Re: IDA Grant No. H342 KOS (Institutional Development for Education Project)
Amendment to the Financing Agreement

Dear Excellency:

We refer to the Financing Agreement for the above-referenced Project, dated December 14, 2007 between the Republic of Kosovo (the Recipient) and the International Development Association (the Association), as amended and to your request dated July 25, 2011.

We are pleased to inform you that the Association hereby agrees to amend the Financing Agreements as follows:

1. Schedule 1 (“Project Description”), Part B.3 to the Financing Agreement shall be amended to read as follows:

   “3. Strengthening the institutional capacities and management processes of the key department in MEST concerning the quality of education, including teacher training and assessment.”

2. Schedule 1 (“Project Description”), Part C.3 to the Financing Agreement shall be amended to read as follows:

   “3. Constructing a school based on the new design standards and school mapping.”

3. Schedule 2 (“Project Execution”), Section II.A.2 shall be revised to read as follows:

   “The performance indicators referred to above in sub-paragraph 1 consist of the following:

   (a). MEST establishes baseline of assessment and examination instruments to measure the student learning outcomes at grade 5 by 2010;

   (b). MEST/MFE monitors, analyzes and publishes capital and recurrent expenditures (by level of education, by municipality, per student, by spending composition) each year;
(c). sixty percent (60%) of municipalities are able to report, using EMIS data, on the status of dropout and retention disaggregated by gender and community by 2012;

(d). sixty percent (60%) of schools receiving School Grants produce school improvement plans and monitoring reports by the Project Closing Date; and

(e). seventy percent (70%) of teachers are licensed as regular teachers by 2011.

4. The table in Schedule 2 (“Project Execution”), Section IV, Part A.2 to the Financing Agreement is hereby amended as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods, works, consultants’ services, Training, School Grants, Municipal Grants, and Incremental Operating Costs under Part A</td>
<td>2,310,000</td>
<td>100%</td>
</tr>
<tr>
<td>2. Goods, works, consultants’ services, Training, and Incremental Operating Costs under Part B</td>
<td>1,382,000</td>
<td>100%</td>
</tr>
<tr>
<td>3(a). Goods, consultants’ services, Training, and Incremental Operating Costs under Part C</td>
<td>908,000</td>
<td>100%</td>
</tr>
<tr>
<td>3(b). Works under Part C</td>
<td>1,350,000</td>
<td>75%</td>
</tr>
<tr>
<td>4. Goods, works, consultants’ services, Training, and Incremental Operating Costs under Part D</td>
<td>156,000</td>
<td>100%</td>
</tr>
<tr>
<td>5. Unallocated</td>
<td>294,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,400,000</td>
<td></td>
</tr>
</tbody>
</table>

5. The Closing Date in Schedule 2 (“Project Execution”), Section IV, Part B.2 to the Financing Agreement is extended to “June 30, 2013.”
Please confirm your agreement on behalf of the Recipient with the above amendments by signing, dating and returning to us one of the original copies of this Amendment Letter. The amendments will become effective as of the date of your countersignature, upon the receipt of your countersigned letter.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jane Armitage
Country Director and Regional Coordinator
for Southeast Europe
Europe and Central Asia Region

AGREED:
REPUBLIC OF KOSOVO
By: /s/ Bedri Hamza
   Authorized Representative

Date: December 2, 2011