Article 1

Subject

Section 1.01. In pursuance of the Trust Funds and Cofinancing Framework Agreement between the European Union, represented by the European Commission (the "Commission"), and the International Bank for Reconstruction and Development ("IBRD"), the International Development Association ("IDA"), and the International Finance Corporation ("IFC") (collectively, the World Bank Group) dated March 20, 2009 (the "Framework Agreement"), the Commission hereby agrees to make available a Contribution for an amount referred to in Section 3.02, and to be administered by the World Bank Group for the "Improving Public Financial Management in the Western Balkans" (TF071590) (the "Project").

Section 1.02. The Contribution shall be used exclusively for the purposes set out in Annex I which includes a Description of the Project as well as, where required, the expenditures eligible for financing from the Commission, and the relevant indicators.

Section 1.03. The World Bank Group shall administer the Contribution in accordance with the provisions of:
- the Framework Agreement;
- this Administration Agreement and;
- the attached General Conditions applicable to European Union Contributions to Trust Funds (the "General Conditions").

Section 1.04. The Contribution is provided under Joint Management for all purposes of this Administration Agreement.

Section 1.05. The Project is not a Multi-Donor Trust Fund for all purposes of this Administration Agreement.

Section 1.06. The trust fund is not an exceptionally large trust fund for the purposes of Section 16.03 of the General Conditions.

Article 2

Entry into Force and Implementation Period

Section 2.01. This Administration Agreement shall enter into force when the last of the two Parties signs and will remain in force until the End Date.
Section 2.02. Expenses financed under the Contribution must be incurred after the date following that on which the last of the two parties signs.

Section 2.03. It is expected that the Contribution will be fully utilized in accordance with the provisions of this Administration Agreement by 30 November 2014 ("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.

Section 2.04. The World Bank Group shall only disburse the Contribution for the purposes of this Administration Agreement after the End Disbursement Date with the prior written agreement of the Commission.

Article 3

Amount of the Contribution

Section 3.01 The budget of the trust fund is estimated to be EUR 1,000,000 as set out in Annex III.

Section 3.02 The Commission undertakes to finance EUR 1,000,000 for the trust fund.

Section 3.03 Indirect Costs under this Administration Agreement shall not exceed 3.1% of the final amount of eligible Direct Costs of the Contribution.

In addition, costs for program management, preparation and Supervision up to a maximum of 49,280 EUR will be charged to the trust fund on an actual basis and as a Direct Cost provided they comply with Section 14.01 of the General Conditions.

The final amount that the World Bank Group is entitled for Indirect Costs shall be adjusted to the actual disbursed amounts of the Contribution in accordance with Articles 14 and 17 of the General Conditions.

Section 3.04 The following categories of costs shall be considered eligible under this Administration Agreement provided they comply with Section 14.01 of the General Conditions:

- Staff Costs;
- Associated Overheads;
- Consultant Fees;
- Media & Workshop Costs;
- Travel Expenses.

Article 4

Payment schedule and Reporting

Section 4.01 Payments will be made in accordance with Article 15 of the General Conditions, and in accordance with the following payment schedule:

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance payment</td>
<td>EUR 500,000</td>
</tr>
<tr>
<td>Intermediate payment</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>EUR 250,000</td>
</tr>
</tbody>
</table>

(subject to the provisions of the General Conditions)
Final payment 25%
EUR 250,000

(subject to the provisions of the General Conditions) The Contribution funds shall be maintained in EUR.

Section 4.02. Narrative progress report(s) and financial information shall be provided consistent with Article 2 of the General Conditions, and in accordance with the following schedule:

a narrative progress report shall accompany every request for a further installment of financing. A final narrative report shall be forwarded to the Commission within six (6) months after the End Disbursement Date;

the progress financial information shall be made available via the Bank’s Trust Funds Donor Center secure website following the signature of this Administration Agreement. The final financial information shall be made available via the Bank’s Trust Funds Donor Center secure website within six (6) months after the End Disbursement Date.

Section 4.03. For the purposes of Section 2.03 of the General Conditions an updated workplan shall be provided with each report.

Article 5

Communications and addresses

Any communication relating to this Administration Agreement shall be in writing, shall state the number and title of the trust fund, and shall use the following addresses.

Payment requests • and attached reports, including requests for changes to bank account arrangements pursuant to Section 9.02 of the General Conditions, shall be sent to:

For the Commission:

Mr. Daniel Hachez
Head of Unit E3 — Financial Execution DG Enlargement
CHAR 06/063
B — 1049 Brussels
Belgium

Copies of the documents referred to above, and correspondence of any other nature, shall be sent to:

A copy of the reports referred to in Section 4.02 shall be sent to the European Commission in charge of monitoring the Project, at the following address:

Mr. Pascal Herry
Unit D3 — Regional Programmes DG Enlargement

Contract 0/258-142
CHAR 05/040
B — 1049 Brussels
Belgium

Contract 0/258-142
Article 6
Annexes

Section 6.01. The following documents are annexed to this Administration Agreement and form an integral part thereof:

Annex I: Description of the Project.
Annex II: General Conditions applicable to European Union Contributions to Trust Funds.
Annex III: Indicative Budget for the Project.

Section 6.02 In the event of a conflict between the provisions of the Annexes and those of this Administration Agreement, the provisions of this Administration Agreement shall take precedence. In the event of a conflict between the provisions of Annex II and those of the other Annexes, the provisions of Annex H shall take precedence.

Article 7
Other conditions applying to the Project

Section 7.01. The following exceptions from the General Conditions shall apply:

By derogation to Section 14.03 of the General Conditions the following costs shall not be considered eligible:

- taxes, including value added taxes;
- customs and import duties, or any other charges; purchase or leasing of land and existing buildings;
- fines, financial penalties and expenses of litigation;
- second hand equipment;
- bank charges, costs of guarantees and similar charges;
- conversion costs, charges and exchange losses associated with any of the component specific euro accounts, as well as other purely financial expenses;
- contributions in kind;
- any leasing costs;
- depreciation costs;
- debts and debt service charges;
- provisions for losses or potential future liabilities;
- interest owed;
- items already financed in another framework;
- credits to third parties, unless otherwise specified in the Special Conditions.

This agreement is drawn up in three originals, two for the Commission and one for the World Bank Group entity.

<table>
<thead>
<tr>
<th>For the European Union, represented by the European Commission</th>
<th>For the World Bank Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name: Yngve Engstrom</td>
<td>Name: Gerard Byam</td>
</tr>
<tr>
<td>Position: Head of Unit ELARG D3</td>
<td>Position: Director, Operational Services and Quality, Europe and Central Asia pivistai</td>
</tr>
<tr>
<td>Signature /s/ Yngve Engstrom</td>
<td>Signature: /s/ Gerard Byam</td>
</tr>
<tr>
<td>Date: 21/12/2010</td>
<td>Date: 21/12/2010</td>
</tr>
</tbody>
</table>