CREDIT NUMBER 5902-XK

Financing Agreement
(Water Security and Canal Protection Project)

between

REPUBLIC OF KOSOVO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated JANUARY 27, 2017
FINANCING AGREEMENT

AGREEMENT dated JANUARY 27, 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 twenty two million Euro (Euro 22,000,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment; and (b)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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment; and (b) zero percent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, through MED, shall cause the Project to be carried out by the Project Implementing Entity, with the assistance of MESP on Project matters related to water resources management and quality protection, dam safety, and environmental and social impact assessments, review and planning, all in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

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 — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consists of the following, namely, that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in paragraph (a) of Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity, satisfactory to the Association.

5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date a ninety (90) days after the date of this Agreement.

5.04. 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 VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister of Finance.

6.02. The Recipient's Address is:

Ministry of Finance
Main Government Building, 11th Floor
Mother Teresa Street
10000 Pristina
Republic of Kosovo

Facsimile:

+381-38-213-113

6.03. 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 of the day and year first above written.

REPUBLIC OF KOSOVO

By

Authorized Representative

Name: AVDULLAH HOTI
Title: MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: MARCO MANTOVANELLI
Title: COUNTRY MANAGER
SCHEDULE 1

Project Description

The objective of the Project is to contribute to restoring the Iber Canal to its original capacity to improve water resource management for various canal water users in Central Kosovo.

The Project consists of the following parts:

Part 1. Infrastructure Rehabilitation and Modernization

Re-establish the transit capacity of the Iber Canal, enable closure of the canal for maintenance, strengthen the canal’s structural safety against extreme events, and enhance the Gazivoda dam safety by carrying out activities, including:

(a) Carrying out small works for Gazivoda dam safety, and canal repair and increased stability for protection against renewed physical damage from landslides and unstable soils.

(b) Constructing a new balancing and emergency reservoir along the canal in the Mehiliq area (in Vushtri municipality) for short-term water storage to bridge peak water demand and to enable continuation of water supply to the users during the temporary outages for canal repair, or during extreme events that disrupt the canal flow.

Part 2. Water Resources Protection and Management

Implement water resources protection and management measures to increase the Gazivoda-Ibër system operational efficiency and to protect canal ambient water quality, including:

(a) Carrying out works (such as selective fencing and covering of certain canal sections) to protect the canal against renewed pollution, accidental pollution and other threats and man-made disruptions.

(b) Installing equipment for better management of gates and regulation of water flows, as well as for water monitoring (for the main Ibër Canal and for its secondary delivery system), including provisions for remote monitoring and controlling of related structures.

Part 3. Project Management, Coordination, Monitoring and Evaluation

Provision of support for Project implementation, coordination and monitoring and evaluation, including enhancing the capacity of the Project Implementing Entity (through hiring of consultants), training and financing of Incremental Operating Costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and Other Arrangements.

1. The Recipient shall establish, or cause to be established, the following, with terms of reference and resources satisfactory to the Association, and with competent staff in adequate numbers, to carry out their respective responsibilities related to implementation of the Project:

(a) by no later than one (1) month after the Effective Date, a Project Implementation Unit ("PIU") within the Project Implementing Entity, responsible for Project implementation, management, monitoring and evaluation; and

(b) by no later than one (1) month after the Effective Date, a Project Steering Committee ("PSC") responsible for providing overall Project guidance and oversight.

2. The Recipient, through MED, shall take all measures necessary to ensure that the Project Implementing Entity and the Association have access to Project implementation sites.

3. The Recipient, through MED, shall cause the Project Implementing Entity to:

(a) prepare, in accordance with terms of reference satisfactory to the Association, and furnish to the Association for approval, a Financial Management Manual setting out the financial management and disbursement procedures and requirements for Project implementation in accordance with Sections II.B and IV respectively of this Schedule 2, including: (i) planning and budgeting procedures; (ii) internal controls on project expenditures and assets; (iii) staffing and responsibilities; (iv) procedures for accessing, disbursing and accounting for funds under the Project; and (v) financial reporting and auditing requirements;

(b) by no later than two (2) months after the Effective Date, adopt the Financial Management Manual, which has been approved by the Association, and thereafter carry out the financial management aspects of the Project in accordance with the approved Financial Management Manual; and

(c) furnish to the Association for its prior approval, any proposed amendment to the provisions of the Financial Management Manual, and thereafter put into effect such amendment as shall have been agreed with the Association.
B. Subsidiary Agreement

1. To facilitate the carrying out of the Project by the Project Implementing Entity, the Recipient shall make part of the proceeds of the Financing allocated from time to time to Category 2 of the table set forth in Section IV.A.2 of this Schedule available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association (“Subsidiary Agreement”), which shall include: the principal amount of the Financing made available under the Subsidiary Agreement (“Subsidiary Financing”) shall be: (a) denominated and repayable in Euro; (b) charged the Service Charge, which is payable by the Recipient under Section 2.04 of this Agreement, on the principal amount withdrawn and outstanding from time to time; (c) charged the Maximum Commitment Charge Rate, which is payable by the Recipient under Section 2.03 of this Agreement, on the principal amount that remains unwithdrawn; (d) charged Interest Charge, which is payable by the Recipient under Section 2.05 of this Agreement, on the Withdrawn Credit Balance; and (e) repayable over a period not exceeding twenty-five (25) years from the date of the Subsidiary Agreement, inclusive of a grace period not exceeding five (5) years.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

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

D. Safeguards

Environment and Involuntary Resettlement

1. The Recipient shall ensure, and cause the Project Implementing Entity to ensure, the following:

(a) that the Project is carried out in accordance with the ESMF and RPF;

(b) that prior to carrying out any works under the Project, environmental impact assessments and site-specific EMPs be prepared in accordance with the ESMF, including their disclosure and public consultation, in form and substance satisfactory to the Association and that the Project be implemented in accordance with the respective EMPs;
(c) that prior to carrying out any works under the Project which entail Involuntary Resettlement, a site-specific RAP be prepared in accordance with the RPF, including its disclosure and meaningful consultations with Project Affected Persons, in form and substance satisfactory to the Association and that such RAP be implemented, including by providing appropriate compensation, consistent with the provisions of the RPF and site-specific RAP, to the Project Affected Persons; and

(d) that the EMSF, EMPs, RPF and/or RAPs, or any provision thereof, not be assigned, amended, abrogated or waived without the prior approval of the Association.

**Dam Safety**

2. The Recipient shall cause the Project Implementing Entity to establish and thereafter, maintain the panel of independent dam safety experts ("Dam Safety Experts"), with qualifications, resources and experience, satisfactory to the Association, which Dam Safety Experts are responsible for: (a) reviewing and evaluating; the safety status of the existing Gazivoda Dam and its performance history, operations and maintenance procedures, and making recommendations for any remedial work or safety-related measures as necessary to an acceptable standard of safety; and (b) reviewing the adequacy of the design and construction procedures of the emergency reservoir and dam to be constructed in Mihaliq ("Mihaliq Dam") and Mihaliq Dam’s associated structures and the start of its operation.

3. With respect to the small works to be undertaken at Gazivoda Dam under Part 1(a) of the Project, the Recipient shall cause the Project Implementing Entity to take into account the recommendations of the Dam Safety Experts and:

(a) prior to commencement of the works, to update the following plans for the Gazivoda Dam: operations and maintenance plan, emergency preparedness plan, and the instrumentation and monitoring plan, all in a manner satisfactory to the Association;

(b) to carry out Part 1(a) of the Project in accordance with the updated plans; and

(c) not to revise any of the said plans without prior written approval of the Association.

4. With respect to the construction of the Mihaliq Dam under Part 1(b) of the Project, the Recipient shall cause the Project Implementing Entity to carry out the following:

(a) prior to the commencement of civil works, prepare, in accordance with a framework acceptable to the Association, the following plans relating to the
Mihaliq Dam: plan for construction supervision and quality assurance; instrumentation plan; operation and maintenance plan; and emergency preparedness plan; and finalize said plans taking into account the recommendations of the Dam Safety Experts regarding the adequacy of the dam design and construction procedures, all in a manner satisfactory to the Association;

(b) implement Part 1(b) of the Project in accordance with said plans and taking into account the Association's comments thereon;

(c) not revise any of the said plans without prior written approval of the Association; and

(d) after the filling and start-up of the Mihaliq Dam, have independent qualified professionals carry out periodic safety inspections of said dam.

5. By no later than twelve (12) months after the Project is declared effective, the Recipient shall furnish to the Association the proposed time bound schedule and criteria for selection of an entity or agency to be responsible for the operation and maintenance of Mihaliq Dam after its commissioning and promptly thereafter, make the selection according to such schedule and criteria taking into account the Association's comments thereon.

E. Annual Work Plan and Budget

1. The Recipient shall cause the Project Implementing Entity to:

(a) prepare and furnish to the Association and to the Budget Department of the Recipient’s Ministry of Finance 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.
Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

1. The Recipient through MED, shall monitor and evaluate, and shall ensure that the Project Implementing Entity monitors and evaluates, the progress of the Project (including implementation progress under EMPs and RAPs) and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one (1) 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 shall cause the Project Implementing Entity to 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 cause the Project Implementing Entity to have the 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, Works 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, Works 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, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works 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 2;
   
   (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 “World Bank Disbursement Guidelines for Projects” dated May 2006, 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, works, non-consulting services, consultants’ services and Incremental Operating Costs under Part 1(b) of the Project</td>
<td>7,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants’ services under all Parts of the Project (except Part 1(b)); Incremental Operating Costs; and Training</td>
<td>15,000,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>22,000,000</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 for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \( \mathbf{E250,000} \) may be made for payments made prior to this date but on or after the date, which is twelve months prior to the date of this Agreement, for Eligible Expenditure.

2. The Closing Date is April 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 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, (“PPL”) as further amended with the Law No. 05/L-092 dated March 1, 2016, 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 Borrower, prior to contract signing.

Bidding Documents

Bidding documents acceptable to the Association shall be used, and shall be prepared so as to ensure economy, 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 postqualification, 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 a 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 a 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 Borrower shall obtain the Association’s no objection before agreeing to: (a) a material extension of the stipulated time for performance of a contract; (b) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (c) 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 (d) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Association.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15:</td>
<td></td>
</tr>
<tr>
<td>commencing on October 15, 2021, to and including April 15, 2031.</td>
<td>1.65%</td>
</tr>
<tr>
<td>Commencing October 15, 2031, to and including April 15, 2041.</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


2. "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 1.E of Schedule 2 to this Agreement.

3. "Basis Adjustment" means the Association's standard basis adjustment 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. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


6. "Environmental Management Plan" or "EMP" means any site-specific environmental management plan prepared in accordance with the ESMF and the provisions of paragraph 1(b) of Section I.D of Schedule 2 to this Agreement and acceptable to the Association, and setting out details of the specific actions, measures and policies designed to facilitate the achievement of the objective of the ESMF, the mitigating, monitoring and institutional measures to be taken during the implementation and operation of Project activities to offset or reduce adverse environmental impacts to levels acceptable to the Association, including the budget and cost estimates, and sources of funding, along with the institutional and procedural measures needed to implement such actions, measures and policies.

7. "ESMF" means the report containing the environmental and social impact assessment framework and environmental and social management framework prepared by the Recipient for the Project, and disclosed through the Bank's Infoshop on March 10, 2016, and on the Project Implementing Entity's website on March 10, 2016, which framework sets forth, inter alia, the modalities for site-specific environmental screening and procedures/actions for the preparation and implementation of environmental assessments and EMPs under the Project, the set of mitigation, monitoring, and institutional measures and procedures required in order to eliminate adverse environmental and social impacts, offset them, or reduce
them to acceptable levels, as well as actions needed to implement said measures,
as the same may be amended from time to time with the agreement of the
Association.

8. “Financial Management Manual” means the manual to be prepared and adopted in
accordance with paragraph 3(a) of Section I.A. of Schedule 2 to this Agreement.

9. “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.

10. “Incremental Operating Costs” means the reasonable incremental expenses
incurred by PIU, MESP and PSC under the Project, and based on the Annual Work
Plan and Budget, consisting of expenditures for communications, translations,
interpretation, advertising, lodging and per diem (excluding the salaries of officials
of the Recipient’s civil servants).

11. “Involuntary Resettlement” means the impact of an involuntary taking of land
under the Project, which taking causes Project Affected Persons to, among other
things, have their: (a) standard of living adversely affected; or (b) right, title or
interest in any house, land (including premises, agricultural and grazing land) or
any other fixed or movable asset acquired or possessed, temporarily or
permanently; or (c) access to productive assets adversely affected, temporarily or
permanently; or (d) business, occupation, work or place of residence or habitat
adversely affected, temporarily or permanently.

12. “MED” means the Recipient’s Ministry of Economic Development and any
successor or successors thereto.

13. “MESP” means the Recipient’s Ministry of Environment and Spatial Planning and
any successor or successors thereto.

14. “PIU” means the Project Implementation Unit to be established under paragraph
1(a) of Section I.A of Schedule 2 to this Agreement.

and Non-consulting Services under IBRD Loans and IDA Credits and Grants by

16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated
June 22, 2016, 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.

17. “Project Affected Persons” means persons who, on account of the execution of the
Project, have been, or will be affected, by Involuntary Resettlement.
18. "Project Implementing Entity" means Hydro Economic "Iber-Lepenc" JSC, a joint stock company incorporated and registered in the Kosovo Business Registry with registration number 70465157, with the Government of the Republic of Kosovo as the sole shareholder.


20. "PSC" means the Project Steering Committee to be established under paragraph 1(b) of Section I.A of Schedule 2 to this Agreement.

21. "Resettlement Policy Framework" or "RPF" means the Resettlement Policy Framework prepared by Recipient and disclosed through the Bank’s Infoshop on February 10, 2016, and in the Recipient’s website on February 10, 2016, which framework describes the process and procedures to be taken, the RAPs to be prepared, the mitigation and compensation measures, and consultation and information processes to be followed in the event of Involuntary Resettlement of Project Affected Persons as a result of implementation of the Project, as said framework may be amended from time to time with the agreement of the Association.

22. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.

23. "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 courses, workshops or study tour preparation and implementation (but excluding costs of consultants’ services).

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).