H. E. Besnik Bislimi
Minister
Ministry of Finance
Mother Teresa Street
1000 Pristina
REPUBLIC OF KOSOVO

Dear Mr. Minister,

Kosovo: Competitiveness and Export Readiness Project
(IDA Credit No. 6035-XK)
Amendment No. 1 to the Financing Agreement

We refer to the Financing Agreement (the Agreement), dated August 2, 2017, between the Republic of Kosovo ("Recipient") and the International Development Association ("Association") for the above-mentioned Competitiveness and Export Readiness Project (the Project). We also refer to your letter dated April 21, 2020 requesting certain amendments to the Agreement. Unless the context otherwise requires, the capitalized terms used in this Agreement have the same meanings ascribed to them in the General Conditions or in the Agreement.

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

1. Schedule 1 of the Agreement is deleted in its entirety and is replaced with a new schedule provided in Annex 1 attached to this Amendment Letter (Amendment Letter).

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

3. The reference to the terms “Selected Small and Medium Enterprises”, “Selected SMEs”, and “SME” is replaced with the new terms as “Selected Micro, Small and Medium Enterprises”, “Selected MSMEs”, and “MSME”, respectively, in the entire Agreement.

4. The reference to the terms “Ministry of Trade and Industry” and “MTI” is replaced with the new terms “Ministry of Economy, Employment, Trade, Industry, Entrepreneurship and Strategic Investments and MEPTINIS”, respectively, in the entire Agreement.
5. The reference to the terms “Kosovo Investment Enterprise Support Agency” and “KIESA” is deleted in the entire Agreement.

6. Section I.C of Schedule 2 to the Agreement is deleted in its entirety and is replaced with a new section to read as follows:

“C. Matching Grants

1. For purposes of Part 1.A (ii) of the Project, the Recipient, through the PIU, shall unless otherwise expressly agreed to by the Association: (a) carry out the Matching Grant program through the use of an organization/firm, which has been selected in accordance with the Procurement Regulations, with terms of reference and qualifications acceptable to the Association, and under the supervision of the PIU; (b) ensure that Matching Grant Sub-projects to be financed from the Matching Grant program are approved by the Association; (b) ensure the selection and approval of Sub-projects in accordance with the eligibility criteria and selection procedures set forth in the Grants Manual; and (c) ensure the conclusion of Matching Grant Agreements for the provision of Matching Grants with the Selected MSMEs on terms and conditions satisfactory to the Association and specified in the Grants Manual, which shall include the following:

(i) the financing of Matching Grant Sub-projects shall be on a grant basis; and

(ii) the Recipient, through PIU, shall obtain rights adequate to protect its interests and those of the Association, including the right to: (A) suspend or terminate the right of the Selected MSMEs to use the proceeds of the Matching Grant upon the Selected MSMEs’ failure to perform any of their obligations under the related Matching Grant Agreement; and (B) require the Selected MSMEs to: (i) carry out their Matching Grant Sub-projects 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 requirements of the Grants Manual and the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient; (II) provide, promptly as needed, the resources required for the purposes of the Matching Grant Sub-project; (III) procure the goods, and services to be financed out of the Matching Grant in accordance with the provisions of this Agreement and the procedures set forth in the Grants Manual; (IV) maintain policies and procedures adequate to monitor and evaluate the progress of the Matching Grant Sub-project and the achievement of its objectives in accordance with indicators acceptable to the Association; (V) enable the Recipient and the Association to inspect the Matching Grant Sub-project, their operations and any relevant records and documents; and (VI) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association Bank shall reasonably request relating to the Matching Grant Sub-project.
2. The Recipient, through PIU, shall exercise its rights under each Matching Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Matching Grant Agreement or any of its provisions.

7. Definition No. 15 and 16 in the Appendix to the Agreement is amended to read as follows:

"16. "Matching Grant Subprojects" means the subprojects under Part I.A (ii) of this Project to be carried out by a Selected MSME utilizing the proceeds of a Matching Grant and made available pursuant to a Matching Grant Agreement; "Matching Grant Subproject" means one such subproject."

8. Definition No. 20 in the Appendix to the Agreement is amended to read as follows:

"20. "Operating Costs" means the reasonable incremental expenses directly incurred by MEPTINIS, including specifically PIU, in carrying out, managing and monitoring the Project, including expenditures for the following, based on the Annual Work Plan and Budget: (a) PIU staffing (excluding the salaries of officials of the Recipient's civil servants); (b) communications, including dissemination of Project-related information, translations, and advertising; (c) office rent and utilities; (d) office equipment insurance, maintenance and repair; (e) vehicle maintenance and repair; (f) travel, lodging and per diems (other than those covered under Training); (g) security; (h) bank charges; and (i) other miscellaneous costs directly associated with the Project."

9. The monitoring indicators for the Project referred to in Section II.A.1 of Schedule 2 to the Agreement are hereby amended to read as set forth in Annex 3 to this Amendment Letter.

10. No later than forty-five (45) days after the Amendment Effective Date, the Recipient shall update the Grants Manual, in accordance with new Matching Grant modality reflected as part of this Amendment Letter, in form and substance satisfactory to the Association.

Except as specifically amended herein, all the other terms and conditions of the Agreement shall remain in full force and effect.
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 Amendment Letter 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 Letter duly countersigned by the authorized representative of the Recipient, this Amendment Letter shall become effective as of the date of countersignature ("Amendment Effective Date").

Sincerely

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

AGREED:

REPUBLIC OF KOSOVO

By: [Signature]

Authorized Representative

Name: Besnik Bislimi
Title: [Title]
Date: 02.06.2020
SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in supporting product certification for export markets, strengthening the capacity of export-oriented firms and reducing the cost of business inspections.

The Project consists of the following parts:

Part 1. Enhancing Business Environment and Export Readiness

A. Supporting Micro, Small and Medium Enterprises ("MSMEs") to improve export readiness:
   (i) Establishment and administration of a Matching Grant Program; and
   (ii) Provision of Matching Grants to provide technical assistance to Selected MSMEs with export potential to carry out Matching Grant Subprojects that: (a) implement international standards and receive certifications required for export markets; and (b) gain access to business development services.

B. Reforming business inspections system

Reforming the Recipient's business inspections system by reducing the administrative burden to businesses and improving the efficiency and effectiveness of inspection services, through the provision of:
   (i) an electronic inspector data management system;
   (ii) a business inspection interoperability data exchange system; and
   (iv) support for institutional set-up and capacity building for inspectors.

Part 2. Project Implementation and Coordination Support

Provision of goods, services, Training and Operating Costs in support of Project implementation and coordination, including the provision of equipment and of technical assistance in Project management, coordination, and fiduciary and monitoring and evaluation functions.
<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, non-consulting services, and consultants' services for the Project, except for Part I.A(ii)</td>
<td>3,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Part I.A (ii) of the Project</td>
<td>10,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>14,300,000</td>
<td></td>
</tr>
</tbody>
</table>
### Project Development Objectives

<table>
<thead>
<tr>
<th>Region</th>
<th>Year</th>
<th>GVA (US$)</th>
<th>GVA (Local Currency)</th>
<th>Population (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kosovo</td>
<td>2020</td>
<td>100</td>
<td>1,000</td>
<td>1,500</td>
</tr>
</tbody>
</table>

### Results Framework

**Project Name:** KOSOVO: COMPETITIVENESS AND EXPORT READINESS PROJECT (PR288)

**Country:** Kosovo

Annex 1: Results Framework and Monitoring

Annex 2: Technical Indicators
<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Baseline</th>
<th>YR1</th>
<th>YR2</th>
<th>YR3</th>
<th>YR4</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of firms financed through matching grants program (Number)</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td>31</td>
<td>251</td>
<td>420</td>
</tr>
<tr>
<td>Number of firms with female owner/manager financed through matching grants program (Number - Sub-Type: Breakdown)</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td>11</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Percentage of beneficiaries who report that the project has established effective engagement procedures</td>
<td>Annually through user survey by the PIU</td>
<td>0</td>
<td>40</td>
<td>60</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>New law on inspection is adopted by the Parliament (text) (Text)</td>
<td>NO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of inspectors within government body (Number)</td>
<td>36.00</td>
<td>36.00</td>
<td></td>
<td>33.00</td>
<td>15.00</td>
<td></td>
</tr>
<tr>
<td>Number of inspection visits per thousand each year (Number)</td>
<td>22.00</td>
<td>22.00</td>
<td></td>
<td>20.00</td>
<td>16.00</td>
<td></td>
</tr>
<tr>
<td>Number of user survey results about the business inspections system were shared in public (Number)</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td>1.00</td>
<td>3.00</td>
<td></td>
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