June 14, 2018

H. E. Bedri Hamza
Minister of Finance
Ministry of Finance
Mother Teresa Street
1000 Pristina
Republic of Kosovo

Kosovo: Health Project
(IDA Credit No. 5442-XK)
Amendment No. 1 to the Financing Agreement

Excellency:

We refer to the Financing Agreement (the Agreement), dated January 15, 2015, between the Republic of Kosovo ("Recipient") and the International Development Association ("Association") for the above-mentioned Health Project (the Project). We also refer to your letter dated May 3, 2018, requesting the Association to: (a) change Project objective and activities; and (b) cancel an amount of SDR 5.72 million from the Credit proceeds.

We are pleased to inform you that the Association agrees to your request and proposes to amend the Agreement in respect of the provisions as follows:

1. Schedule 1 to the Agreement is deleted in its entirety and is replaced with Annex 1 attached to this amendment letter (Amendment Letter).

2. The table under Section IV.A.2. of Schedule 2 to the Agreement is deleted in its entirety and is replaced with Annex 2 attached to this Amendment Letter.

3. Section 1 of Appendix to the Agreement is deleted in its entirety and is replaced with Annex 3 attached to this Amendment Letter.

All other provisions of the Agreement remain in full force and effect, except as specifically amended by this Amendment Letter.
Please confirm the agreement of the Recipient to the amendment set out above by countersigning and dating the confirmation set forth below, and returning one fully signed original of this letter of amendment to us. Once fully signed, original should be retained by the Recipient. Upon receipt by the Association of the copy of this letter of amendment duly countersigned by the authorized representative of the Recipient, this amendment letter shall become effective as of the date of countersignature.

Sincerely,

Linda Van Gelder
Regional Director, Western Balkans
Europe and Central Asia Region

AGREED

REPUBLIC OF KOSOVO

By: [Signature]
Authorized Representative

Name: Fatmir Gashi
Title: 24 Ministri
Date: 24.6.2018
Annex 1

"SCHEDULE 1

Project Description

The objective of the Project is to contribute to: (i) developing the building blocks to introduce social health insurance and (ii) strengthening primary health care.

Part A: Establishing Building Blocks for Social Health Insurance

1. Support the introduction of social health insurance, through: (a) carrying out stakeholder and beneficiary consultations; (b) preparing related technical documents; and (c) building capacity of Kosovo Health Insurance Fund ("HIF") for the management and implementation of such insurance package.

2. Support the development and implementation of a HIF information system.

3. Support HIF staff in the implementation of day to day responsibilities, all through the provision of goods, technical advisory services, and Training in the areas of budgeting, financial management, contracting for health care services, and monitoring and evaluation.

4. Support selected Primary Healthcare Institutions and hospital facilities to respond to newly established social health insurance, through: (a) carrying out Training on hospital management and modernization and (b) providing medical equipment to such institutions.

Part B: Strengthening Primary Health Care Services

1. Support Training activities for selected Primary Healthcare Institutions to deliver quality health care services.

2. Support the organization of Capitation Payments, through: (a) developing and implementing a health information system module; (b) preparing a Capitation Performance Payments Manual; and (c) capacity building of key stakeholders, including staff of Participating Municipalities and Primary Healthcare Institutions, to implement Capitation Payments.

3. Financing of Capitation Payments to Participating Municipalities to improve patients’ access to quality primary health care.


5. Implement community outreach interventions to improve access to primary health care.

6. Support the design and implementation of a comprehensive health information system for MoH, HIF, Primary Healthcare Institutions, hospitals, and the National Institute of Public Health.

Part C: Project Management and Communications

1. Provision of support to strengthen the capacity of MoH to carry out the technical and administrative management of the Project, including conducting audits, purchasing of equipment, and financing of Operating Costs.

2. Support communication campaigns on social health insurance and on primary health care reforms."
### Annex 2

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants’ services Training and Operating costs for the Project, including audits</td>
<td>7,430,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Capitation Payments under Part B of the Project</td>
<td>3,350,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td><strong>10,780,000</strong></td>
<td></td>
</tr>
<tr>
<td>Cancelled as of May 4, 2018</td>
<td>5,720,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>16,500,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
Annex 3

“APPENDIX

Section I. Definitions

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


3. “Capitation Payments” means payments to be made from the proceeds of this Financing to the Recipient for incremental expenditures required to improve access to and quality of, primary care services; such payments being transferred to Participating Municipalities through the Specific Health Grants to Municipalities mechanism calculated as an annual average per capita amount initially determined to be the equivalent of two Euros and forty cents (€2.40), based on the average cost of delivering health services and disbursed based on reported and verified Performance Results in accordance with the provisions of the Capitation Performance Payments Manual.

4. “Capitation Performance Payments Manual” means the document to be prepared by the Recipient through the MoH in accordance with the provisions of Part B (2) of the Project in Schedule 1 to this Agreement, setting out detailed administrative guidelines including fiduciary controls, planning, budgeting and monitoring to be followed in the carrying out of Part B of the Project and the model Performance Agreement, as the same may be amended from time to time with the prior agreement of the Association.

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


7. “Fiscal Year” or “FY” means the Recipient’s fiscal year commencing on January 1 and ending on December 31 of the same year.


9. “HIF” means Kosovo Health Insurance Fund, established in accordance with the Recipient’s Law No. 04/L-249 on Health Insurance.

10. “Independent Technical Audit” means an assessment to be conducted by an entity external to the Recipient and to be engaged on terms and conditions satisfactory to the Association, which assessment shall include: (i) the number of beneficiaries in Participating Municipalities receiving primary health services; (ii) the achievement of the Performance Targets; and (iii) whether Capitation Payments transferred to Participating Municipalities were calculated
correctly and in accordance with the provisions of the Capitation Payments Performance Manual.

11. “MoF” means the Recipient’s Ministry of Finance or its legal successor thereto.

12. “MoH” means the Recipient’s Ministry of Health or its legal successor thereto.

13. “MoLG” means the Recipient’s Ministry of Local Government or its legal successor thereto.

14. “MoU” means the Memorandum of Understanding between MoF and MoH referred to in Section 1.B.2 (a) of Schedule 2 to this Agreement, outlining the obligations of each party in connection with the Capitation Payments scheme.

15. “Municipality” means a basic unit of local government established in accordance with the law on Local Self Government, Law No. 03/L-040.


17. “Operating Costs” means the PCU’s reasonable incremental expenses arising under the Project, and based on the Annual Work Plan and Budget, and consisting of expenditures for translation, interpretation, equipment maintenance and operations, travel costs (including transportation, fuel, lodging and per diem), communication and insurance costs, office administration costs, advertising expenses, administrative support staff but excluding the salaries of the Recipient’s civil servants.

18. “Participating Municipality” means a municipality that has entered into a Performance Agreement with MoH in accordance with Section 1.B.2 (b) of Schedule 2 to this Agreement.

19. “Performance Agreement” means an agreement satisfactory to the Association to be entered between MoH and a Participating Municipality for implementing Capitation Payments pursuant to Section 1.B.2 (b) of Schedule 2 to this Agreement.

20. “Performance Indicators” means a list of results indicators for Part B of the Project selected from the list of indicators set forth in the Capitation Payments Performance Manual, which shall be included in each Performance Agreement.

21. “Performance Targets” means specific goals for the achievement of Performance Indicators agreed from time to time in the Performance Agreement.

22. “Primary Healthcare Institutions” means entities responsible for organizing, providing and implementing public health care services at the municipal level in accordance with Article 17 of the Republic of Kosovo Law on Health (Law No. 04/L-125).


24. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 6, 2014 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.
25. "Project Coordination Unit" or "PCU" means the Recipient's unit to be established for the Project pursuant to Section I.A.1 of Schedule 2 to this Agreement.

26. "Project Operational Manual" means the manual, including all appendices and schedules thereto, satisfactory to the Association and adopted by the Recipient, which sets forth the policies and procedures that apply to the carrying out of the Project, including, inter alia: (a) rules, methods, guidelines and procedures; (b) the implementation arrangements and staffing requirements; (c) the estimated implementation schedule; (d) the procedures for accessing, disbursing and accounting for funds under the Project; (e) the procedures for Project monitoring, supervision and evaluation, including the format and content of the Project Reports; and (f) the procedures for procurement and financial management, referred to in Section 1.B.1 of Schedule 2 to this Agreement.

27. "Project Steering Committee" or "PSC" means the Recipient's Committee referred to in Section I.A.2 of Schedule 2 to this Agreement.

28. "Senior Management Committee" or "SMC" means the committee referred to in Section 1.A.3 of Schedule 2 to this Agreement.

29. "Specific Health Grants to Municipalities" means the mechanism for providing grants allocated by the Recipient to municipalities for the delivery of primary health care services pursuant to the Law on Local Government Finance, Law No. 03/ L- 049.

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