

**FINANCIAL AGREEMENT  
BETWEEN  
THE UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)  
AND  
CREDINS BANK Sh.a.**

**FOR THE REACTIVATION OF A GUARANTEE FUND  
IN SUPPORT OF THE ALBANIAN REGIONS AND PREFECTURES, IN THE  
FRAMEWORK OF THE UNDP ART GOLD PROGRAM**

This Agreement is made between:

**The United Nations Office for Project Services**, in its capacity as Executing Agency of the “Local Economic Development (LED) component of the UNDP ART GOLD2 ALBANIA Programme”, represented by Luigi Cafiero (hereinafter referred to as “UNOPS”);

**CREDINS Bank**, in its capacity as the Fund Manager represented by Mr. Artan Santo, in the capacity of General Manager in Albania (hereinafter referred to as BANK).

All of them in the 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 attend 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 small, medium and micro enterprise projects under the LED component of the ART GOLD2 Program. In addition, the BANK has expertise in managing funds of the magnitude provided by UNOPS and carries out business in the Regions of Shkodra and Vlora.

**III**

The “Program of Activities in Support of Albanian Regions and Prefectures” PASARP ( ALB/99/R71) was funded by the Government of Italy and co-ordinated by the General Directorate for Development Co-operation (DGCS); the International Fund for Agricultural Development (IFAD) has been designated as fund manager for PASARP and the United Nation for Project Services

(UNOPS) as Executing Agency, and it provided a total amount of 1.100,000 USD for establishing a Guarantee Fund for guaranteeing loans to the beneficiaries of the Program.

This “*sustainable credit scheme for the provision of financial support to local entrepreneurs*” was approved at the central level by the Government of Italy as Donor and by the Ministry of Decentralization and Local Authorities as the national counterparts, and endorsed at the local level by the Regional Working Groups (RWG) in the three regions of Shkodra, Vlora, and Durres.

#### IV

During 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 ("TEULEDA" in SHKODRA, "AULEDA" in VLORA, and "TAULEDA" in DURRES ). The role of the LEDAs is to promote sustainable economic growth and employment creation in Albania, promote the local economic potential through the creation and strengthening of micro, small and medium enterprises organize the participation of the target population in the design and execution of the different components of the PASARP Program; offer technical assistance for micro and small business development, facilitate economic empowerment of small businesses and other enterprises; and support the creation of entrepreneurial associations.

Since then the BANK, UNOPS and the LEDAs have been promoting access to credit for local entrepreneurs (hereinafter the “Clients”) through the participation to a Credit Committee (CRC) deciding on the use of the funds deposited in the GF and supervising the overall credit scheme in the three Regions of SHKODRA, VLORA and DURRES

#### V

The UNDP ART GOLD Albania program is part of UNDP ART Initiative (ARTiculation of territorial and thematic networks of human development cooperation), which is intended to promote, in the interested countries, national co-operation framework programs for governance and local development.

UNDP ART GOLD2 Albania will support the Albanian Government in implementing its national policies and strategies to achieve the MDG through a territorial approach, in particular at the level of Regional administrations (in Albanian “Counties”) and Municipalities, according with the Strategy for Decentralization and Local Governance prepared by the Ministry of Interior. UNDP ART GOLD2 Albania will operate according also with the Regional Development Cross-Cutting Strategy prepared by the Ministry of Economy and Trade as well as the other thematic national development policies and strategies, in particular those of Ministries of Health, of Education and of Environment. To achieve this goal, UNDP ART GOLD2 Albania intends to promote and encourage the participation of different local, national and international actors, creating and supporting innovative partnerships within a global system of cooperation. In line with the overall ART approach, the program will act at local, national and international levels.

#### VI

UNDP ART GOLD 2 intends to keep sustaining local economic development, through the LEDAs and the Guarantee Fund deposited in the Credins Bank for the regions of Shkodra and Vlora.

#### VII

UNOPS has been designated by UNDP ART GOLD Program as executing agency for the implementation of the local economic development component, as far as the international technical assistance and the credit scheme management.

**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 (SMME), 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 ART GOLD 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 ART GOLD Program is constituted by the UNOPS deposit left by the previous ART GOLD Program, representing a total amount of *539,480.00 USD*.
- 2.3 The total amount of *539,480.00USD* will be subdivided in two specific sub-accounts, for each Agency (LEDA) of the prefectures of SHKODRA, and VLORA, according to the following:
  - For the region of Shkodra an amount of **331,697.00 USD**  
For the region of Vlora an amount of **207,783.00 USD**  
The respective amounts of the sub-accounts are not transferable from one to the other.
  - The total amount will be converted from USD in Leke in the day of signing the Agreement according to the official exchange rate of USD/Leke set by the Bank of Albania of that day.
- 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 2.2 above, the BANK shall issue Loans to the Clients from its own resources.

### **3. GUARANTEES, COLLATERALS AND CREDIT RECOVERY**

- 3.1 The UNOPS contributions in the GF shall 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 GF may only be used to secure credit operations of the BANK to Clients guaranteed by UNOPS under the ART GOLD 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. Parties agree to apply a ratio of maximum three (3) by one (1) between the credit and the Guarantee Fund.
- 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).
- 3.5 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. (Annexes 8 and 9).

#### **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 which defines micro, small and, medium enterprises as:
1. **Micro Businesses.** Comprising of businesses with an annual turnover (sales) of up to 12.000.000 ALL and a small number of employees, up to 10 people. These are usually family-owned businesses and their legal status in most cases is that of a “natural person”.
  2. **Small Businesses.** Comprising of businesses with an annual turnover (sales) of up to 50.000.000 ALL and up to 50 employees. The legal status of these businesses in general is Natural Person, “limited liability companies” (LTD). These companies have in general a simple organisational structure, a main director, who is normally also the owner of the company.
  3. **Medium Businesses.** Comprising of businesses with an annual turnover (sales) of up to 250.000.000 ALL and up to 250 employees. The legal status of these businesses in general is “limited liability companies” (LTD), but also Joint Stock

Companies (sh.a.). They generally have a simple organizational structure, a main director who is normally also the owner of the company.

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

- a. Agriculture and food processing sectors;
- b. Fishing sector;
- c. Craftsmanship sector;
- d. Tourism industry and
- e. Other economic activities to be defined by mutual agreement of the parties.

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

## **2. 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.

## **3. LOAN CONDITIONS**

7.1 The conditions in terms of amounts (minimum of 400,000 ALL and maximum of 10,000,000 ALL 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 period of the loan is maximum 7 years, and it will be approved by the bank, according to the submitted business plan characteristics

7.3 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 of the requirement for security and of the interest rate.

7.4 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.

## **4. ELIGIBLE CLIENTS**

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

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, and VLORA, or
- b. Locally registered farm/association-cooperative/business (including "Start-ups") in one of the designated Regions, with legal capacity to contract;
- c. or in surrounding areas, if the loan is used for providing added value to the regions of Shkodra and Vlora, in terms of buying products or services, or using products and services from the above mentioned regions, and
- d. Submission of an economically and financially sustainable business plans approved by the LEDA;
- e. Lack of collateral for normal access to credit resources;
- f. Compliance with the other requirements as 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, finally accompanying Credins Bank in the repayment process.

During this pre-selection process, eligible candidates will be evaluated by LEDA according to specific criteria agreed with UNOPS, in order to determine whether the business plan qualifies for a formal submission to the Credit Committee.

## **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 ART GOLD Region.

9.2 The terms of reference and functioning of the CRC is further described under Annex I.

## **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 ART GOLD 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 Credit Committee 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. Assign a representative responsible for the follow-up of the agreement.

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 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 Clients, considering that the ART GOLD Program should strictly benefit Clients as described in clause 8;
- d. Participate in the Credit Committee and share an advanced copy of the standard form for loan application with the CRC Members;
- e. Process loan applications of eligible candidates identified by the LEDAs with business proposals approved by the credit committee;
- 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, and the deposit interests deposited;
- h. Facilitate the inspection of accounts, at any time, of the Fund by any person/organization authorized by the Committee;
- 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 members of Committee 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 two 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 economic sector, and shall establish general representatives for financing 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 intervention
3. Description of product/services
4. Market description
5. Commercial aspects
6. Economic and financial information
7. Cash flow analysis.

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 Luigi Cafiero  
CTA ART GOLD Program  
Tirana, Albania

and copy to: Bernhard Schlachter  
Director - Switzerland Operations Center "SWOC"

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

and copy to: Mrs. Monika MILO  
Deputy Executive Director  
Rr. Ismail Qemali, No. 21  
Tirana, Albania

## **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 ART GOLD Program, unless the parties decide otherwise.

13.2 If the parties decide to extend the Agreement and the GF after the closing of the ART GOLD 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, UNDP, 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: Mr. Artan SANTO

Title: Executive Director

Date:

**On behalf of UNOPS:**

Represented by:

Name: Bernhard Schlachter

Title: SWOC Director

**Date:**

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**HONOR WITNESSES**

AULEDA LEDA in VLORA

Represented by

President of the Executive Board

TEULEDA LEDA in SHKODRA

represented by

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 I**

### **TERMS OF REFERENCES OF THE CREDIT COMMITTEE**

#### **I. COMPOSITION**

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

- A representative of UNOPS,
- 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 A secretary assigned by the Bank shall convene meetings, prepare the relevant documentation and send it to the Credit Committee 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 coordinate 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) The internal Rules and Procedures should be approved by UNOPS and the Bank.

#### **III. MEETINGS**

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

#### **IV. DECISIONS**

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.

The Credit Committee approves rejects or suspends a decision for Loan applications, in the latter case additional information may be requested to the candidate 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 applications considering that business plans presented for projects to be financed should meet the technical and financial evaluation criterion ( 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;

- 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 Guarantee Fund.
- e. Request an audit on the management of the financial resources in accordance with article 10.2 of the Agreement, whenever it is considered necessary;
- f. Preparation and submission 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 LEDAs, Regional at the level of the Working Group (RWG), follow up and communicate relevant financial and technical information on the ART GOLD Program.

## **VI. LOAN PROCESS**

1. The selection of the business idea will be done by the LEDAs.
2. Technical assistance will be offered to the beneficiaries for the elaboration of the business plan as per the sample agreed (Annex 5 – Business plan sample) with the Bank from the LEDA.
3. The elaborated business plan will be handover to the bank from the LEDAs.
4. All the business plans will be cleared by UNOPS assigned staff.
5. The bank will evaluate the business plan proposed and will organize a joint field visit with the LEDAs assigned staff at the beneficiary.
6. After the evaluation the business plan will be submitted to the Credit Committee for the final evaluation and approval.
7. The guarantee letter will be issued by UNOPS or a staff assigned by UNOPS.
8. The loan contract will be signed between the Bank and the Beneficiary.
9. Technical assistance will be offered to the beneficiaries from LEDAs staff and joint monitoring visits with the Bank will be organized.
10. In case of loan defaults the loan recovery process will be followed up by the Bank and the LEDAs. If all the joint efforts for recovery fail then the loan file shall be passed to the Bank legal department that will follow up the legal procedure as per Albanian Law.

## ANNEX II

### OPERATIONAL RULES

#### A. FINANCIAL RULES OF THE GUARANTEE FUND

1. The agreement shall become operational from the moment of the signature, valid to use the amount of UNOPS deposit to the account No. 1911 at the Bank Head Quarters. The main account shall include sub accounts corresponding to the amounts determined for each LEDA. The currency option and percentage (USD, ALL) will be determined according to the structure of the guarantee ratio between the GF and the customer.

2. The GF shall yield an interest rate of 6,8 % per year

Each sub account should be remunerated according to the following scheme:

TYPE OF ACCOUNTS	UNOPS/ART GOLD MAIN ACCOUNT	
	BENEFICIARIES	AULEDA sub-account [LEK 000,000] 207,783.00 USD
CURRENCY	LEK	LEK
1. GF account 2. Special savings account		

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

4. Since the amount deposited will serve as a basis for the financial guarantee of loans, the amount and term of the deposits should match 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 UNOPS will be paid in the saving account in LEK. The calculation of the net interest income is based as follows:

- NI= credit interest rate- Cost of funds
- LEK credit interest rate = T Bills + 8,7%

Cost of Funds = Average UNOPS deposits interest + credit expense + obligatory reserve + insurance prime.

6. LEDA-s are preferential clients regarding not only the exchange rates but also treatment clauses of clients.

#### B. DEFAULT LOANS PROCEDURES

1. In case of a default loan the Bank will affect the normal procedures for the credit recovery based on the Rules and Procedures set by the Central bank of Albania (Regulations on Credit Risk Management – Annex 6.)
2. The BANK has to pay the total provision for the first and second loan classifications respectively for standard and under monitoring category in the percentage 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 it has to be paid 70% from the Bank and 30% from the UNOPS deposit.
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 the UNOPS deposit.
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 of UNOPS 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 the points 1.2, 1.3, 1.4;
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 GF will be in a proportional way reintegrated from the net lost amounts from the expenditures made for the recuperation.

## **C. MANAGEMENT OF GUARANTEE FUND**

1. Role of LEDAs
  - a. Participate in the meetings of the Credit Committee
  - b. Provide technical support and strategic orientation to ART GOLD Program in the field of LED to support the development of local capacities and to facilitate the long term sustainability of the PROGRAM;
  - c. Support the PROGRAM through promoting organizational strengthening and training among the beneficiaries;
  - d. Select possible clients of the PROGRAM, considering that the micro business plans presented to be financed should meet the criteria established in present agreement, the Guarantee Rules and the Credit Rules of the BANK;
  - e. Recognize the BANK's capacity to automatically recover the default payments made in operations guaranteed by the program, according to the procedures to be defined in the Operational Rules.
  - f. To provide, directly or indirectly, technical assistance to the clients of the PROGRAM, in order to obtain a correct use of the resources;

- g. The LEDAs will open a bank account in the regional branches of Shkodra and Vlora of Credins Bank and complete all their transactions through these accounts.

## 2. Role of UNOPS

- a) To provide the BANK with the financial resources established in clause two (2) of this Agreement;
- b) Inform the beneficiaries of ART GOLD Program in Shkodra, and Vlora regions about the criteria, rules and regulations of the credit scheme;
- c) Support LEDAs activities in organizing meetings, training sessions or workshops in order to animate and organize potential clients;
- d) Support LEDAs activities to assist clients with loan applications through field visits, interviews and analysis of their loan requests;
- e) Participate, through LEDAs, in the analysis of the qualification of clients, as stated in the present Agreement and its Operational Rules;
- h) Monitor and follow up on the field all loans granted to the clients and inform the technical committee and the BANK about any misuse, deviation or problems concerning the loans;
- i) Participate in the Credit Committee.

## 3. Role of the BANK

- a) Participate in the Credit Committee;
- b) Decide on the applications presented by the Credit Committee, following its own mechanisms of loan approval;
- c) Not to substitute with the resources of the present Agreement to guarantee its own credit schemes. The PROGRAM should strictly benefit the clients described in clause 8;
- d) Submit to Credit Committee members a monthly financial report on the state of the account; Submit to the UNOPS 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
- e) Cooperate in the implementation of annual external audits, or whenever the Credit Committee considers it necessary;
- f) Assign a representative responsible for the follow-up of the PROGRAM and for any information the BANK has to submit to the Credit Committee as stated in this agreement and its corresponding Operational Rules.