OFFICIAL DOCUMENTS
Amendment n° 1 of Administration Agreement n° 2014/347-652

between
the European Commission and the International Bank for Reconstruction and Development concerning the Parallel EC - World Bank Partnership Program for Europe and Central Asia Programmatic Single-Donor Trust Fund (No. TF072160)

Implementing the Framework Agreement between the European Commission and the International Bank for Reconstruction and Development in respect of Technical Assistance provided by the Bank to Eligible Countries and to which the European Union makes a financial contribution from the general budget of the Union under the Instrument for Pre-Accession Assistance (IPA I) for the Technical Assistance action entitled “Support to the Technical Assistance Pillar of the Western Balkan Enterprise Development and Innovation Facility – WB EDIF – Venture Capital and Investment Readiness”

The European Union, represented by the European Commission, Directorate General for European Neighbourhood Policy and Enlargement Negotiations (DG NEAR)
15, rue de la Loi
B-1049 Bruxelles,
(“the Commission”), of the one part,

International Bank for Reconstruction and Development
Praterstrasse 31 - 21th floor
1020 Vienna, Austria
(“the Bank”), of the other part,

Having regard to the above-mentioned Administration Agreement concluded between the Commission and the Bank on 13/8/2014

HAVE AGREED AS FOLLOWS:

Article 1
Article 2, Section 2.03.(a) of the Administration Agreement is replaced by:
“It is expected that the Program Contribution will be fully utilized in accordance with the provisions of this Administration Agreement by December 31, 2019 (“End Disbursement Date”). The End Disbursement Date can only be modified with the agreement of both Parties pursuant to Article 9 of the General Conditions.”

Article 2
Article 2, Section 2.03.(b) of the Administration Agreement is replaced by:
“It is expected that the VCIR-TA Contribution will be fully utilized in accordance with the provisions of this Administration Agreement by December 31, 2019 (“End Disbursement Date”). The End Disbursement Date can only be modified with the agreement of both Parties pursuant to Article 9 of the General Conditions.”
Date for the VCIR-TA”). The End Disbursement Date can only be modified with the agreement of both Parties pursuant to Article 9 of the General Conditions.”

Article 3
The new version of Annex I.A Programme description EC – World Bank Partnership programme for Europe and Central Asia is attached to this addendum.

Article 4
The new version of Annex III of the Administration Agreement proposed indicative budget for the programme and VCIR-TA activities is attached to this addendum.

Article 5
All the other terms and conditions of the contract remain unchanged. This addendum shall enter into force at the later day of signature by the parties.

Done in English in three originals, two for the contracting authority and one for the beneficiary.

SIGNATURES

For the beneficiary
Name: Linoa Van Geelde
Title: Director, Western Balkans
Signature: [Signature]
Date: 28- Dec-18

For the Contracting authority
Name: Mr. Colin Wolfe
Title: Head of Unit, NEAR D5
Signature: [Signature]
Date: 21/12/18

Attachments (2): Updated Annex I.A (Description of the action) and Annex III (Budget)
"ANNEX I.A OF THE ADMINISTRATION AGREEMENT"

Description of the VCIR-TA Activities to the carried out by the World Bank under the Program and the VCIR-TA Contribution

1. Objectives. In the framework of, and in line with, the Program and the VCIR-TA Contribution, the aim of the VCIR-TA Activities is to support the build-up of the venture capital market and investment readiness of entrepreneurs in Albania, Bosnia, and Herzegovina, Kosovo, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Croatia (the Beneficiary Countries). It is part of the Technical Assistance Facility of the Western Balkans "Enterprise Development and Innovation Facility" (TA WB-EDIF) which seeks to reduce barriers to the development of high-potential SMEs in the region.

2. The purpose of the VCIR-TA Activities is to:

   (i) Provide an assessment of the ecosystem for venture capital activities in the Beneficiary Countries and contribute to its improvement through policy advise and support to institutional and policy reforms; and

   (ii) Provide support to increase the investment readiness of entrepreneurs in the Beneficiary Countries by assisting with the design and implementation of a pilot program for 'mentoring/nurturing' the transformation of entrepreneurial ideas into 'investment/business propositions'.

The VCIR Activities will seek to address both demand for new ideas (venture capital activities) and the lack of supply of those ideas (investment readiness).

3. Specific activities to be carried out under the VCIR-TA:

(a) Main Bank-executed activities and deliverables:

COMPONENT A:

(i) Venture Capital Ecosystem

1. Carrying out a review and assessment of the venture capital framework in selected Beneficiary Countries and, based on international best practices, provision of recommendations for policy, institutional, regulatory and legislative reforms to be carried out and implemented by the authorities of said Beneficiary Countries.

The review will include an assessment of specific the legislative and institutional framework pertaining to venture capital and private equity as well as the wider economic and financial system/framework that may impact these investments.

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1 This designation is without prejudice to positions on status, and is in line with UNSCR1244 and the C J Opinion on the Kosovo Declaration of Independence
2. Provision of technical assistance to support selected Beneficiary Countries in their preparation of draft legislation and regulations to improve the legal framework of venture capital, based on their needs and in line with the objective of adhering to the venture capital legal and regulatory regime of the EU *acquis communautaire*, including study tours for senior officials of Beneficiary Countries.

3. Provision of support to selected Beneficiary Countries to assist them design and implement a communication strategy on venture capital reform to facilitate consensus building activities, and information dissemination activities.

(ii) **Investment Readiness**

1. Provision of support to selected Beneficiary Countries to design and implement a pilot Mentorship Assistance Program (MAP) to test the cost-effectiveness of the MAP in generating business propositions from local entrepreneurs that are ultimately appraised and possibly taken up by potential investors.

The pilot MAP will provide three services to potential entrepreneurs of the selected Beneficiary Countries: (1) hands on training services to prepare and present business propositions, (2) market validation services to help direct product development towards customers' needs, and (3) connectivity services to facilitate linkages with potential investors (including participation to international events and roadshows).

2. Provision of support to selected Beneficiary Countries to help them (a) prepare and issue, as part of the pilot MAP, a simultaneous call for business proposals by potential entrepreneurs, (b) establish an independent expert committee to review the business proposals received from local entrepreneurs and select the 100 best business proposals from which 50 will benefit from the support of the MAP service, and (c) facilitate the appraisal of the 100 business propositions by potential investors.

3. Provision of support to selected Beneficiaries Countries to evaluate the pilot MAP and based on lessons learned and international best practices provide recommendations to improve the pilot MAP aiming at a final, tested, investment readiness program.

A table summarizing the planned deliverables is provided hereunder. Detailed activities will be set forth each year in an VCIR-TA annual work plan to be prepared by the Bank in consultation with the Commission.

**COMPONENT B:**

(i) Provision of technical assistance to support selected Beneficiary Countries align their legal framework with the EU *acquis communautaire* and international best practice in the area of financial transparency, financial information and financial reporting as key element for accessing venture capital and other capital. Activities will build on transposition tables carried out by countries with the program's support, and will include on-site technical assistance, dialogue with senior officials as well as knowledge transfer through workshops and distance learning.

(ii) Provision of recommendations to selected Beneficiary Countries on how to make effective financial pitches to investors with the use of financial information and reporting. Complementary to the MAP, this activity will provide practical guidance and...
reference material for entrepreneurs and provide practical assistance in investment readiness efforts.

(iii) Provision of support to selected Beneficiary Countries to develop relevant mechanisms towards investment readiness. Supplementary to the MAP, under this activity, the Bank will provide a series of training in the area of access to finance, financial transparency and investment readiness allowing beneficiaries to develop knowledge and skills necessary to collect and present financial information for potential investments with the help of resourceful providers.

COMPONENT C:

The Bank will assist the selected Beneficiary Countries enhance the responsiveness and relevance of the financial sector to the needs of enterprises, entrepreneurs and society as well as support the selected Beneficiary Countries in their efforts to improve diversification of the financial sector and to promote regional cooperation through financial markets.

(i) Provision of technical assistance to support selected Beneficiary Countries in the preparation of a study to develop a systematic regional assessment and analysis of the role of the financial markets in supporting growth and jobs.

(ii) Identification of priority reforms in each Beneficiary Country in the form of policy recommendations, including their prioritization. In addition, the Bank will identify areas where a regional approach could be applied, through both harmonization efforts with the EU as well as practical cooperation among countries.

(b) Context:

The countries of the Western Balkans are all candidates or potential candidates for EU enlargement. As such, they are in the process of aligning their domestic legislative framework with the EU acquis communautaire. They are also all participants WB-EDIF, financed by the European Union Instrument for Pre-Accession (JPA), which seeks to reduce the barriers to the development of high-potential SMEs in the region.

In particular, these countries are seeking to adopt the acquis communautaire in the area of Enterprise and Industrial Policy (Chapter 20) and Science and Research (Chapter 25). Early-stage financing is scarcely available due to a number of market-failures caused by asymmetric information and high levels of risk for private investors in the Western Balkans. The development of angel investors and venture capital may be hindered by a number of factors, including institutional, legal, regulatory and policy barriers. Accordingly, the Beneficiary Countries need to improve the framework for venture capital activities and support business angels. VCIR-TA activities are designed to this effect.

Another frequent challenge for the development of venture capital and related industries in the Western Balkans is the lack of 'investable' business propositions - i.e. ideas of new activities that can be readily assessed by potential investors. This is a particular problem of the Western Balkans and both government and private sector have tried to address the challenge. Accordingly VCIR-TA activities are designed to this effect.
(i) **Link with other programs**

As part of TA WB-EDIF, the proposed VCIR-TA Activities will deliver policy advice and technical support in partnership with the other institutions such as the European Commission (EC), Organization for Economic Co-Operation and Development (OECD), European Investment Bank/European Investment Fund (EIB/EIF) and European Bank for Reconstruction and Development (EBRD) and will work with EU institutions responsible for policy in this area and national institutions supporting private sector development in the region.

(ii) **Regional approach**

The VCIR-TA Activities are organized on a regional basis, complemented by national initiatives to support venture capital reform and investment readiness of entrepreneurs.

The participant countries have a shared goal of accession to the EU and also face many common challenges in the area of venture capital and investment readiness of entrepreneurs. The regional approach of the proposed VCIR-TA Activities helps participating countries tackle these shared issues together, while learning from each other's experiences.

A regional approach will also enhance the convening power of the VCIR-TA Activities and provide a coordinating framework for reforms to be implemented at the country level, thus contributing to the creation of a single economic space in the Western Balkans. These activities will be tailored to the particular needs of the countries taking part in VCIR-TA activities.

4. **Implementation arrangements**

The VCIR-TA Activities will be Bank executed and will be led by the World Bank's specialized unit in Trade and Competitiveness (T&C). A Steering Committee composed of representatives of the Beneficiary Countries will be established by not later than two (2) weeks after signing of this Agreement. The Steering Committee may be consulted to provide guidance and recommendations with regard to the technical assistance activities to be carried out under this Agreement by the Bank.

In order to ensure an appropriate level of coordination with other activities implemented under the TA WB-EDIF, Bank representatives will attend the EDIF Platform Advisory Group (PAG) meetings and present planned activities and report on deliverables and progress made. Program plans and progress reports for VCIR-TA Activities will be shared with the other PAG members for coordination purposes. They will also serve as inputs for reporting on the overall TA WB-EDIF program.

5. **Outputs and Timeline**

<table>
<thead>
<tr>
<th>Tentative table of deliverables by Activity</th>
<th>Tentative Timetable</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPONENT A</td>
<td></td>
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<tr>
<td>Venture Capital Component</td>
<td></td>
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<tr>
<td>Provision of technical assistance for the</td>
<td>Q1 2019</td>
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<tr>
<td>revision of the legislative, regulatory,</td>
<td></td>
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<tr>
<td>institutional, and policy framework.</td>
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<tr>
<td>A draft report on the venture capital ecosystem in selected Beneficiary Countries' economies with concrete recommendations for potential reforms.</td>
<td>Q.4 2018</td>
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<tr>
<td>A final report on the venture capital ecosystem in selected Beneficiary Countries' economies with concrete recommendations for potential reforms</td>
<td>Q.4 2018</td>
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<td>Just in time technical assistance to the Beneficiary Countries to assist them undertake initial reforms identified with selected Beneficiary Countries.</td>
<td>Q.3 2015-Q.3 2016</td>
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<tr>
<td><strong>Investment Readiness</strong></td>
<td></td>
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<tr>
<td>Provision of technical assistance to design the pilot MAP</td>
<td>Q.4 2018</td>
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<tr>
<td>Provision of technical assistance to support call for business proposals and facilitate processing</td>
<td>Q4 2014</td>
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<tr>
<td>Provision of technical assistance for the implementation of the MAP</td>
<td>QI-Q4 2015</td>
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<td>An evaluation report with recommendation to review and adjust the MAP, based on lessons learned from the implementation of the pilot MAP.</td>
<td>Q.1-Q4 2016</td>
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<tr>
<td><strong>COMPONENT B</strong></td>
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<tr>
<td>Provision of technical assistance for revision of the alignment of legislative, institutional and policy framework for financial information including updated transposition tables</td>
<td>Q1 2019</td>
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<tr>
<td>Just in time technical assistance to selected Beneficiary Countries through in-country stakeholders roundtables to assist them in their initial implementation of legislative, institutional and policy alignment</td>
<td>Q2-Q3 2019</td>
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<tr>
<td>Knowledge transfer to all Beneficiary Countries through two workshops and distance learning seminars to assist with alignment of financial information legislative, institutional and policy framework</td>
<td>Q2 and Q4 2019</td>
</tr>
<tr>
<td>Provision of guide and toolkit on preparing financial information for investment pitches</td>
<td>Q3 2019</td>
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<tr>
<td>Development of training modules to be carried out in collaboration with BSOs and PAOs</td>
<td>Q1-Q2 2019</td>
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<tr>
<td>Delivery of training modules in collaboration with BSOs/PAOs</td>
<td>Q2- Q4 2019</td>
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<tr>
<td><strong>COMPONENT C</strong></td>
<td></td>
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<tr>
<td>Preparation of a study analysing the role of the financial markets role in supporting growth and jobs in selected Beneficiary countries.</td>
<td>Q4 2019</td>
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### Proposed VCIR-TA Activities Indicative Budget (Euros)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff &amp; Consultant Cost and Temporary Support Staff Cost**</td>
<td>2,923,000</td>
</tr>
<tr>
<td>Travel Expenses</td>
<td>187,000</td>
</tr>
<tr>
<td>Media and Workshop Costs including Translation</td>
<td>189,000</td>
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<tr>
<td>Associated Overheads</td>
<td>33,000</td>
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<tr>
<td><strong>Total Amount</strong></td>
<td>3,332,000</td>
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<tr>
<td>Bank Administration fee (2%)</td>
<td>68,000</td>
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<tr>
<td><strong>Total</strong></td>
<td>3,400,000</td>
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</table>

*The total amount of the budget for the Program will be updated from time to time upon IBRD receiving additional contribution(s) from the Commission under the framework of the Programmatic Trust Fund. In such cases, the revised and updated total amount of the Program will be deemed to have been agreed by both parties upon signature of any Administrative Agreement(s) for an additional contribution(s) without the need to further amend this Agreement or any other agreement under the Programmatic Trust Fund.*

**Includes the following categories: consultant fees individual and firms, extended term consultants, staff costs, and temporary support staff costs.