January 10, 2013

H.E. Bedri Hamza
Minister
Ministry of Finance
10000 Pristina
Republic of Kosovo

Re: Republic of Kosovo: IDF Grant for Enhancing the Implementation of Public Procurement Project
IDF Grant No. TF013655

Your Excellency:

In response to the request for financial assistance made on behalf of the Republic of Kosovo ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient a grant from the World Bank's Institutional Development Fund ("IDF") in an amount not to exceed four hundred ninety three thousand United States Dollars (US $493,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and return it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.
Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By
Gerard Byam
Acting Country Director
for South East Europe
Europe and Central Asia

AGREEED:
REPUBLIC OF KOSOVO

By: __________________________
Authorized Representative

Name: RAMADAN ANDIU

Title: ACTING MINISTER OF FINANCE

Date: 29/01/2013

Enclosures:


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


1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to support the Recipient to enhance monitoring compliance with the procurement law, investigating fraud and corruption, and audit capacity in procurement of public contracts in Kosovo.

The Project consists of the following part:

Part I: Procurement Performance and Compliance Monitoring

(a) Developing procurement performance indices to enable the Public Procurement Regulatory Commission ("PPRC") to test methodology to measure the performance of government institutions and procurement officers in the area of procurement, through the provision of technical assistance and Training;

(b) Strengthening monitoring of compliance with the Public Procurement Law ("PPL") by assisting the PPRC staff in conducting ex-post reviews of contracts covering all key procuring entities and providing training on conducting post reviews and monitoring the performance of procurement officers and procuring entities in accordance with the performance indices prepared under the Part I(a) of the Project.

Part II: Preparation of Goods, Works, and Services Database Prices

Preparing a database of goods, works, and services unit prices that can be published quarterly and enhancing capacity of PPRC staff to collect the data and analyze it in the database, through the provision of technical assistance and Training.
Part III: Capacity Building for the Anti-Corruption Agency ("ACA") Staff in Investigating Procurement Fraud and Corruption

Strengthening the capacity of ACA staff in investigating procurement fraud and corruption, including an assessment of capacity gaps that undermine performance, through the provision of technical assistance and training.

Part IV: Developing Professional Expertise in Procurement Audit

(a) Developing professional expertise in procurement auditing in the Office of Auditor General ("OAG") by preparing a training program and materials on international best practices in the area of public procurement auditing, through the provision of technical assistance and training;

(b) Conducting joint pilot procurement audits with OAG staff and revising the relevant sections of the OAG Audit Manual on public procurement, through the provision of technical assistance.

2.02. Project Execution Generally.

The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Central Procurement Agency in the Ministry of Finance ("Project Implementing Unit") in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. Institutional and Other Arrangements.

At all times during Project implementation, the Recipient shall ensure that the PIU is implementing the Project for the benefit of the three agencies (PPRC, OAG, and ACA), who are the beneficiaries of the Project. The Recipient shall ensure that the Ministry of Finance maintains the PIU with adequate funds, facilities, services and other resources.

2.04. Project Monitoring, Reporting and Evaluation.

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester and shall be furnished to the World Bank not later than one month after the date of such request.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than five months after the Closing Date.
2.05. Financial Management.

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

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

(c) The Recipient shall have the Grant Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audit shall be furnished to the World Bank not later than six months after the end of such period.

2.06. Procurement

(a) General. All consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”); and

(ii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Least Cost Selection; (B) Consultants’ Qualifications; (C) Single-Source Selection; and (D) Selection of Individual Consultants.

(d) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All terms of reference for all consultants’ services must be subject to Prior review by the World Bank. All other contracts shall be subject to Post Review by the World Bank.
Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.**

The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ services (including audit, commercial bank charges, and advertising costs)</td>
<td>493,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>493,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06(c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.

Article IV
Recipient's Representative; Addresses

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Ministry of Finance.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

    Ministry of Finance
    Mother Teresa Street
10000 Pristina
Republic of Kosovo

Facsimile:
+38 138 213 113

4.03. World Bank's Address. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBRAFRAD
Telex: 24842 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391