OFFICIAL DOCUMENTS

CREDIT NUMBER 6035-XK

Financing Agreement

(Competitiveness and Export Readiness Project)

between

REPUBLIC OF KOSOVO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 02, 2015
CREDIT NUMBER 6035-XK

FINANCING AGREEMENT

AGREEMENT dated AUGUST 02, 2017 entered into between REPUBLIC OF KOSOVO ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in the amount of fourteen million three hundred thousand Euros (EUR 14,300,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of one and a quarter percent (1.25%)
per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum.

2.06. The Payment Dates are April 15 and October 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Euro.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Trade and Industry ("MTI"), in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) the Recipient, through MTI, shall establish a Project Implementation Unit ("PIU"), and recruit PIU staff to perform core functions (including Project coordination, procurement, and financial management), in accordance with Section I.A.1 of Schedule 2 to this Agreement; and

(b) the Recipient, through MTI, shall adopt a Project Operations Manual, prepared and approved in accordance with Section I.B.1 of Schedule 2 to this Agreement.

4.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

4.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for
payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Minister of Finance.

5.02. The Recipient’s Address is:

Ministry of Finance
New Government Building
Mother Teresa Street
10000 Pristina
Republic of Kosovo

Facsimile:

+381-38-213-113

5.03. The Association’s Address is:

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

Telex: Facsimile:

248423 (MCI) 1-202-477-6391
AGREED at **Pristina, Republic of Kosovo**, as of the day and year first above written.

**REPUBLIC OF KOSOVO**

By

[Signature]

Authorized Representative

Name: **Audollati Hoxha**

Title: **Minister of Finance**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By

[Signature]

Authorized Representative

Name: **Marco Mantovani**

Title: **Country Manager**
SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in supporting product certification for export markets, strengthening the capacity of export-oriented firms and reducing the cost of business inspections.

The Project consists of the following parts:

Part 1. Enhancing Business Environment and Export Readiness

A. Supporting international recognition of National Quality Infrastructure ("NQI")

Provision of goods and technical assistance to improve, and obtain international recognition of, the Recipient’s NQI, by specifically:

(i) supporting the Kosovo Metrology Agency ("KMA") to upgrade selected metrology laboratories, train its staff to use the newly procured equipment, and build its staff’s capacity to improve traceability and inter-laboratory comparisons;

(ii) supporting the Kosovo Accreditation Directorate ("KAD") and Kosovo Standardization Agency to enhance their information technology systems with respect to data interoperability and exchange, and to facilitate their access to information on standards and test results, and, specifically for KAD, to accredit laboratories in line with international best practice; and

(iii) supporting the establishment of an NQI Committee ("NQIC") with private sector participation, and improving public awareness of international standards and harmonization requirements.

B. Supporting Small and Medium Enterprises ("SMEs") to improve export readiness

(i) Establishment and administration of a Matching Grant program; and

(ii) Provision of Matching Grants to provide technical assistance to Selected SMEs with export potential to carry out Matching Grant Subprojects that (a) implement international standards and receive certifications required for export markets, and (b) gain access to business development services.
C. Reforming business inspections system

Reforming the Recipient’s business inspections system by reducing the administrative burden to businesses and improving the efficiency and effectiveness of inspection services, through the provision of:

(i) an electronic inspector data management system;
(ii) a business inspection interoperability data exchange system;
(iii) equipment for inspectors to conduct field analyses, sampling and evidence gathering; and
(iv) support for institutional set-up and capacity building for inspectors.

Part 2. Project Implementation and Coordination Support

Provision of goods, services, Training and Operating Costs in support of Project implementation and coordination, including the provision of equipment and of technical assistance in Project management, coordination, and fiduciary and monitoring and evaluation functions.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and Other Arrangements

1. Without limitation to the provisions of Article IV of the General Conditions, and except as the Association shall otherwise agree, the Recipient shall, through MTI, establish and thereafter maintain at all times during the implementation of the Project, a PIU with composition, resources, terms of reference and functions acceptable to the Association.

2. Not later than ninety (90) days after the Effective Date, the Recipient, through Ministry of Finance and MTI, shall establish, and thereafter maintain throughout the duration of the Project, a Project Steering Committee, with core representatives from the Prime Minister’s Office, the Ministry of Finance, and MTI, for the purpose of (a) providing policy guidance for, and making strategic decisions affecting, the Project, (b) reviewing and approving the Project’s Annual Work Plan and Budget, and (c) generally monitoring and ensuring the proper implementation of the Project; the composition of said committee shall be determined by Ministry of Finance and MTI, and shall be to the satisfaction of the Association.

B. Project Operations Manual

1. The Recipient, through MTI, shall:

   (a) maintain a Project Operations Manual ("POM"), in form and substance satisfactory to the Association, that sets out the operational and administrative procedures and requirements for Project implementation including: (i) financial management and procurement procedures in accordance with Sections II.B and III, respectively, of this Schedule 2, (ii) the staffing, management and responsibilities of the PIU, (iii) the procedures for accessing, disbursing, accounting and auditing of funds under the Project, and (iv) the procedures for Project monitoring, supervision and evaluation;

   (b) carry out the Project in accordance with the POM that has been approved by the Association; and

   (c) furnish to the Association for its prior approval, any proposed amendment to the provisions of the POM and, thereafter, put into effect such amendment as shall have been agreed with the Association.
2. The POM may not be assigned, amended, abrogated or waived, or permitted to be assigned, amended, abrogated or waived, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project; the POM may only be amended in consultation with, and after approval of, the Association. In case of any conflict between the terms of the POM and those of this Agreement, the terms of this Agreement shall prevail.

C. Matching Grants

1. For the purpose of carrying out Part 1.B of the Project, the Recipient, through MTI’s Kosovo Investment Enterprise Support Agency (“KIESA”), shall:

   (a) implement the Matching Grant scheme;

   (b) not later than ninety (90) days after the Effective Date, establish, and thereafter maintain throughout the duration of the Project, a grants management unit, as an extension of the PIU, consisting of at least two key personnel to work directly with the PIU staff and to perform core functions (including grant coordination and monitoring and evaluation), satisfactory to the Association;

   (c) not later than one hundred eighty (180) days after the Effective Date, establish, and thereafter maintain throughout the duration of the Project, an independent selection committee, with composition satisfactory to the Association, to assess Matching Grant applications and select SMEs;

   (d) prepare and adopt a Grants Manual, satisfactory in form and substance to the Association, setting forth the procedures for selecting, appraising, and approving Matching Grant applications, and for supervising implementation of Matching Grant Subprojects, including, inter alia:

      (i) the eligibility criteria for the Matching Grants,

      (ii) the application, evaluation, selection, award and Matching Grants management procedures,

      (iii) the criteria for the Matching Grants disbursements, monitoring, evaluation and reporting, and

      (iv) mandatory provisions that shall exclude the financing of activities that (A) involve civil works or land acquisition, (B) would give rise to Displaced Persons, (C) may aggravate and/or impact existing environmental conditions;
(e) not assign, amend, abrogate or waive, or permit to assign, amend, abrogate or waive the Grants Manual, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of Part 1.B of the Project (the Grants Manual may only be amended in consultation with, and after approval of, the Association; in case of any conflict between the terms of the Grants Manual and those of this Agreement, the terms of this Agreement shall prevail);

(f) make Matching Grants available to Selected SMEs on the terms and conditions set forth in the Grants Manual including, without limitation, the terms and conditions set forth in this Section I.C.1(d);

(g) exercise its rights and carry out its obligations under the respective Matching Grant Agreement in relation to each such Matching Grant in such manner as to protect its interests and the interests of the Association, and except as the Association shall otherwise agree, the Recipient shall not assign, abrogate, amend, suspend, terminate, waive or otherwise fail to enforce any Matching Grant Agreement or any provisions thereof and in case of any inconsistency between the provisions of any Matching Grant Agreement and those of this Agreement, the provisions of this Agreement shall prevail; and

(h) supervise, monitor, and report on the carrying out by Matching Grant Subprojects in accordance with the Grants Manual.

2. Prior to making any Matching Grant available to a Selected SME, the Recipient, through MTI, shall enter into a Matching Grant Agreement with the Selected SME, on terms and conditions acceptable to the Association, including:

(a) the Selected SMEs' confirmation of its compliance with the Recipient's relevant environmental laws and regulations; and

(b) the right of the Recipient to:

(i) require the Selected SME to implement the respective Matching Grant Subproject(s) with due diligence and efficiency and in accordance with sound technical, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Grants Manual and the Anti-Corruption Guidelines and to maintain adequate records;

(ii) require that (A) all consultants' services to be financed out of the proceeds of the Matching Grant shall be procured in conformity with the provisions of Section III of this Schedule 2, and (B) all
such consultants’ services shall be used exclusively for the carrying out of the Matching Grant Subprojects;

(iii) inspect, by itself or jointly with representatives of the Association if the Association shall so request, such goods, non-consulting services, consultants’ services included in the Matching Grant Subprojects and any relevant records and documents;

(iv) obtain all such information as the Association or the Recipient shall reasonably request relating to the foregoing; and

(v) suspend or terminate the right of the respective Selected SME to the Matching Grant proceeds upon failure by such Selected SME to perform its obligations under its respective Matching Grant Agreement.

D. Annual Work Plan and Budget

The Recipient, through MTI, shall:

(a) prepare and furnish to the Association not later than September 15 of each year during the implementation of the Project, a proposed Annual Work Plan and Budget containing: (i) all activities to be carried out under the Project during the following year; (ii) a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing; and (iii) any training activities that may be required under the Project including (A) the type of training, (B) the purpose of the training, and (C) the cost of the training;

(b) afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed Annual Work Plan and Budget, and shall thereafter ensure that the Project is implemented with due diligence during said following year, in accordance with such Annual Work Plan and Budget as shall have been approved by the Association; and

(c) not make or allow to be made any change to the approved Annual Work Plan and Budget without the Association’s prior written approval.

E. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
F. **Safeguards**

1. The Recipient shall not carry out, or select for financing under Part 1.B of the Project, any activities and/or investments under the Project that involves land acquisition or that would give rise to Displaced Persons.

2. The Recipient shall immediately inform the Association of any circumstances that have arisen or that may arise concerning the possibility of Displaced Persons resulting from the Project, recognizing that works carried out under such circumstances are not eligible for financing under this Agreement.

**Section II. Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

1. The Recipient, through MTI, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. **Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Recipient, through MTI, shall prepare and furnish to the Association, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each 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 Association not later than six months after the end of such period.

**Section III. Procurement**

A. **General**

1. **Goods and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or
referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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.

**B. Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule; (b) Shopping; and (c) Direct Contracting.

**C. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.
D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. **Withdrawal of the Proceeds of the Financing**

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the Disbursement Guidelines for Investment Project Financing, dated February 2017, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing 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 Credit Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, and consultants' services for the Project, except for Part 1.B(ii)</td>
<td>12,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Part 1.B(ii) of the Project</td>
<td>2,300,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>14,300,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed €100,000 may be
made for payments made prior to this date but on or after June 1, 2017, for Eligible Expenditures; or

(b) under Category 2, until the Recipient has prepared and adopted a Grants Manual in accordance with Section I.C.1(d) of this Schedule.

2. The Closing Date is October 30, 2022.
ANNEX

to

SCHEDULE 2

NATIONAL COMPETITIVE BIDDING – MODIFICATIONS

The National Competitive Bidding ("NCB") shall be carried out in accordance with Section I and Paragraphs 3.3 and 3.4 of the "Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" (January 2011, revised in July 2014) ("Procurement Guidelines"). For this purpose, the competitive bidding procedure to be followed for NCB shall be the Open Tendering set forth in the Kosovo Public Procurement Law No. 04/L-042, dated August 31, 2011, as further amended up to the last amendment reflected in the Law No. 05/L-092 dated March 1, 2016 ("PPL"), with the modifications set out below to ensure broad consistency with the Section I of the Procurement Guidelines. As provided in Section 7.01 of the General Conditions, the rights and obligations of the Recipient under the Financing Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any state or political subdivision thereof to the contrary.

MODIFICATIONS:

Eligibility

Eligibility to participate in a procurement process for and to be awarded an Association-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines.

Registration of Contractors and Suppliers

Registration shall not be used to assess bidders’ qualifications.

A foreign economic operator shall not be required to register as a condition for submitting its bid, and a foreign bidder recommended for contract award shall be given a reasonable opportunity to register, with the reasonable cooperation of the Recipient, prior to contract signing.

Bidding Documents

Bidding documents acceptable to the Association shall be used, and shall be prepared so as to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines.
Qualification

Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a “pass or fail” basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (iii) capability of construction and/or manufacturing facilities.

Prequalification procedures and documents acceptable to the Association shall be used for large, complex and/or specialized works. The verification of the information upon which a bidder was prequalified, including current commitments, shall be carried out at the time of contract award, along with the bidder’s capability with respect to personnel and equipment.

In the procurement of goods and works where pre-qualification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying the qualification criteria stated in the bidding documents.

Cost Estimate

The detailed cost estimates shall be confidential and shall not be disclosed to prospective bidders. No bids shall be rejected on the basis of comparison with the cost estimates without the Association’s prior written concurrence.

Bid Submission and Bid Opening

Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids shall be opened in public, immediately after the deadline for submission of bids. Bids received after the deadline for bid submission shall be rejected and returned to bidders unopened. A copy of the bid opening minutes shall be promptly provided to all bidders who submitted bids, and to the Association with respect to contracts subject to the Association’s prior review.

Bid Evaluation

Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation.
No domestic preference shall be granted in bid evaluation on the basis of bidder nationality, origin of goods or services, and/or preferential programs. Contracts shall be awarded to the qualified bidder whose bid has been determined: (i) to be substantially responsive to the bidding documents, and (ii) to offer the lowest-evaluated cost. No negotiations shall be permitted. A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted. A bidder shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

Rejection of All Bids and Re-bidding

All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association’s prior written concurrence.

Bid Validity

The bid validity period required by the bidding documents shall be sufficient to account for any period that may be required for the approval and registration of the contract as contemplated in the PPL. If justified by exceptional circumstances, an extension of bid validity may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation, award a contract, and/or complete the registration process; a corresponding extension of any bid guarantee also shall be required in such cases. A bidder may refuse the request to extend the bid validity without forfeiting its bid guarantee. No further extensions shall be requested without the prior written concurrence of the Association.

Guarantees

Guarantees shall be in the format included in the bidding documents. The bid security shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension if requested. No advance payments shall be made without a suitable advance payment guarantee.

Fraud and Corruption

Each bidding document and contract financed out of the proceeds of the Financing shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The Association will sanction a firm or an 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 an Association-financed contract; and (ii) to be a nominated sub-contractor, consultant, manufacturer or supplier, or service provider of an otherwise eligible firm being awarded an Association-financed contract.
Inspection and Audit Rights

In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing 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 and records relating to the bid submission and performance of the contract, and to have said accounts and records 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 an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

Contract Modifications

With respect to contracts subject to the Association’s prior review, the Recipient shall obtain the Association’s no objection before agreeing to: (i) a material extension of the stipulated time for performance of a contract; (ii) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (iii) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (iv) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Association.
SCHEDULE 3

Repayment Schedule

| Date Payment Due | Principal Amount of the Credit | Principal Amount of the Credit
|                  | repayable                      | repayable
<table>
<thead>
<tr>
<th></th>
<th>(expressed as a percentage)*</th>
<th>(expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15:</td>
<td></td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing October 15, 2022, to and including April 15, 2032</td>
<td></td>
<td></td>
</tr>
<tr>
<td>commencing October 15, 2032, to and including April 15, 2042</td>
<td></td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Annual Work Plan and Budget” means the work plan and budget prepared annually by the Recipient and approved by the Association in accordance with Section I.D of Schedule 2 to this Agreement; “Annual Work Plans and Budgets” means more than one such Annual Work Plan and Budget.


3. “Basis Adjustment to the Interest Charge” means the Association’s standard basis adjustment to the Interest Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

4. “Basis Adjustment to the Service Charge” means the Association’s standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


7. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter, (ii) loss of assets or access to assets, or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.

8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
9. "Grants Manual" means the manual that details the eligibility criteria and application, selection and approval (including, establishment of an independent selection committee to review and approve the list of SMEs and the grant applications) procedures for the selection of SMEs and Matching Grant Subproject activities (including a negative list of activities) to be financed by Matching Grants, as well as the terms and conditions applicable to the Matching Grants.

10. "Kosovo Accreditation Directorate" or "KAD" means the Recipient's national accreditation body of the same name, within MTI, or KAD's legal successor or successors thereto.

11. "Kosovo Investment Enterprise Support Agency” or “KIESA” means the Recipient’s agency of the same name responsible for the protection and promotion of investments, within MTI, or KIESA’s legal successor or successors thereto.

12. "Kosovo Metrology Agency” or “KMA” means the Recipient’s agency of the same name for metrology, within MTI, or KMA’s legal successor or successors thereto.

13. "Kosovo Standardization Agency” or “KSA” means the Recipient’s agency of the same name for standardization, within MTI, or KAS’s legal successor or successors thereto.

14. “Matching Grants” means the matching grants made by the Recipient out of the proceeds of the Financing to a Selected SME in accordance with the provisions of Section 1.C of Schedule 2 to this Agreement; “Matching Grant” means one such grant.

15. “Matching Grant Agreement” means the agreement signed between the Recipient, and a Selected SME for the provision of a Matching Grant to carry out a Matching Grant Subproject.

16. “Matching Grant Subprojects” means the subprojects under Part 1.B of this Project to be carried out by a Selected SME utilizing the proceeds of a Matching Grant and made available pursuant to a Matching Grant Agreement; “Matching Grant Subproject” means one such subproject.

17. "Ministry of Finance” means the Recipient’s Ministry of Finance, or its legal successor or successors thereto.

18. “Ministry of Trade and Industry” or “MTI” means the Recipient’s Ministry of Trade and Industry, or its legal successor or successors thereto.

19. "National Quality Infrastructure” or “NQI” means the institutional framework that establishes and implements, inter alia, the practice of standardization, metrology, accreditation, inspection, and market surveillance.
20. "Operating Costs" means the reasonable incremental expenses directly incurred by MTI, including specifically KIESA and PIU, in carrying out, managing and monitoring the Project, including expenditures for the following, based on the Annual Work Plan and Budget: (a) PIU staffing (excluding the salaries of officials of the Recipient's civil servants); (b) communications, including dissemination of Project-related information, translations, and advertising; (c) office rent and utilities; (d) office equipment insurance, maintenance and repair; (e) vehicle maintenance and repair; (f) travel, lodging and per diems (other than those covered under Training); (g) security; (h) bank charges; and (i) other miscellaneous costs directly associated with the Project.


23. "Procurement Plan" means the Recipient's procurement plan for the Project, dated April 7, 2017, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

24. "Project Implementation Unit" or "PIU" means the Project implementation unit, referred to in Section I.A.1 of Schedule 2 to this Agreement, or any legal successor or successors thereto, acceptable to the Association.

25. "Project Operations Manual" or "POM" means the manual prepared and adopted by the Recipient in accordance with Section I.B.1 of Schedule 2 to this Agreement, and as such manual may be amended from time with the agreement of the Association.

26. "Selected SMEs" means SMEs that have been selected for the carrying out of a Matching Grant Subproject in accordance with the eligibility criteria and procedures set forth in the Grants Manual; "Selected SME" means one such SME.

27. "SMEs" means small and medium enterprises; "SME" means one such enterprise.

28. "Training" means the reasonable costs associated with the training, workshop and study tour participation of personnel involved in Project activities, as specified in the Annual Work Plan and Budget, said costs to consist of travel and subsistence for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation (but
excluding costs of consulting services and any costs financed by other donors and financing sources).

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. Service Charge and Interest Charge

(a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02(a).