Financing Agreement

(Additional Financing for Agriculture and Rural Development Project)

between

REPUBLIC OF KOSOVO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 02, 2017
FINANCING AGREEMENT

Agreement dated 01/27/2017 entered into between the REPUBLIC OF KOSOVO ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 million eight hundred thousand Euros (EUR 20,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of one and a quarter percent (1.25%)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 objectives of the Project. To this end, the Recipient shall carry out the Project, through its Ministry of Agriculture, Forestry and Rural Development ("MAFRD"), 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**

4.01. The Effectiveness Deadline is the date one hundred and twenty (120) days 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
Mother Teresa Street
10000 Pristina
Republic of Kosovo

Facsimile:

+38 138 213 113

5.03. The Association’s Address is:

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

Telex: 248423 (MCI)  Facsimile: 1-202-477-6391
AGREED at PESHTITNJA KOSOVO, as of the day and year first above written.

REPUBLIC OF KOSOVO

By

Authorized Representative

Name: AUOULKATI HODI
Title: MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: MIRCO VANTOVAN
Title: COUNTRY MANAGER
SCHEDULE 1

Project Description

The objectives of the Project are to assist the Recipient (a) to improve the productivity of, and access to markets by, Project beneficiaries in the horticulture and livestock subsectors of Kosovo, and (b) to strengthen the institutional capacity of the Ministry of Agriculture, Forestry and Rural Development.

The Project consists of the following parts:

Part I. Transferring Knowledge to the Rural Sector

(a) Provision of Training to farm operators, agro-processing enterprises, local action groups, farmer associations, the Advisory and Technical Services Directorate ("ATSD") staff and municipal advisors on the preparation of grant proposals for Rural Development Grants, related business plans and technical topics in the livestock and horticulture sectors.

(b) Carrying out of regional knowledge exchange for farm operators and agro-processors through the provision of study tours and Training.

(c) Strengthening of Municipal Rural Advisory Centers through the provision of goods and consultants’ services and Training.

(d) Provision of Training to ATSD staff, and travel and per diem costs incurred by the rural advisory services coordinator within ATSD for the purpose of coordinating rural advisory services.

Part II. Enhancing Investments to Promote Sustainable Rural Development

(a) Development of the Recipient’s livestock subsector through the provision of Rural Development Grants to RDG Beneficiaries in accordance with procedures and criteria set forth in the RDG Manual.

(b) Development of the Recipient’s horticulture subsector through the provision of Horticulture Development Grants to HDG Beneficiaries in accordance with procedures and criteria set forth in the HDG Manual.

(c) Capacity building of the Managing Authority and the Agency for Agricultural Development, through the provision of works, goods, consultants’ services, Training and Incremental Operating Costs.

(d) Capacity building of the Kosovo Agriculture Institute through the provision of equipment and Training.
Part III. Support for Irrigation

(a) (i) Carrying out of a feasibility study for rehabilitation works for the existing Radoniqi-Dukagjini Irrigation Schemes.

(ii) Carrying out of irrigation works in the Radoniqi-Dukagjini Irrigation Schemes to ensure their sustainability.

(iii) Implementation of the dam safety recommendations confirmed by the Dam Safety Panel for the Radoniqi Dam.

(b) Development of a national irrigation development investment framework.

Part IV. Project Management, Coordination, Monitoring and Evaluation

Provision of support to the Project Implementation Unit, including the provision of consulting services, Training and Incremental Operating Costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The MAFRD shall be responsible for overall Project implementation.

2. The Recipient, through MAFRD, shall ensure that the following implementation arrangements are maintained in a manner satisfactory to the Association:

   (a) The Project Implementation Unit ("PIU"), within the MAFRD, shall be responsible for, *inter alia*, procurement, financial management, environmental and social safeguards compliance, and monitoring and evaluation reporting under the Project; and

   (b) the Managing Authority and the Agency for Agricultural Development, all within the MAFRD, shall be responsible for implementation of Part II (a) of the Project; and

   (c) a rural advisory services coordinator, within the MAFRD, shall be responsible for coordination of training activities under Part I (a) of the Project.

3. The Recipient, through MAFRD, shall ensure that the PIU, the Managing Authority, and the Agency for Agricultural Development are adequately staffed, funded and operational, in a manner satisfactory to the Association.

4. No later than ninety (90) days after the Effective Date, to facilitate the carrying out of Part III (a) of the Project, the Recipient, through MAFRD, Ministry of Economic Development, and Ministry of Environment and Spatial Planning, shall enter into a memorandum of understanding with the Regional Irrigation Company Radoniqi-Dukagjini Sh.A, and Hydro-system Radoniqi, satisfactory to the Association. The said memorandum of understanding shall confirm, *inter alia*:

   (a) the commitment of the Recipient to confer with the Regional Irrigation Company Radoniqi-Dukagjini Sh.A., and with Hydro-system Radoniqi, on the preparation and implementation of Part III (a) of the Project; and

   (b) the commitments of the Regional Irrigation Company Radoniqi-Dukagjini Sh.A, and of Hydro-system Radoniqi (i) to provide timely input and cooperation on the preparation and implementation of the activities carried out under Part III (a) of the Project, (ii) to comply with the environmental
and social safeguards, fiduciary and technical requirements applicable to the Project in accordance with the provisions of this Agreement, and (iii) to furnish to the Recipient and the Association all such information as the Recipient or the Association may reasonably request concerning activities carried out in relation to Part III (a) of the Project.

5. The Recipient, through MAFRD, shall ensure that the Regional Irrigation Company Radoniqi-Dukagjini Sh.A. and Hydro-system Radoniqi provide input, as needed, on the preparation and implementation of, and properly supervise, the activities carried out under Part III (a) of the Project.

6. No later than ninety (90) days after the Effective Date, to facilitate the carrying out of Part II (b) of the Project, the Recipient, through MAFRD, shall establish an independent evaluation committee with terms of reference and staffing satisfactory to the Association, to review the applications for the Horticulture Development Grants, and make selections in accordance with Section I.E.1 of this Schedule.

7. No later than ninety (90) days after the Effective Date, the Recipient, through Ministry of Finance ("MoF") and MAFRD, shall appoint representatives to, and periodically convene and ensure the appropriate functioning of, a Project Steering Committee, for the purpose of monitoring and ensuring the proper implementation of the Project; the terms of reference and composition of said committee shall be determined by the MoF and MAFRD, and shall be to the satisfaction of the Association.

B. Project Operations Manual

The Recipient, through MAFRD, shall carry out the Project in accordance with the Project Operations Manual and shall not amend, suspend, abrogate, repeal or waive any provision of the Project Operations Manual without prior approval by the Association. In case of any conflict between the terms of the Project Operations Manual and those of this Agreement, those of this Agreement shall prevail.

C. Anti-Corruption

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

D. Rural Development Grants

1. The Recipient, through MAFRD, shall provide Rural Development Grants to RDG Beneficiaries for RDG Subprojects in accordance with the eligibility criteria and procedures set forth in the Rural Development Grant Manual.
2. The Recipient, though MAFRD, shall extend each Rural Development Grant under a Rural Development Grant Agreement with the respective RDG Beneficiary, on terms and conditions approved by the Association, that shall include the Recipient's right to protect its interests and those of the Association, including the right to:

(a) suspend or terminate the right of the RDG Beneficiary to use the proceeds of the Rural Development Grant, or obtain a refund of all or any part of the amount of the Rural Development Grant then withdrawn, upon the RDG Beneficiary's failure to perform any of its obligations under the Rural Development Grant Agreement; and

(b) require each RDG Beneficiary to:

(i) carry out its RDG Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;

(ii) provide, promptly as needed, the resources required for the purpose of the Rural Development Grant;

(iii) procure the goods, works and services to be financed out of the Rural Development Grant in accordance with the provisions of this Agreement;

(iv) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Association, the progress of the RDG Subproject and the achievement of its objectives;

(v) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the RDG Subproject, and

(2) at the Association's or the Recipient's request, have an operational review of the Rural Development Grant operations carried out by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association,
and promptly furnish the report to the Recipient and the Association;

(vi) enable the Recipient, through MAFRD, and the Association to inspect the RDG Subproject, its operation and any relevant records and documents; and

(vii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. The Recipient, through MAFRD, shall exercise its rights and carry out its obligations under each Rural Development Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. The Recipient shall take no action with respect to any Rural Development Grant Agreement or its provisions (including assignment, amendment, abrogation or waiver) that is inconsistent with the terms of the Rural Development Grant Manual.

E. Horticulture Development Grants

1. The Recipient, through MAFRD, shall provide Horticulture Development Grants to HDG Beneficiaries for HDG Subprojects in accordance with the eligibility criteria and procedures set forth in the Horticulture Development Grant Manual.

2. The Recipient, through MAFRD, shall extend each Horticulture Development Grant under a Horticulture Development Grant Agreement with the respective HDG Beneficiary, on terms and conditions approved by the Association that shall include the Recipient’s right to protect its interests and those of the Association, including the right to:

(a) suspend or terminate the right of the HDG Beneficiary to use the proceeds of the Horticulture Development Grant, or obtain a refund of all or any part of the amount of the Horticulture Development Grant then withdrawn, upon the HDG Beneficiary’s failure to perform any of its obligations under the Horticulture Development Grant Agreement; and

(b) require each HDG Beneficiary to:

(i) carry out its HDG Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;
(ii) provide, promptly as needed, the resources required for the purpose of the Horticulture Development Grant;

(iii) procure the goods, works and services to be financed out of the Horticulture Development Grant in accordance with the provisions of this Agreement;

(iv) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Association, the progress of the HDG Subproject and the achievement of its objectives;

(v) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the HDG Subproject, and

(2) at the Association’s or the Recipient’s request, have an operational review of the Horticulture Development Grant operations carried out by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the report to the Recipient and the Association;

(vi) enable the Recipient, through MAFRD, and the Association to inspect the HDG Subproject, its operation and any relevant records and documents; and

(vii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. The Recipient, through MAFRD, shall exercise its rights and carry out its obligations under each Horticulture Development Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. The Recipient shall take no action with respect to any Horticulture Development Grant Agreement or its provisions (including assignment, amendment, abrogation or waiver) that is inconsistent with the terms of the Horticulture Development Grant Manual.
F. Safeguards

1. The Recipient, through MAFRD, shall carry out its obligations in accordance with the Environmental and Social Management Framework and shall not amend, suspend, abrogate, repeal or waive any provision of the Environmental and Social Management Framework without the prior approval of the Association. The Recipient, through MAFRD, shall screen the RDG Subprojects and HDG Subprojects to ensure their consistency with the Environmental and Social Management Framework and the satisfaction of any and all applicable requirements for the preparation, disclosure and implementation of a site-specific environmental management plan before the submission of any withdrawal request in respect of any Rural Development Grant for an RDG Subproject and any Horticultural Development Grant for an HDG Subproject necessitating the respective environmental management plan.

2. The Recipient, through MAFRD, shall ensure that neither RDG Subprojects nor HDG Subprojects involve land acquisition or Involuntary Resettlement.

G. Dam Safety

1. The Recipient, through MAFRD, shall establish, and thereafter maintain and periodically convene throughout Project implementation, a panel of independent dam safety experts (“Dam Safety Panel”), with qualifications, resources and experience satisfactory to the Association, to be responsible for:

   (a) reviewing and evaluating the safety status of the activities carried under Part III (a) (iii) of the Project, including the related performance history, operations and maintenance procedures; and

   (b) making recommendations for any remedial work or safety-related measures as necessary to an acceptable standard of safety.

2. The Recipient, through MAFRD, shall, in carrying out Part III (a) (iii) of the Project, all in a manner satisfactory to the Association:

   (a) take into account the recommendations of the Dam Safety Panel; and

   (b) no later than twenty (24) months from the Effective Date, update, as needed, and thereafter maintain for the Radoniqi Dam (i) an Instrumentation Plan, (ii) an Operations and Maintenance Plan, and (iii) an Emergency Preparedness Plan.

3. The Recipient, through MAFRD, shall carry out Part III (a) (iii) of the Project in accordance with the established plans referred to in Section 1.G.2(b) of this
Schedule and shall not revise any of the said plans without the prior written approval of the Association.

Section II.  Project Monitoring, Reporting and Evaluation

A.  Project Reports

The Recipient, through MAFRD, 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 semester, 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.  Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim un-audited 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 (1) fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project was made. The audited Financial Statements for each such period shall be: (a) furnished to the Association not later than six (6) months after the end of such period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

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 the Procurement Guidelines, or 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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding (subject to the modifications set forth in the Annex to this Agreement)</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.
**Procurement Method**

(a) Quality Based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection based on Consultants’ Qualifications
(e) Selection of Individual Consultants
(f) Sole-Source Selection 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 Investment Project Financing” dated February 1, 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 Financing 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 and consultants' services for the Project, except for Parts II (a), II (b), and III (b) of the Project</td>
<td>9,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Subprojects financed, in part, by:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Rural Development Grants under Part II (a) of the Project</td>
<td>(a) 8,800,000</td>
<td>(a) 50%</td>
</tr>
<tr>
<td>(b) Horticulture Development Grants under Part II (b) of the Project</td>
<td>(b) 3,000,000</td>
<td>(b) 65%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>20,800,000</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 four hundred thousand Euros (EUR 400,000) may be made for payments made prior to this date but on or after April 1, 2017, for Eligible Expenditures; or

   (b) under Category 2(b), until the Recipient has adopted a Horticulture Development Grant Manual to carry out Part II (b) of the Project.

2. The Closing Date is June 30, 2021.

Section V. **Other Undertakings**

The Recipient and the Association hereby agree to amend the Original Financing Agreement as set forth in Schedule 4 to this Agreement.
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 October 15 and April 15:</td>
<td></td>
</tr>
<tr>
<td>commencing October 15, 2022 to and including April 15, 2032</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing October 15, 2032 to and including April 15, 2042</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.
SCHEDULE 4

Amendment to the Original Financing Agreement

The Recipient and the Association hereby agree to amend the Original Financing Agreement as follows:

1. Article III, Section 3.01, of the Original Financing Agreement is amended in its entirety to read as set forth in Article III, Section 3.01, of this Agreement.

2. Schedule I to the Original Financing Agreement is hereby amended in its entirety to read as set forth in Schedule I to this Agreement.

3. Sections I.A, I.B and I.D of Schedule 2 to the Original Financing Agreement are hereby amended in their entirety to read as respectively set forth in Sections I.A.1 through I.A.5, I.B and I.D of Schedule 2 to this Agreement.

4. Section I.E of Schedule 2 to the Original Financing Agreement is hereby amended in its entirety to read as respectively set forth in Section I.F of Schedule 2 to this Agreement.

5. Schedule 2 of the Original Financing Agreement is hereby amended to incorporate Sections I.E and I.G of Schedule 2 to this Agreement.

6. Section II.A of Schedule 2 to the Original Financing is hereby amended in its entirety to read as set forth in Section II.A of Schedule 2 to this Agreement.

7. The chart at Section IV.A.2 of Schedule 2 to the Original Financing Agreement is hereby amended in its entirety to read as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services and consultants’ services for the Project, except for Parts II (a), II (b), and III (a) of the Project</td>
<td>4,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Subprojects financed, in part, by Rural Development Grants under Part II (a) of the Project</td>
<td>8,800,000</td>
<td>50%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>12,800,000</td>
<td></td>
</tr>
</tbody>
</table>
8. The Appendix to the Original Financing Agreement is hereby amended as follows, and, as relevant, the remaining sections of said Appendix are renumbered accordingly:

(a) insertion of the term “Advisory and Technical Services Directorate” or “ATSD” and its definition as set forth in paragraph 1 of the Appendix to this Agreement;

(b) replacement of the term “Paying Unit” and its definition with the term “Agency for Agricultural Development” and its definition as set forth in paragraph 2 of the Appendix to this Agreement;

(c) insertion of the term “Dam Safety Panel” and its definition as set forth in paragraph 8 of the Appendix to this Agreement;

(d) insertion of the term “Emergency Preparedness Plan” and its definition as set forth in paragraph 9 of the Appendix to this Agreement;

(e) replacement of the term “Environmental Management Framework” and its definition with the term “Environmental and Social Management Framework” and the definition as set forth in paragraph 10 of the Appendix to this Agreement;

(f) insertion of the term “Financing Agreement for the Additional Financing for Agriculture and Rural Development Project” and its definition to read as follows:

"The ‘Financing Agreement for the Additional Financing for Agriculture and Rural Development Project’ means the financing agreement entered into between the Recipient and the Association for the additional financing of the Project (Credit No. 6017-XK)."

(g) insertion of the term “HDG Beneficiaries” and its definition as set forth in paragraph 12 of the Appendix to this Agreement;

(h) insertion of the term “HDG Subprojects” and the related definition as set forth in paragraph 13 of the Appendix to this Agreement;

(i) insertion of the term “Horticulture Development Grants” and “HDGs” and the related definition as set forth in paragraph 14 of the Appendix to this Agreement;

(j) insertion of the term “Horticulture Development Grant Agreement” and the related definition as set forth in paragraph 15 of the Appendix to this Agreement;
(k) insertion of the terms “Horticulture Development Grant Manual” and “HDG Manual” and the related definition as set forth in paragraph 16 of the Appendix to this Agreement;

(l) insertion of the term “Hydro-system Radoniqi” and its definition as set forth in paragraph 17 of the Appendix to this Agreement;

(m) replacement of the definition for “Incremental Operating Costs” with the definition of such term as set forth in paragraph 18 of the Appendix to this Agreement;

(n) insertion of the term “Instrumentation Plan” and its definition as set forth in paragraph 19 of the Appendix to this Agreement;

(o) insertion of the term “Involuntary Resettlement” and its definition as set forth in paragraph 20 of the Appendix to this Agreement;

(p) insertion of the term “Kosovo Agriculture Institute” and its definition as set forth in paragraph 21 of the Appendix to this Agreement;

(q) insertion of the term “Ministry of Economic Development” and its definition as set forth in paragraph 24 of the Appendix to this Agreement;

(r) insertion of the term “Ministry of Environment and Spatial Planning” and its definition as set forth in paragraph 25 of the Appendix to this Agreement;

(s) insertion of the term “Ministry of Finance” and its definition as set forth in paragraph 26 of the Appendix to this Agreement;

(t) insertion of the term “Municipal Rural Advisory Centers” and its definition as set forth in paragraph 27 of the Appendix to this Agreement;

(u) insertion of the term “Operations and Maintenance Plan” and its definition as set forth in paragraph 28 of the Appendix to this Agreement;

(v) deletion of the term “Policy Department” and its definition;

(w) replacement of the definition for the term “Procurement Plan” with the definition for such term as set forth in paragraph 33 of the Appendix to this Agreement;
(x) replacement of the definition for the term “Project Implementation Unit” with the definition for such term as set forth in paragraph 34 of the Appendix to this Agreement;

(y) replacement of the definition for the terms “Project Operations Manual” and “POM” with the definition for such terms as set forth in paragraph 35 of the Appendix to this Agreement;

(z) insertion of the term “Project Steering Committee” and its definition as set forth in paragraph 36 of the Appendix to this Agreement;

(aa) insertion of the term “Radoniqi Dam” and its definition as set forth in paragraph 37 of the Appendix to this Agreement;

(bb) insertion of the term “Radoniqi-Dukagiini Irrigation Schemes” and its definition as set forth in paragraph 38 of the Appendix to this Agreement;

(cc) replacement of the term “Beneficiaries” and its definition with the term “RDG Beneficiaries” and its definition as set forth in paragraph 39 of the Appendix to this Agreement;

(dd) replacement of the term “Sub-projects” and its definition with the term “RDG Subprojects” and its definition as set forth in paragraph 40 of the Appendix to this Agreement;

(ee) insertion of the term “Regional Irrigation Company Radoniqi-Dukagiini Sh.A.” and its definition as set forth in paragraph 41 of the Appendix to this Agreement;

(ff) replacement of the term “Rural Development Grant” and its definition with the term “Rural Development Grants” and its definition as set forth in paragraph 42 of the Appendix to this Agreement;

(gg) replacement of the definition for “Rural Development Grant Agreement” with the definition of such term as set forth in paragraph 43 of the Appendix to this Agreement; and

(hh) insertion of the terms “Rural Development Grant Manual” and “RDG Manual” and the related definition as set forth in paragraph 44 of the Appendix to this Agreement.
APPENDIX

Section I. Definitions

1. "Advisory and Technical Services Directorate" or "ATSD" means the directorate of the same name within the Recipient’s Ministry for Agriculture, Forestry and Rural Development, or any legal successor or successors thereto.

2. "Agency for Agricultural Development" means the agency of the same name within the Recipient’s Ministry for Agriculture, Forestry and Rural Development, as such agency may be converted into a paying agency within the said Ministry, or any other legal successor or successors thereto.


4. "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.

5. "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.

6. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


8. "Dam Safety Panel" means the panel referred to in Section I.G.1 of Schedule 2 to this Agreement, or any successor or successors thereto, subject to the agreement of the Association.

9. "Emergency Preparedness Plan" means an emergency preparedness plan for a dam that specifies the roles of responsible parties when dam failure is considered imminent, or when expected operational flow release threatens downstream life, property, or economic operations that depend on river flow levels; such plan
includes (a) clear statements on the responsibility for dam operations decision making and for the related emergency communications, (b) maps outlining inundation levels for various emergency conditions, (c) flood warning system characteristics, and (d) procedures for evacuating threatened areas and mobilizing emergency forces and equipment.

10. “Environmental and Social Management Framework” means the framework, dated January 2017, and publicly disclosed in-country on January 18, 2017, 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.


12. “HDG Beneficiaries” means private collection centers and agro-processors eligible to receive Horticulture Development Grants in accordance with the eligibility and selection criteria set forth in the HDG Manual; “HDG Beneficiary” means one such beneficiary.

13. “HDG Subprojects” means the subprojects eligible for financing under Part II (b) of the Project by way of a Horticulture Development Grant Agreement, and in accordance with the provisions in this Agreement, the Horticulture Development Grant Manual and the Environmental and Social Management Framework; “HDG Subproject” means one such subproject.

14. “Horticulture Development Grants” or “HDGs” means the grants provided to HDG Beneficiaries in support of HDG Subprojects, with a matching contribution by each HDG Beneficiary, in accordance with Section I.E of Schedule 2 to this Agreement, the Horticulture Development Grant Manual and the Environmental and Social Management Framework; “Horticulture Development Grant” or “HDG” means one such grant.

15. “Horticulture Development Grant Agreement” means an agreement between the Recipient and an HDG Beneficiary for the provision of a Horticulture Development Grant in support of an HDG Subproject, entered into in accordance with the provisions in Section I.E.2 of Schedule 2 to this Agreement.

16. “Horticulture Development Grant Manual” or “HDG Manual” means the manual referred to in Section I.E.1 of Schedule 2 to this Agreement that shall be acceptable
to the Association, and that shall not be amended, suspended, abrogated, repealed or waived in whole or in part without prior approval by the Association.

17. "Hydro-system Radoniqi" means the regional water supply company responsible for managing the Radoniqi Dam, or its legal successor or successors thereto.

18. "Incremental Operating Costs" means the incremental costs directly associated with the implementation of the Project and as agreed with the Association, including office supplies, office rent, vehicle and office equipment rental and repair, telecommunication costs, local transport costs, vehicle operation and maintenance costs, travel costs (including air fare, hotel costs and per diems), hospitality costs for meetings and conferences, translation and interpretation costs, and costs for production of documents, publication of advertisements, procurement notices and media spots.

19. "Instrumentation Plan" means a detailed plan for the installation of instruments to monitor and record dam behavior and the related hydrometeorological, structural, and seismic factors.

20. "Involuntary Resettlement" means: (a) the involuntary taking of land resulting in (i) relocation or loss of shelter, (ii) loss of assets or access to assets, and (iii) loss of income sources or means of livelihood, whether or not the affected 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 livelihoods of such person.

21. "Kosovo Agriculture Institute" means the institute of the same name within the Ministry of Agriculture, Forestry and Rural Development, or any legal successor or successors thereto.

22. "Managing Authority" means the authority of the same name within the Recipient’s Ministry for Agriculture, Forestry and Rural Development, or any legal successor or successors thereto.

23. "Ministry of Agriculture, Forestry and Rural Development" or "MAFRD" means the Recipient’s Ministry of the same name, or any legal successor or successors thereto.

24. "Ministry of Economic Development" means the Recipient’s Ministry of the same name, or any legal successor or successors thereto.

25. "Ministry of Environment and Spatial Planning" means the Recipient’s Ministry of the same name, or any legal successor or successors thereto.
26. "Ministry of Finance" means the Recipient's Ministry of the same name, or any legal successor or successors thereto.

27. "Municipal Rural Advisory Centers" means the respective agriculture department of municipalities in Kosovo.

28. "Operations and Maintenance Plan" means a detailed plan covering the organizational structure, staffing, technical expertise, and training required for the operations and maintenance of a dam; the equipment and facilities needed to operate and maintain the dam; the operations and maintenance procedures for the dam; and the arrangements for funding the operations and maintenance, including long-term maintenance and safety inspections. Such plan for a dam other than a water storage dam, in particular, also reflects changes in the dam's structure or in the nature of the impounded material that may be expected over a period of years.

29. "Original Financing" means the credit extended to the Recipient pursuant to the Original Financing Agreement.

30. "Original Financing Agreement" means the financing agreement for the Original Project between the Recipient and the Association, dated July 26, 2011 (Credit No. 5005-XK), as amended.

31. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement, as amended.


33. "Procurement Plan" means the Recipient's procurement plan for the Project, which comprises the procurement plan dated January 20, 2017, (covering procurement financed by the Original Financing Agreement), and the procurement plan dated March 17, 2017, (covering procurement under this Agreement), 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.

34. "Project Implementation Unit" or "PIU" means the unit established within the MAFRD, charged with implementation of the Project and referenced in Section I.A.2(a) of Schedule 2 to this Agreement.

35. "Project Operations Manual" or "POM" means the manual, dated March 16, 2017, describing procedures for Project implementation, including, inter alia, procedures governing staffing, procurement, accounting, financial management, procurement, audits, and monitoring and evaluation arrangements under the Project, all to the
satisfaction of the Association, and as said manual may be amended from time to
time with the agreement of the Association.

36. “Project Steering Committee” means the committee referred to in Section I.A.7 of
Schedule 2 to this Agreement, or its legal successor or successors thereto.

37. “Radoniqi Dam” means the dam located at Radoniqi Village.

38. “Radoniqi-Dukagjini Irrigation Schemes” means the irrigation network servicing
the municipalities of Gjakove, Rahovec and Prizren.

39. “RDG Beneficiaries” means farmers and producers that are eligible to receive
Rural Development Grants in accordance with the eligibility and selection criteria
set forth in the Rural Development Grant Manual; RDG Beneficiary means one
such beneficiary.

40. “RDG Subprojects” means the subprojects eligible for financing under Part II (a)
of the Project by way of a Rural Development Grant Agreement, and in accordance
with the provisions in this Agreement, the Rural Development Grant Manual, and
the Environmental and Social Management Framework; “RDG Subproject” means
one such subproject.

41. “Regional Irrigation Company Radoniqi-Dukagjini Sh.A.” means the joint stock
company of the same name established by the Kosovo Trust Agency on January 1,
2003.

42. “Rural Development Grants” or “RDGs” means the grants provided to RDG
Beneficiaries in support of RDG Subprojects, with a matching contribution by each
RDG Beneficiary, in accordance with Section I.D of Schedule 2 to this Agreement,
the Rural Development Grant Manual and Environmental and Social Management
Framework; “Rural Development Grant” or “RDG” means one such grant.

43. “Rural Development Grant Agreement” means the agreement between the
Recipient and an RDG Beneficiary for the provision of a Rural Development Grant
in support of an RDG Subproject, entered into in accordance with the provisions
in Section I.D.2 of Schedule 2 to this Agreement.

44. “Rural Development Grant Manual” or “RDG Manual” means the manual issued
by the Recipient on April 2016, acceptable to the Association, referred to in
Section I.D.1 of Schedule 2 to this Agreement, and that shall not be amended,
suspended, abrogated, repealed or waived in whole or in part without the prior
approval of the Association.

45. “Training” means Project related study tours, training courses, seminars,
workshops and other training activities, including costs of training materials, space
and equipment rental, travel, accommodation and per diem costs of trainees and
trainers, trainers’ fees, and other training related miscellaneous costs.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are 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).
ANNEX

NATIONAL COMPETITIVE BIDDING – MODIFICATIONS

The National Competitive Bidding ("NCB") shall be carried out in accordance with Section 1 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, ("PPL") as further amended with the Law No. 04/L-237, Law No. 05/L-068, and 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 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 to 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.