



*X/c - Sustainable  
Employment (02)*

*TF012066)*

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GRANT NUMBER TF012066

## USAID Grant Agreement

(Second Sustainable Employment Development Policy Operation)

between

REPUBLIC OF KOSOVO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as administrator of the USAID Trust Fund for the  
Kosovo Sustainable Employment Development Policy Program

Dated

*May 11*

, 2012

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**GRANT NUMBER TF012066**

**USAID GRANT AGREEMENT**

AGREEMENT dated May 11, 2012, entered into between:

REPUBLIC OF KOSOVO (“Recipient”); and

INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as administrator of funds provided by the US Agency for International Development (“USAID”), for the purpose of providing a Grant (as hereinafter defined) in support of the Program (as defined in the Appendix to this Agreement).

WHEREAS the World Bank has entered into a Sustainable Employment Development Trust Fund Grant Agreement (‘SEDTF Grant Agreement’) as the administrator of the Kosovo Sustainable Employment Development Trust Fund, respectively, for the Second Sustainable Employment Development Policy Operation, of even date herewith, in support of the Program. The World Bank has decided to provide this financing on the basis, inter alia, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Recipient’s maintenance of an appropriate macroeconomic policy framework; and

WHEREAS the European Communities, the Government of the Swiss Confederation, the Italian Ministry of Foreign Affairs, the Ministry of Foreign Affairs of the Czech Republic, the Ministry of Foreign Affairs of Denmark, the Ministry of Foreign Affairs of Finland, the Ministry of Foreign Affairs of the Republic of Estonia, the Norwegian Ministry of Foreign Affairs, and the Swedish Ministry of Foreign Affairs, (“Donors”, individually referred to as “Donor”) have agreed to co-finance the Program on the terms and conditions set forth in the administration agreements entered into between the respective Donor and the World Bank, as administrator of the funds provided by the respective Donor, and in the MDTF Grant Agreement, of even date herewith between the World Bank, as administrator of the funds provided by the respective Donors, and the Recipient.

The Recipient and the World Bank therefore hereby agree as follows:

**Article I**  
**Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 (“Standard Conditions”), with the modifications set forth in Section II of the Appendix to this Agreement, constitute an integral part of this Agreement.

- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Appendix to this Agreement.

**Article II  
The Grant**

- 2.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to one million eight hundred and seventy six thousand six hundred and sixty seven United States Dollars (\$1,876,667) ("Grant") to assist in financing the Project.
- 2.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

**Article III  
Program**

- 3.01 The Recipient declares its commitment to the Program and its implementation. To this end and further to Section 2.08 of the Standard Conditions:
- (a) the Recipient and the World Bank shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
  - (b) prior to each such exchange of views, the Recipient shall furnish to the World Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the World Bank shall reasonably request; and
  - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall exchange views with the World Bank on any proposed action to be taken after the disbursement of the Grant which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Section I of the Schedule to this Agreement.

**Article IV**  
**Additional Remedies**

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:
- (a) a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out; and
  - (b) *Event prior to Effectiveness.* The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that, prior to such date, but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

**Article V**  
**Effectiveness; Termination**

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied, namely that the World Bank is satisfied with the progress achieved by the Recipient in carrying out the Program, and that the Recipient's macroeconomic policy framework is appropriate.
- 5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance that the conditions under Section 5.01 have been met ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article VI**  
**Recipient's Representative; Addresses**

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

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance  
Mother Teresa Street  
10000 Pristina  
Republic of Kosovo

Facsimile:

+38 138 213 113

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

1-202-477-6391

AGREED at Prishtina, Republic of Kosovo, as of the day and year first above written.

REPUBLIC OF KOSOVO

By

Authorized Representative

Name: Handwritten Signature

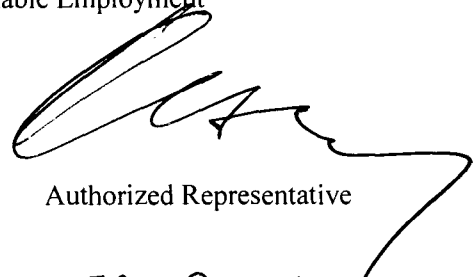
Title: BEDRI HAMZA  
MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Administrator of the USAID Trust Fund for the co-financing of the Second Sustainable Employment Development Policy Operation

By

Authorized Representative



Name: JAN-PETER OLTERS

Title: COUNTRY MANAGER

## SCHEDULE

### Program Actions; Availability of Grant Proceeds

#### **Section I. Actions under the Program**

The actions taken by the Recipient under the Program include the following:

1. The Recipient, through the Public Procurement Regulatory Commission, has adopted secondary legislation to implement the Public Procurement Law No. 04/L-042, published in the Official Gazette on September 19, 2011. The Recipient has adopted the Rules of Procedure for the Central Procurement Agency to conduct consolidated procurement on behalf of the Recipient for selected procurement categories.
2. The Recipient has introduced a monitoring and review system for monitoring and reviewing financial and physical progress of capital expenditure starting in 2011.
3. The Recipient has included all major capital projects (i.e. those to be financed with public funds and exceeding EUR 1 million in cost) approved in the Recipient's 2012 budget in the Public Investment Program database for 2012.
4. The Recipient has introduced a mechanism requiring all Ministries to prepare program performance indicators with their budget submissions, and all Ministries have included program performance indicators with their respective 2012 budget submissions.
5. The Recipient has adopted the Regulation on Classification of Jobs in Civil Service No. 05/2012 on March 2, 2012, specifying the coefficients in the Recipient's new civil salary grid.
6. The Recipient, through the Ministry of Trade and Industry and the municipalities, has established 'one-stop-shops' for business registration in at least 22 municipalities.
7. The Recipient has enacted the amended Law on Business Organizations No. 04/L-006, published in the Official Gazette on July 22, 2011, and the Law on Internal Trade No. 04/L-005, published in the Official Gazette on July 21, 2011, to reduce barriers to business registration.
8. The Recipient, through the Governing Board of the Central Bank of Kosovo, has approved the Regulation on Credit Registry, dated February 24, 2012.
9. The Recipient has submitted to its Parliament the draft Law on Banks, Microfinance Institutions, and Non-Bank Financial Institutions.

10. The Recipient has enacted the Law on Labor No. 03/L-212, published in the Official Gazette on December 1, 2010, which regulates employment and labor relations.
11. The Recipient, through the Ministry of Labor and Social Welfare, has implemented the Public Works Program of 2011, and has revised the operation manual for the Public Works Program of 2011 to promote labor market activation for Category II social assistance beneficiaries and long term unemployed.
12. The Recipient, through the Steering Committee of the Kosovo National Qualifications Authority, has approved the National Qualifications Framework.
13. The Recipient, through the National Qualifications Authority, has issued a call for accreditation applications from vocational training providers.
14. The Recipient, through the Ministry of Labor and Social Welfare, has digitized all social assistance registries.

**Section II. Availability of Grant Proceeds**

- A. **General.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Schedule; and (c) such additional instructions as the World Bank may specify by notice to the Recipient.
- B. **Allocation of Grant Amounts.** The Grant is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Grant. The allocation of the amount of the Grant to this end is set out in the table below:

<b>Allocation</b>	<b>Amount of the Grant Allocated</b>
Single Withdrawal Tranche	\$1,876,667
<b>TOTAL AMOUNT</b>	<b>\$1,876,667</b>

**C. Withdrawal Tranche Release Condition**

No withdrawal shall be made of the Single Withdrawal Tranche unless the World Bank is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the appropriateness of the Recipient's macroeconomic policy framework.



- D. Deposits of Grant Amounts.** Except as the World Bank may otherwise agree:
1. all withdrawals from the Grant Account shall be deposited by the World Bank into an account designated by the Recipient and acceptable to the World Bank; and
  2. the Recipient shall ensure that upon each deposit of an amount of the Grant into this account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the World Bank.
- E. Excluded Expenditures.** The Recipient undertakes that the proceeds of the Grant shall not be used to finance Excluded Expenditures. If the World Bank determines at any time that an amount of the Grant was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the World Bank, refund an amount equal to the amount of such payment to the World Bank. Amounts refunded to the World Bank upon such request shall be cancelled.
- F. Closing Date.** The Closing Date referred to in Section 3.06(c) of the Standard Conditions is May 31, 2012.

**APPENDIX**

**Section I. Definitions**

1. "Excluded Expenditure" means any expenditure:
- (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the World Bank has financed or agreed to finance, or which the World Bank has financed or agreed to finance under another credit, grant or loan;
  - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

<b>Group</b>	<b>Sub-group</b>	<b>Description of Item</b>
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)

<b>Group</b>	<b>Sub-group</b>	<b>Description of Item</b>
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
  - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
  - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
  - (f) with respect to which the World Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Grant proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.
2. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated March 20,2012, from the Recipient to the World Bank declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the World Bank in support of the Program during its execution.
3. "Single Withdrawal Tranche" means the amount of the Grant allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of the Schedule to this Agreement.

**Section II. Modifications to the Standard Conditions**

The Standard Conditions are modified as follows:

- 1. Sections 2.01 (*Project Execution Generally*) and 2.07 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
- 2. Paragraph (a) of Section 2.03 (renumbered as such pursuant to paragraph 1 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.

3. Paragraph (c) of Section 2.04 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

“Section 2.04. *Documents; Records*. The Recipient shall ensure that:

... (c) all records evidencing expenditures under the Grant are retained until two years after the Closing date;”

4. Paragraph (b) of the Section 2.05 (renumbered as such pursuant to paragraph 1 above and relating to *Program Monitoring, Reporting and Evaluation*) is modified to read as follows:

“Section 2.05. *Program Monitoring, Reporting and Evaluation*. The Recipient shall:

... (b) ensure the preparation and delivery to the World Bank, not later than six months after the Closing Date, a Completion Report of such scope and in such detail as the World Bank shall reasonably request, on the execution of the Program, the performance by the Recipient and the World Bank of their respective obligations under the Grant Agreement and the accomplishment of the purposes of the Grant.”

5. Sections 3.05 (*Designated Accounts*) and 3.06 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article III are renumbered accordingly.

6. The following terms and definitions set forth in the Appendix to the Standard Conditions are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Grant is put in support of the Program, other than to finance expenditures excluded pursuant to the Grant Agreement.”

- (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Grant Agreement in support of which the Grant is made.” All references to “Project”

throughout these Standard Conditions are deemed to be references to “Program”.