February 6, 2014

H.E. Besim Becaj  
Minister of Finance  
Ministry of Finance  
Mother Teresa Str.  
10000 Pristina  
Republic of Kosovo

Re: Republic of Kosovo: Agriculture and Rural Development Project  
Single-Donor Trust Fund Grant No. TF016235

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 Government of the Kingdom of Denmark ("Donor") under the Kosovo Agriculture and Rural Development Project Single-Donor Trust Fund, proposes to extend to the Recipient, a grant in an amount of six million two hundred two thousand and eighty two Euros (€6,202,082) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annexes, to assist in the financing of the project described in Annex 1 ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in Annex 1 to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is 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effective on the date specified by the World Bank; provided however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World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
Ellen Goldstein
Country Director
For Southeastern Europe
Europe and Central Asia Region

AGREED:
REPUBLIC OF KOSOVO

By
Authorized Representative

Name
Resim Begaj

Title MINISTRE OF FINANCE

Date: 18. 03. 2014

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions


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.

(a) "Beneficiary" or "Beneficiaries" means persons and entities eligible to receive Rural Development Grants in accordance with eligibility and selection criteria set forth in the Rural Development Grants Manual.

(b) "Environmental Management Framework" means the framework dated October 12, 2010, prepared and adopted by the Recipient and satisfactory to the Association, consisting of: the set of mitigation, monitoring, and institutional measures required for the Project and to be taken to eliminate adverse environmental impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures, including the measures and information required for the preparation of site-specific environmental management plans; provisions on pest management, related environmental risks, and measures of how to address them.

(c) "MAFRD" means the Ministry of Agriculture, Forestry and Rural Development, or any successor thereto.

(d) "Project Implementation Unit" or "PIU" means the unit established within the MAFRD, charged with overall implementation of the Project.

(e) "Rural Development Grant" means a grant of between €15,000 and €200,000 provided to a Beneficiary or Beneficiaries, in accordance with criteria set forth in the Rural Development Grants Manual and in compliance with the Environmental Management Framework.

(f) "Rural Development Grants Manual" means the manual describing eligibility and selection criteria, as well as applicable policies and procedures for Rural Development Grants under Part A of the Project.

(g) "Sub-project" means a sub-project eligible for financing under Part A of the Project by way of a Rural Development Grant Agreement in accordance with the provisions in this Agreement and the Rural Development Grants Manual.
article ii
project execution

2.01. project objectives and description. the objective of the project (the “project”) is to assist the recipient to promote competitiveness and growth in the livestock and horticulture sub-sectors through implementation of selected measures of its agricultural strategy and institutional development in the period 2013-2018. the project consists of the following:

part a: enhancing investments to promote sustainable rural development. this provides rural development grants through sub-projects to foster growth and competitiveness in the horticulture and livestock sub-sectors through the promotion of improved agricultural technologies.

2.02. project execution generally. the recipient declares its commitment to the objectives of the project. to this end, the recipient shall carry out the project through the mafrd 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”); and (c) this article ii.

2.03. institutional and other arrangements.

(a) the recipient shall cause the mafrd to: (i) carry out the project with due diligence and efficiency; (ii) promptly provide the funds to facilities, services and other resources, required for that purpose to entities, including the piu; (iii) furnish, or cause 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 with the world bank’s representatives the progress and results of the project and (v) cause all rural development 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 make the rural development grants in accordance with the guidelines, criteria, and procedures acceptable to the world bank, including, without limitation, those specified in the rural development grants manual.

(c) the rural development grants manual shall contain detailed procedures for the carrying out of the project implementation and shall be in form and substance satisfactory to the world bank. the rural development grants 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 rural development grants that would cause any involuntary resettlement or loss of income, as defined in the world bank group’s operational policy on involuntary resettlement.

2.04. donor visibility and visit.
(a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Recipient’s 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 semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(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 ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period and made publicly available in a timely fashion and in a manner acceptable to the World Bank.

2.07. **Procurement**

(a) **General.** All goods, works, non-consulting services and consultants’ 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 1 of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by
World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods, works and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“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 1.18 of the Procurement Guidelines and paragraph 1.25 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods, Works and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services 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, works and non-consulting services for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding (subject to the additional provisions set forth in Annex 2 to this Agreement); (B) Shopping; (C) Direct Contracting; (D) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank; and (E) Community Participation procedures which have been found acceptable to the World Bank.

(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, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection under a Fixed Budget; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Selection of Individual Consultants; and (E) Single-source procedures for the Selection of Individual Consultants.
(c) 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in Euros)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-projects</td>
<td>6,202,082</td>
<td>50%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,202,082</td>
<td></td>
</tr>
</tbody>
</table>

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.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 30, 2016.

Article IV
Recipient’s Representative; Addresses

4.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.
4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Mother Teresa
10000 Pristina
Republic of Kosovo
Cable: Telex: Facsimile:

4.03. **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:
INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)
National Competitive Bidding – Modifications

The procedures to be followed for procurement of goods/works and non-consulting services using National Competitive Bidding shall be those of "Open Procedure" method as set forth in the Law No. 03/L-241, dated September 30, 2010 of the Republic of Kosovo with the following clarifications:

1. Participation by foreign bidders

Foreign bidders shall not be precluded from bidding. Foreign bidders shall not be required to form a joint venture or to sub-contract part of the supply of goods, works and services as a condition for submitting bids or the award of the contract.

2. Registration

Bidding shall not be restricted to pre-registered firms. Where registration is required, bidders (1) shall be allowed a reasonable time to complete the registration process, and (2) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

3. Advertising

Invitations to bid shall be advertised in a national newspaper of wide circulation in the national language(s) or official gazette provided that it is of a wide circulation or on a widely used website or electronic portal with free national and international access allowing a minimum of 30 days for the preparation and submission of bids.

4. Pre-qualification

(a) Pre-qualification shall be used only for large, complex and/or specialized works; (b) where used, prequalification criteria shall be on a "pass/fail" basis; (c) minimum experience, technical and financial requirements shall be explicitly stated in pre-qualification documents acceptable to the Association.

5. Participation by Government-owned enterprises

Government-owned enterprises in Kosovo shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Borrower (as this term is defined in the Procurement Guidelines). Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

6. Bidding Documents

Procuring entities shall use the appropriate standard bidding documents acceptable to the Association.

7. Bid Opening and Bid Evaluation

(a) Bids shall be submitted in a single envelope and shall be opened in public immediately after the deadline for submission of bids. The name of the bidder, the total amount of each bid, discounts (if any) and existence of bid security shall be read aloud and recorded in the minutes of
the public bid opening; a copy of the minutes shall be promptly provided to all bidders, and to the
Bank/Association with respect to contracts subject to prior review.

(b) Evaluation of bids shall be made through post-qualification in strict adherence to the
monetarily quantifiable criteria declared in the bidding document. Qualification criteria shall be
on a "pass/fail" basis.

(c) Contracts shall be awarded to the lowest evaluated, substantially responsive bidder who is
determined to be qualified to perform the contract in accordance with pre-defined and pre-
disclosed evaluation criteria and no negotiation as to the price or substance shall take place.

(d) An extension of bid validity, if justified by exceptional circumstances, may be requested in
writing from all bidders before the expiration date and for a minimum period required to
complete the evaluation or award a contract, but not to exceed thirty (30) days. No further
extensions shall be requested without the prior concurrence of the Association.

8. Price Adjustment
Civil works contracts of long duration (more than 18 months) shall contain an appropriate price
adjustment clause.

9. Rejection of Bids
All bids shall not be rejected (even if less than 2 (two) responsive bids are received), the
procurement process shall not be cancelled and new bids solicited without the Bank/Association’s
prior concurrence.

10. Securities
A bid security shall be required and it shall not exceed 3 (three) percent of the estimated cost of
the contract and performance security not more than 10 percent of the contract price. No advance
payment shall be made to contractors without a suitable advance payment security.

11. Award of Contract
Within two weeks from the Association’s no-objection to the award recommendation for
contracts subject to prior review contracts and within two weeks from the Recipient’s decision for
contracts subject to post review, the contracting authority shall publish the following information
on contract award in on a free and open access website or on another means of publication
acceptable to the Association: (i) name of each bidder who submitted a bid; (ii) bid prices as read
out at bid opening; (iii) name and evaluated price of each bid that was evaluated; (iv) name of
bidders whose bids were rejected and the reasons for their rejection; and (v) name of the winning
bidder, final contract price and duration and summary scope of the contract awarded.

12. Right to inspect and audit
In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document
and contract financed from the proceeds of the Credit shall provide that: (i) the bidders,
suppliers, contractors and their subcontractors, agents, personnel, consultants, service providers
or suppliers, shall permit the Association, at its request, to inspect their accounts, records and
other documents relating to the submission of bids and contract performance, and to have them
audited by auditors appointed by the Association; and (ii) the deliberate and material violation
by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive
practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.
13. Fraud & Corruption

Each bidding document and contract financed from the proceeds of the Credit shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The World Bank will sanction a firm or individual, at any time, in accordance with prevailing Association sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a World Bank-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier or service provider of an otherwise eligible firm being awarded a World Bank-financed contract.