded by means of a competitive negotiated procedure without publication, in which the Executing Entity consults at least three service providers of its choice and negotiates the terms of the contract with one or more of them.

13.20. For the services worth up to € 100 (Euro equivalent) the Executing Entity shall proceed with

direct purchase at supplier against supplier invoice, negotiated at market rate, without formality of advertising, obtaining bids, letting contract and preparing specification.

Rules applicable to supply contracts

13.21. Contracts of € 150,000 (Euro equivalent) or more

- i. Supply contracts worth € 150,000 (Euro equivalent) or more must be awarded by means of an international open tender procedure following publication of a procurement notice.
- ii. The procurement notice is to be published on the Executing Entity's web site, in the international press and the national press of Albania, or in other specialist periodicals.
- iii. Any would-be supplier which fulfils the conditions referred to in Clauses 13.8 to 13.11 hereto may submit an offer.

13.22. Contracts between € 60,000 and € 150,000 (Euro equivalent)

- iii. Such contracts are awarded by means of an open tender procedure published locally: the procurement notice is published in the national press of Albania or in other specialist periodicals.

- iv. A local open tender procedure must provide other eligible suppliers with the same opportunities as local firms.

13.23. Contracts under € 60,000 (Euro equivalent)

Supply contracts worth less than € 60,000 (Euro equivalent) must be awarded by means of a competitive negotiated procedure without publication, in which the Executing Entity consults at least three suppliers of its choice and negotiates the terms of the contract with one or more of them.

13.24. For the services worth up to € 100 (Euro equivalent) the Executing Entity shall proceed with

direct purchase at supplier against supplier invoice, negotiated at market rate, without formality of advertising, obtaining bids, letting contract and preparing specification.

Rules applicable to work contracts

13.25. Construction and rehabilitation activities to be implemented under the Project will mainly be performed by Executing Entity's internal technical resources. To this end, the Executing Entity will be responsible for the whole construction/rehabilitation process and will prepare technical and tender documents, launch the tenders, evaluate the offers, and awarding contracts.

13.26. In line with the relevant Albanian legislation, the Executing Entity shall be responsible for the costs of the guarantee fund (5%), supervision, testing and contract work insurance.

13.27. Eligible contractors must fulfill the conditions referred to in Clauses 13.8 to 13.11 hereto to submit an offer.

13.28. The execution of work contracts shall be performed according to the local applicable standards, safety rules and regulations for construction/rehabilitation works.

13.29. Contracts of € 150,000 (Euro equivalent) or more

- i. Such contracts must be awarded by means of an open tender procedure published locally: the procurement notice is published in the national press of Albania.
- ii. A local open tender procedure must provide other eligible contractors with the same opportunities as local firms.

13.30. Contracts under € 150,000 (Euro equivalent)

Works contracts worth less than € 150,000 (Euro equivalent) must be awarded by means of a competitive negotiated procedure without publication, in which the Executing Entity consults at least three eligible contractors of its choice and negotiates the terms of the contract with one or more of them.

Use of the negotiated procedure on the basis of a single offer

- 13.31. Upon the no objection of the TSU in written, the Executing Entity may use the negotiated procedure on the basis of a single offer in the following cases:
- i. Where, for reasons of extreme urgency brought about by events which the Executing Entity could not have foreseen and which can in no way be attributed to him, the procedures referred to in Clauses 13.12 to 13.26. cannot be applied;
 - ii. For additional deliveries by the original supplier intended either as a partial replacement of normal supplies or installations or as the extension of existing supplies or installations, where a change of supplier would oblige the Executing Entity to acquire equipment having different technical characteristics which would result in either incompatibility or disproportionate technical difficulties in operation and maintenance;
 - iii. For additional works not included in the initial contract concluded which have, through unforeseen circumstances, become necessary for carrying out the works, only through an addendum to the initial contract and if compliant with sub-Clause 12.3. hereto;
 - iv. Where the tender procedure has been unsuccessful, that is where no qualitatively and/or financially worthwhile offer has been received. In such cases, after cancelling the tender procedure, the Executing Entity may negotiate with one or more bidders of its choice, from among those that took part in the tender procedure, provided that the initial terms of the tender procedure are not substantially altered;
 - v. Where, for technical reasons, or for reasons connected with the protection of exclusive rights, the contract can be awarded only to a particular service provider;
 - vi. Where warranted by the nature or particular characteristics of the supplies, for example, where performance of the contract is exclusively reserved for the holders of patents or licenses to use patents.

International Organizations

- 13.32. In specific cases, the IADSA MC and the Executing Entity agree on the use of other procurement procedures which offer guarantees equivalent to internationally accepted standards. In all cases the general principles and rules on nationality and origin set out in Clauses 13.8 to 13.11 still apply.

FINANCIAL PROVISIONS

CLAUSE 14 – Eligible Costs

Cost eligibility criteria

- 14.1 Eligible costs are actual costs incurred by the Executing Entity and its partner/s (if any) in implementing the Project as described in the approved Project Proposal and annexed Budget. Eligible costs shall meet all the following criteria:

- i. They are incurred during the implementation period of the Project as defined in the Contract. In particular:
 - a. Costs for services and works shall relate to activities performed during the implementation period. Costs for supplies shall relate to delivery and installation of items during the implementation period. Signature of a contract, placing of an order, or entering into any commitment of expenditure within the implementation period for future delivery of services, works or supplies after expiry of the implementation period do not meet this requirement;
 - b. Costs incurred should be paid before the submission of the final report. They may be paid afterwards, provided and planned in the budget, they are listed in the final technical and financial report together with the estimated date of payment;
- ii. They are indicated in the Budget for the Project as approved by the IADSA MC and annexed to the Contract;
- iii. They are necessary for the implementation of the Project;
- iv. They are identifiable and verifiable, in particular being recorded in the accounting records of the Executing Entity and partners (if any). They comply with the requirements of applicable tax and social legislation;
- v. They are reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency.

Non-eligible costs

14.2 The following costs shall not be considered eligible:

- i. Debts and debt service charges (interest);
- ii. Provisions for losses or potential future liabilities;
- iii. Costs declared by the Executing Entity and/or its partner/s (if any) and already financed through other sources of financing;
- iv. Purchases of land or buildings, except where necessary for the direct implementation of the Project and already foreseen in the approved Project Proposal, in which case ownership shall be transferred to the final beneficiaries and/or relevant Albanian Public Institution as specified in the approved Project Proposal, at the latest at the end of the Project;
- v. Currency exchange losses;
- vi. Credits to third parties;
- vii. Salaries, security charges and other remuneration-related costs for public employees (except per diem and travel costs incurred in relation to the implementation of the Project);
- viii. Legal taxes or any other form of penalties and obligation;
- ix. Costs of the guarantee fund (5%), supervision, testing and contract work insurance.

CLAUSE 15 – Suspension of the period for transferring of any of the installments of the Grant

- 15.1. Without prejudice to what purposely specified in the Contract, the IADSA MC may suspend the transferring of any of the installments of the Grant by notifying the Executing Entity that:
- i. The amount indicated in its request of transfer of installment is not due, or;
 - ii. Technical and Financial Report and supporting documents have not been delivered, or;
 - iii. The IADSA MC needs to request clarifications, modifications or additional information to the narrative or financial reports, or;
 - iv. The IADSA MC needs to carry out additional checks, including on-the-spot checks to make sure that the expenditure is eligible or;
 - v. It is necessary to verify whether presumed substantial errors, irregularities, fraud have occurred in contract award procedure or the implementation of the Project;
 - vi. It is necessary to verify whether the Executing Entity including its Partner/s (if any) have breached any substantial obligations under the Contract and its Annexes.
- 15.2. The Executing Entity shall provide any requested information, clarification or document within thirty (30) calendar days of the request.
- 15.3. If, notwithstanding the information, clarification or document provided by the Executing Entity, the transfer request is still inadmissible, or if the contract award procedure or the implementation of the Project's activities proves to have been subject to substantial errors, irregularities, fraud, or breach of obligations, then the IADSA MC may refuse to proceed further with the transfer of the IADSA II financing and may, in the cases foreseen in the Contract, terminate accordingly the Contract.
- 15.4. In addition, the IADSA MC may also suspend transfer of Grant installment/s as a precautionary measure without prior notice, prior to, or instead of, terminating the Contracts prescribed in the Contract.

Rules for currency conversion

- 15.5 Costs incurred in other currencies than the one used in the Project's Bank Account shall be converted using the rate indicated by the Bank of Albania on the date of launching of the relevant Call for Proposals.

CLAUSE 16 – Accounts and technical and financial checks

- 16.1 The Executing Entity shall keep accurate and regular accounts of the implementation of the Project using an appropriate accounting and book-keeping system.

The accounts:

- i. may be an integrated part of or an adjunct to the Executing Entity's regular system;

- ii. shall enable income and expenditure relating to the Project to be easily traced, identified and verified.
- 16.2 The Executing Entity shall ensure that any financial report as required in the Contract can be properly and easily reconciled to the accounting and bookkeeping system and to the underlying accounting and other relevant records.

Right of access

- 16.3 The Executing Entity shall allow verifications to be carried out by IADSA MC through the TSU and any entity duly authorized by anyone of the two Parties who signed the IADSA II Bilateral Agreement, also separately, or any external auditor authorized by the IADSA MC. The Executing Entity has to take all steps to facilitate its work.
- 16.4 The Executing Entity shall allow the above entities to:
- i. access the sites and locations at which the Project is implemented;
 - ii. examine its accounting and information systems, documents and databases concerning the technical and financial management of the Project;
 - iii. take copies of documents;
 - iv. carry out on the-spot-checks;
 - v. conduct a full audit on the basis of all accounting documents and any other document relevant to the financing of the Project.

Record keeping

- 16.5 The Executing Entity shall keep all records, accounting and supporting documents related to the Contract for five years following the termination of the Project as defined in the Contract.
- They shall be easily accessible and filed so as to facilitate their examination and the Executing Entity shall inform the IADSA MC through the TSU of their precise location.
- 16.6 The Executing Entity shall present the financial supporting documents filed in line with approved budget and templates provide by IADSA II. Technical and Financial reports (excluding supporting documents) should be submitted both electronically and hard copy.
- 16.7 In addition to the reports listed in the Contract, the documents referred to in this Clause include:
- i. Accounting records (computerized or manual) from the Executing Entity's accounting system such as general ledger, sub-ledgers and payroll accounts, fixed assets registers and other relevant accounting information;
 - ii. Proof of procurement procedures such as tendering documents, offers from bidders and evaluation reports both in Albanian and English language;
 - iii. Proof of commitments such as contracts and order forms;

- iv. Proof of delivery of services such as approved reports, time sheets, transport tickets, proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates) etc;
- v. Proof of good delivery notes;
- vi. Proof of completion of works, such as final acceptance certificates;
- vii. Proof of purchase such as invoices and receipts;
- viii. Proof of payment such as bank statements, debit advice, credit advice;
- ix. For fuel and oil expenses, a summary list of the distance covered (log book), the average consumption of the vehicles used, fuel costs and maintenance costs;
- x. Staff and payroll supporting documents such as contracts, pay slip and time sheets. For local staff recruited on fixed-term contracts, details of remuneration paid, duly substantiated by the person in charge locally, broken down into gross salary, social security charges, insurance and net salary. For expatriate and/or Italian-based staff (if any) analyses and breakdowns of expenditure per month of actual work, assessed on the basis of unit prices per verifiable block of time worked and broken down into gross salary, social security charges, insurance and net salary.