

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
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March 30, 2011

H.E. Mr. Bedri Hamza
Minister of Finance
Ministry of Finance
Str. Nena Teresa
Republic of Kosovo***Kosovo: Second Youth Development Project
State and Peace Building Trust Fund Grant No. TF098547***

Excellency,

In response to the request for financial assistance made on behalf of the Republic of Kosovo (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”), acting as administrator of grant funds provided by the State and Peace Building Trust Fund, proposes to extend to the Recipient, a grant in an amount not to exceed Two Million United States Dollars (U.S.\$2,000,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the co-financing of the project described in the Annex (“Project”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective on the date specified by the World Bank in accordance with Section 5 of the Annex to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Anthony Gaeta
Acting Country Director and Regional Coordinator
for Southeastern Europe
Europe and Central Asia Region

AGREED:

REPUBLIC OF KOSOVO

By/s/ H.E. Mr. Bedri Hamza

Title: Minister of Finance

Date: June 16, 2011

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
- (2) Disbursement Letter dated March 30, 2011, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

Article I

Standard Conditions; Definitions

1.01. *Standard Conditions.* The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. *Definitions.* Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement. The following terms shall have the meanings assigned to them below:

- (a) “**Co-financier**” means the Social Development Initiative for South Eastern Europe (SDISEE), providing the Co-financing.
- (b) “**Co-financing**” means the grant provided or to be provided by the Co-financier under the SDISEE Trust Fund Grant No. TF054916 to assist in financing the Project.
- (c) “**Co-financing Agreement**” means the Grant Agreement for the SDISEE Trust Fund Grant No. TF054916.
- (d) “**Department of Youth**” means the Department of Youth of the Ministry of Culture, Youth and Sports, or any successor thereto.
- (e) “**Ministry of Culture, Youth and Sport**” means the Ministry of Culture, Youth and Sport of the Recipient, or any successor thereto.
- (f) “**Project Management Unit**” means the project management unit established in 2006 under the Department of Youth.
- (g) “**Operating Manual**” means the Recipient’s operating manual for the Project in form and substance acceptable to the World Bank setting out the procedures to be followed by the Recipient and/or the Project Management Unit in relation to the implementation of the Project including, inter alia, the eligibility and criteria for selection of recipients of Sub-Grants, guidelines and procedures for making and supervising Sub-grants and measures to ensure compliance with the World Bank Group’s environment and social safeguard policies.
- (h) “**Sub-grants**” means (i) any grants provided under Part A of the Project to the youth centers or resource hubs, or youth non-governmental organizations, selected, appraised and approved according to criteria set forth in the Operating Manual and in accordance with this Agreement for the purposes of outreach activities, knowledge sharing or any activity contributing to sustainability of the youth centers or resource hubs; (ii) Micro Credits; and (iii) Equipment Grants.

- (i) **“Micro Credits”** means business start-up micro credit facilities provided to selected youth under Part B of the Project from a revolving fund established for this purpose by the Recipient and administered by a qualified micro-finance institution.
- (j) **“Equipment Grants”** means grants for equipment and tools for apprenticeships under Part B of the Project awarded on the basis of a competitive selection process by a technical committee established for this purpose by the Recipient.
- (k) **“Project Steering Committee”** means a steering committee comprising of the representatives of the Ministry of Culture, Youth and Sport, representatives of other government, non-governmental and private sector agencies, as established in accordance with the Operating Manual, with composition, resources, qualifications and terms of reference satisfactory to the World Bank.

Article II Project Execution

2.01. ***Project Objectives and Description.*** The objectives of the Project are (i) to promote social cohesion through inter-ethnic collaboration among youth especially from marginalized and vulnerable groups; and (ii) to improve economic opportunities for young people and sustainable access to youth services in Kosovo. The Project envisages a systematic transfer of implementation capacity from the Project Management Unit to the Department of Youth before the Closing Date as part of its sustainability objective. The Project consists of the following parts, of which Part B is co-financed with the Social Development Initiative for South Eastern Europe (SDISEE) Trust Fund (SDISEE Grant No. TF054916):

- (a) **Part A “Sustainable Youth Centers”:** Provision of grants to identified youth centers and resource hubs in Kosovo, based on the sustainability strategy developed by each of them, to support implementation of said sustainability strategy. Consolidation of the knowledge network of resource hubs and the youth centers through establishment of a database of qualified trainers, mentors, coaches, and educators for youth; development of twinning systems with new youth centers entering the program; and cross center co-operation and role modeling systems.
- (b) **Part B “Youth Entrepreneurship and Business Development”:** (i) Capacity building for business development through provision of a range of business development trainings and individualized coaching and mentorship for selected youth. Participants are expected to develop a business plan enabling them to compete for further support.
(ii) Provision of vocational training and apprenticeships programs for selected youth, including the facilitation of vocational training placements and apprenticeships with credible institutions and the provision of a stipend to the trainee.
(iii) Provision of financial support for young entrepreneurs and apprentices through (x) provision of Micro Credits to youth whose business plans are selected by an evaluation committee through a competitive evaluation process, (y) provision of coaching and mentoring to Recipients of a Micro Credit grant, and (z) provision of Equipment Grants for equipment and tools needed during apprenticeships.
- (c) **Part C “Institutional Capacity for Youth Development”:** Institutional capacity building for youth development in Kosovo through support for youth policy development and implementation, and capacity building for the Department of Youth. This includes

assisting the Department of Youth in implementing the Kosovo Youth Action Plan and the Kosovo Law on Participation and Empowerment of Youth, and assisting the Department of Youth in building stronger partnerships and multi-stakeholder collaboration for youth development.

- (d) **Part D “Project Management and Monitoring”** Project management, monitoring and evaluation including support for overall management and coordination of the Project, carrying out of fiduciary responsibilities as well as the carrying out of procurement, financial reporting and accounting activities including Project audit, and other reporting for the Project.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Ministry of Culture, Youth and Sport to carry out the Project through the Project Management Unit in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); (c) the Operating Manual; and (d) this Article 2.

2.03. **Institutional and Other Arrangements.** (a) The Recipient shall, and shall cause the Ministry of Culture, Youth and Sports to: (i) carry out the Project through the Project Management Unit, with due diligence and efficiency; (ii) promptly provide the funds, facilities, services and other resources required for that purpose to the Project Management Unit; (iii) furnish, or cause the Project Management Unit to furnish, all information regarding the Project and the use of the proceeds of the Grant as the World Bank shall reasonably request; (iv) from time to time exchange information and discuss, or cause the Project Management Unit to exchange information and discuss, with the World Bank’s representatives the progress and results of the Project and (v) cause all Sub-Grants made and services financed out of the proceeds of the Grant to be used exclusively for the purposes of the Grant.

(b) The Recipient shall cause the Ministry of Culture, Youth and Sports through the Project Management Unit to make the Sub-grants in accordance with the guidelines, criteria, and procedures acceptable to the World Bank, including, without limitation, those specified in the Operating Manual.

(c) The Operating Manual shall contain detailed procedures for the carrying out Project implementation and shall be in form and substance satisfactory to the World Bank. The Operating Manual may not be amended, abrogated or waived without the written consent of the World Bank.

(d) The Recipient shall ensure that no activities are carried out under the Project or the Sub-grants that would involve the expansion of existing facilities or the construction of new facilities, or would otherwise cause any involuntary resettlement or loss of income, as defined in the World Bank Group’s Operational Policy on Involuntary Resettlement.

(e) The Recipient shall maintain, until the completion of the Project, the Project Management Unit with personnel, resources and terms of reference as shall be required for the Project Management Unit to perform its duties in respect to the day-to-day implementation of the Project.

(f) The Project Steering Committee shall oversee implementation of the Project and provide guidance to the Project Management Unit for carrying out the Project.

2.04. **Donor Visit.** For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the donors to visit any part of its territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report. The Recipient shall also provide a consolidated annual progress report due no later than two (2) months after the period covered by the four (4) quarterly reports.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

(c) Without limitation on the provisions of Clause 2.05 of this Section, the Recipient shall prepare and furnish to the World Bank not later than forty five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the calendar quarter in form and substance satisfactory to the World Bank.

2.07. **Procurement**

(a) **General.** All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the World Bank in May 2004 and revised in October 2006 and May 2010 ("Procurement Guidelines"), in the case of goods; and

(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the World Bank in May 2004 and revised in October 2006 and May 2010 ("Consultant Guidelines") in the case of consultants' services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (A) Shopping; (B) Community Participation Procedures, in accordance with paragraph 3.17 of Procurement Guidelines, and as elaborated further on the Operating Manual; (C) Commercial Practices, in accordance with paragraph 3.12 of Procurement Guidelines, and as elaborated further in the Operating Manual.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection based on Consultants’ Qualifications; (B) Single-source Selection; (C) Selection of Individual Consultants; and (D) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III Withdrawal of Grant Proceeds

3.01. ***Eligible Expenditures.*** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
All goods, consultant services, Sub-grants and Training needed to achieve the Project objectives for Parts A, C and D under the Project as well as Operating Costs for the Project	978,378	100%
All goods, consultant services, Sub-grants and Training needed to achieve the Project objectives for Part B under the Project ¹	922,500	100%
Unallocated	99,122	100%
Total	2,000,000	

For the purposes of this Section 3, the following terms shall have the meaning assigned to them below:

- (a) **“Operating Costs”** means the expenses incurred by the Recipient for the incremental expenses, based on annual budgets approved by the World Bank, on account of Project implementation, management and monitoring and evaluation, including for office space rental, utilities, and supplies, communications, building and equipment maintenance, advertising expenses, travel and supervision, salaries and statutory contributions of contractual and temporary staff for the Project.
- (b) **“Sub-grants”** shall have the meaning assigned to it in Section 1.02(e).
- (c) **“Training”** means the expenses incurred by the Recipient in connection with carrying out training activities under the Project including travel costs and per diem for trainers and trainees, stipends, workshops, rental of facilities, preparation and reproduction of training materials and other expenses incidental to the preparation and implementation of training activities.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to

¹ This Component 2 will be co-financed jointly with the Social Development Initiative for South Eastern Europe (SDISEE) Trust Fund.

exceed One Hundred and Fifty Thousand United States Dollars (US\$150,000) equivalent may be made for payments made prior to this date but on or after September 29, 2010, for Eligible Expenditures.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three (3) years after the countersignature of this Agreement by the Recipient.

Article IV Additional Remedies

4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely, any of the following events occurs with respect to the Co-financing:

- (a) The Co-financing Agreement has failed to become effective by April 30, 2011, or such later date as the World Bank has established by notice to the Recipient (“Co-financing Deadline”); provided, however, that the provisions of this sub-paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that adequate funds for the Project are available from other sources on terms and conditions consistent with the Recipient’s obligations under this Agreement;
- (b) Subject to sub-paragraph (iii) of this paragraph: (A) the right to withdraw the proceeds of the Co-financing has been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Co-financing Agreement; or (B) the Co-financing has become due and payable prior to its agreed maturity; or
- (c) Sub-paragraph (ii) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that: (A) such suspension, cancellation or termination was not caused by the failure of the Recipient to perform any of its obligations under the Co-financing Agreement; and (B) adequate funds for the Project are available from other sources on terms and conditions consistent with the Recipient’s obligations under this Agreement.

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 Operating Manual, in form and substance acceptable to the World Bank, has been finalized and adopted by the Recipient.

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 of the evidence required pursuant to Section 5.01 (“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. **Termination for Failure to Become Effective.** 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. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

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

Ministry of Finance
Str. Nena Teresa
1000 Pristina
Republic of Kosovo

Telephone:
38 138 200 34 101

Email:
abeiqi@mfe-ks.org

Facsimile:
+381 (0) 38211537

6.03. **World Bank's Address.** 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:

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