

Public Disclosure Authorized

OFFICIAL DOCUMENTS

CREDIT NUMBER 6285-XK

Financing Agreement

(Kosovo Digital Economy Project)

between

REPUBLIC OF KOSOVO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 6285-XK

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the REPUBLIC OF KOSOVO (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 a credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to twenty million seven hundred thousand Euros (€20,700,000) (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 III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is 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plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.
- 2.05. The Interest Charge is 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percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum; on the Withdrawn Credit Balance.

- 2.06. The Payment Dates are May 15 and November 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, through MED, shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) the Recipient, through MED, shall establish a Project Implementation Unit for the Project (“PIU-KODE”), and recruit PIU staff to perform core functions (including Project coordination, procurement and financial management), in accordance with Section I.A.1 of Schedule 2 to this Agreement; and
 - (b) the Recipient, through MED, shall adopt a Project Operations Manual, prepared and approved in accordance with Section I.B.1 of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.
- 4.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Minister of Finance, who, *inter alia*, may on behalf of the Recipient agree to any revision of the provisions set forth in the

Schedules to this Agreement, in accordance with Section 11.02 (b) of the General Conditions.

- 5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Ministry of Finance
New Government Building
Mother Teresa Street
10000 Pristina
Republic of Kosovo

- (b) the Recipient's Electronic Address is:

Facsimile:	E-mail:
+383-38-213-113	debtunit@rks-gov.net

- 5.03. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

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

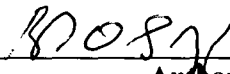
- (b) the Association's Electronic Address is:

Facsimile:	E-mail:
1-202-477-6391	mmantovanelli@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF KOSOVO

By



Authorized Representative

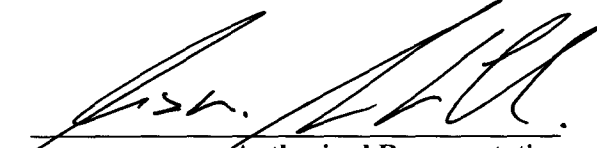
Name: BEORI HAMZA

Title: MINISTER OF FINANCE

Date: 20. 07. 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: MARCO MANDOVANELLI

Title: COUNTRY MANAGER

Date: JULY 20, 2018

SCHEDULE 1

Project Description

The objectives of the Project are to improve access to better quality and high-speed broadband services in Project areas and to online knowledge sources, services and labor markets among citizens, and public and academic institutions.

The Project consists of the following parts:

Part 1: Digital Inclusion

This component will support digital inclusion through: (a) the expansion of digital connectivity through the co-financing of deployment of high-speed broadband connectivity in areas that have been identified by MED as not connected or underserved, and (b) the improvement of the enabling environment for wireless broadband services, through the deployment of the National Spectrum Monitoring System (NSMS).

1. Digital Connectivity

- (a) Provision of support to facilitate the deployment of telecommunications infrastructure on technologically neutrality grounds to increase access to high-speed broadband internet for unconnected or underserved areas and public institutions (especially healthcare and educational institutions).
- (b) Provision of technical assistance and capacity building activities for ARKEP and MED to strengthen the enabling policy, legal, and regulatory environment to support the rollout of high-speed broadband infrastructure on open-access and non-discriminatory terms and development of digital economy.

2. Enabling Environment

- (a) Provision of support towards the deployment of NSMS for ARKEP to facilitate investments in wireless infrastructure roll-out through technical inputs on radio-frequency bands assignment and usage.
- (b) Provision of technical assistance and capacity building activities for ARKEP in spectrum management and topics related to improving the quality of wireless broadband services across the country.

Part 2: Digital Work and Empowerment

This component will support the Youth Online and Upward (YOU) Program and increased access to knowledge, information and online services.

1. Youth Online and Upward (YOU) Program

Provision of training for young people and their connection to online working opportunities. The activities will primarily cater to unemployed or underemployed young men and women with at least some knowledge of English and university education to increase their ability to compete in relevant segments of online work using computers and smartphones.

2. Increasing Access to Knowledge, Information and Services

- (a) Provision of support to (i) set up a National Research and Education Network (NREN) to improve access of students, researchers and educators of Higher Educational Institutions (HEIs) in Kosovo to knowledge, research networks and (ii) connect NREN to the GÉANT network.
- (b) Provision of support to increase use of online labor market information and services to improve information flows about work opportunities, through targeted awareness raising and information sharing activities in underserved or unconnected areas identified in Part 1.1(a) of the Project.

Part 3: Project Implementation Support

This component will support Project management and implementation and citizen engagement activities.

- 1. Provision of support to the PIU-KODE, including monitoring and evaluation activities, training for PIU staff on matters related to Project implementation, fiduciary and safeguards and Project management functions.
- 2. Provision of support to carry out extensive household surveys to monitor progress and estimate development impact of Project activities, including tracking the impact of the Project investments on beneficiaries' incomes and employment status and impact on poverty.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. MED shall be responsible for overall Project implementation in accordance with the provisions of Article V of the General Conditions and the provisions of this Agreement.
2. Without limitation to the provisions of Article IV of the General Conditions, and except as the Association shall otherwise agree, the Recipient shall, through MED, maintain at all times during the implementation of the Project, the PIU-KODE with composition, resources, terms of reference, and functions acceptable to the Association.

B. Project Operations Manual

1. The Recipient, through MED, shall:
 - (a) maintain a Project Operations Manual ("POM"), in form and substance satisfactory to the Association, that sets out the operational and administrative procedures and requirements for Project implementation including: (i) financial management, procurement and safeguard procedures; (ii) the staffing, management and responsibilities of the PIU; (iii) the procedures for accessing, disbursing, accounting, and auditing of funds under the Project; (iv) the procedures for Project monitoring, supervision and evaluation; and (v) the Grants Manual.
 - (b) carry out the Project in accordance with the POM that has been approved by the Association; and
 - (c) furnish to the Association for its prior approval, any proposed amendment to the provisions of the POM and, thereafter, put into effect such amendment as shall have been agreed with the Association.
2. The POM may not be assigned, amended, abrogated or waived, or permitted to be assigned, amended, abrogated or waived, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project; the POM may only be amended in consultation with, and after approval of, the Association. In case of any conflict between the terms of the POM and those of this Agreement, the terms of this Agreement shall prevail.

C. Sub-projects

1. For the purpose of carrying out Part 1.1(a) of the Project, the Recipient, through MED shall:
 - (a) not later than ninety (90) days after the Effective Date, appoint dedicated staff as part of the PIU-KODE, to work directly with the PIU-KODE staff to perform core functions related to the implementation of Sub-projects (including coordination and monitoring and evaluation of Sub-projects), satisfactory to the Association;
 - (b) not later than one hundred eighty (180) days after the Effective Date, establish, and thereafter maintain throughout the duration of the Project, a selection committee, with composition satisfactory to the Association, to assess Sub-project applications and select Internet Service Provider(s) (ISP);
 - (c) prepare and adopt a Grants Manual, satisfactory in form and substance to the Association, setting forth the procedures for selecting, appraising, and approving co-financing applications, and for supervising implementation of Subprojects, including, *inter alia*:
 - (i) the eligibility criteria for Sub-projects;
 - (ii) the application, evaluation, selection, award, and management procedures for the selection of Sub-projects;
 - (iii) the criteria for Grants disbursements, monitoring, evaluation, and reporting; and
 - (iv) mandatory provisions that shall exclude the financing of activities that: (A) involve land acquisition; (B) would give rise to Displaced Persons; (C) may aggravate and/or impact existing environmental conditions;
 - (d) not assign, amend, abrogate or waive, or permit to assign, amend, abrogate or waive the Grants Manual, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of Part 1.1(a) of the Project. The Grants Manual may only be amended in consultation with, and after approval of, the Association. In case of any conflict between the terms of the Grants Manual and those of this Agreement, the terms of this Agreement shall prevail;

- (e) make Grants available to Selected ISP on the terms and conditions set forth in the Grants Manual including, without limitation, the terms and conditions set forth in this Section I.C.1(d); and
 - (f) supervise, monitor and report on the carrying out of Sub-projects in accordance with the Grants Manual.
2. Prior to making any Grant available to a Selected ISP, the Recipient, through MED, shall enter into a Grant Agreement with the Selected ISP, on terms and conditions acceptable to the Association, including:
- (a) the Selected ISP' obligation to comply with the ESMF and its confirmation of its compliance with the Recipient's relevant environmental laws and regulations; and
 - (b) the right of the Recipient, through MED, to:
 - (i) require the Selected ISP to implement the respective Subproject(s) with due diligence and efficiency and in accordance with sound technical, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Grants Manual and the Anti-Corruption Guidelines and to maintain adequate records;
 - (ii) require that all works, goods and consultants' services to be financed out of the proceeds of the Grant shall: (A) be procured in conformity with the provisions of the Procurement Regulations; and (B) all such works, goods and consultants' services shall be used exclusively for the carrying out of the Subprojects;
 - (iii) inspect, by itself or jointly with representatives of the Association if the Association shall so request, such works, goods, non-consulting services, consultants' services included in the Subprojects and any relevant records and documents;
 - (iv) obtain all such information as the Association or the Recipient shall reasonably request relating to the foregoing; and
 - (v) suspend or terminate the right of the respective Selected ISP to the Grant proceeds upon failure by such Selected ISP to perform its obligations under its respective Grant Agreement.
3. The Recipient, through MED, shall exercise its rights and carry out its obligations under the respective Grant Agreement in relation to each such Sub-project in such manner as to protect its interests and the interests of the Association, and except as

the Association shall otherwise agree, the Recipient shall not assign, abrogate, amend, suspend, terminate, waive or otherwise fail to enforce any Grant Agreement or any provisions thereof and in case of any inconsistency between the provisions of any Grant Agreement and those of this Agreement, the provisions of this Agreement shall prevail.

D. Annual Work Plan and Budget

1. The Recipient, through MED, shall:
 - (a) prepare and furnish to the Association not later than September 15 of each year during the implementation of the Project, a proposed Annual Work Plan and Budget containing: (i) all activities to be carried out under the Project during the following year; (ii) a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing; and (iii) any training activities that may be required under the Project including: (A) the type of training; (B) the purpose of the training; and (C) the cost of the training;
 - (b) afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed Annual Work Plan and Budget, and shall thereafter ensure that the Project is implemented with due diligence during said following year, in accordance with such Annual Work Plan and Budget as shall have been approved by the Association; and
 - (c) not make or allow to be made any change to the approved Annual Work Plan and Budget without the Association's prior written approval.

E. Safeguards

1. The Recipient, through MED, shall ensure that the Project is carried out in accordance with the ESMF and if any Project activity would, pursuant to the ESMF, require the preparation of an Environmental and Social Management Plan, ("ESMP"), such ESMP, or its reduced version – ESMP Checklist, is prepared in accordance with the ESMF and furnished to the Association for review and approval, and is disclosed as required by the ESMF and approved by the Association;
2. The Recipient, through MED, shall ensure, throughout the implementation of the Project that the ESMF, ESMP, ESMP Checklist are all implemented in accordance with their respective terms, including application and implementation of, as the case may be, the policies, procedures and arrangements therein respectively set forth.

3. The Recipient, through MED, shall not amend, suspend, abrogate, terminate or waive, or permit to be amended, suspended, abrogated, terminated or waived, any of the ESMF, and ESMP or ESMP Checklist, or any provision of any one thereof, except with the prior written approval of the Association.
4. In case of a conflict between the ESMF or ESMP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
5. The Recipient, through MED, shall not carry out, or select for financing under Parts 1.1(a) of the Project, any activities and/or investments under the Project that involves land acquisition or that would give rise to Displaced Persons.
6. The Recipient, through MED, shall immediately inform the Association of any circumstances that have arisen or that may arise concerning the possibility of Displaced Persons resulting from the Project, recognizing that works carried out under such circumstances are not eligible for financing under this Agreement.
7. The Recipient, through MED, shall ensure that: (a) all consultancies related to technical assistance, design and capacity building under the Project, the application of whose results could have environmental, social and health and safety implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Bank; and (b) such terms of reference shall require the technical assistance, design and capacity building activities to take into account the requirements of the applicable Safeguards Policies.

F. Procurement

Without limitation to the provisions of Section 5.13 of the General Conditions: (i) all goods, works and non-consulting required for the Project and to be financed out of the proceeds of the Financing shall not be procured using the National Procurement Procedures; and (ii) all consulting services required to hire individual consultants under the Project and to be financed out of the proceeds of the Financing shall not be procured using the procedures outlined in paragraph 7.32 of the Procurement Regulations (Project Implementation Support Personnel).

Section II. Project Monitoring, Reporting and Evaluation

The Recipient, through MED, shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Credit Allocated (expressed in €)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, training and Incremental Operating Expenses for the Project	8,900,000	100%
(2) Grants under Part 1.1(a) of the Project	11,800,000	100%
TOTAL AMOUNT	20,700,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed fifty thousand Euros (€50,000) may be made for payments made prior to this date but on or after May 17, 2018, for Eligible Expenditures.
2. The Closing Date is June 30, 2023.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing November 15, 2023 to and including May 15, 2043	1.65%
commencing November 15, 2043 to and including May 15, 2048	3.40%

* 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 3.05 (b) of the General Conditions.

APPENDIX

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 of Schedule 2 to this Agreement; “Annual Work Plans and Budgets” means more than one such Annual Work Plan and Budget.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
3. “ARKEP” means the Regulatory Authority of Electronic and Postal Communications performing the Recipient’s regulatory authority in the field of electronic communications and postal services pursuant to the Recipient’s Law on Electronic Communications No. 04/L-109, dated October 4, 2012.
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 III.A of Schedule 2 to this Agreement.
7. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter, (ii) loss of assets or access to assets, or (iii) loss of income sources or means of livelihood, whether or not such 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 livelihood of such persons.
8. “ESMF” means the Environmental and Social Management Framework, the Environmental and Social Management Framework for the Project dated April 20, 2018, prepared and adopted by the Recipient, disclosed in the Recipient’s territory

on April 23, 2018 referred to in Schedule 2, Section I.E of this Agreement, and satisfactory to the Association, describing the rules, guidelines and procedures to assess environmental impacts of the Project's activities and defining measures to reduce, mitigate or offset adverse environmental impacts and enhance the positive impacts of the Project's activities, as the same shall be amended from time to time with the prior approval of the Association.

9. "ESMP" or "Environmental and Social Management Plan" means, with respect to each activity under the Project pursuant to which the ESMF of said activity requires an environmental management plan, such plan prepared in accordance with the ESMF pursuant to the provisions of Section I.E of Schedule 2 to this Agreement; and "ESMPs" means more than one ESMP.
10. "GEANT" means collective trading name of the GÉANT Association incorporated in Amsterdam, the Netherlands and of GEANT Limited in Cambridge, UK, under GEANT Limited, trading as GÉANT. GEANT is registered in England & Wales, under the registration number 2806796. Registered Office – City House, 126-130 Hills Road, Cambridge CB2 1PQ and GÉANT Association is registered with the Chamber of Commerce in Amsterdam: under registration number 40535155.
11. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated July 14, 2017.
12. "Grant" means for the purpose of this Agreement, a grant to be provided by MED to a Selected ISP for the financing of a Sub-project.
13. "Grant Agreement" means the agreement referred to in Section I.C.2 of Schedule 2 to this Agreement.
14. "Grants Manual" means the manual referred to in Section I.C.1(c) of Schedule 2 to this Agreement.
15. "Incremental Operating Expenses" means the expenses incurred by the Recipient on account of Project implementation, management and monitoring, including office rent, operation and maintenance of vehicles, office equipment and supplies, communication costs, support for information systems, translations, bank charges, travel, visa and per diem costs, salaries of the Project Implementing Unit contractual staff (excluding consultants' services and salaries of officials of the Recipient's civil service), social charges for staff of the Project Implementing Unit, office administration costs, and other reasonable expenditures directly associated with the carrying out of the Project, as agreed by the Association; and based on an annual budget acceptable to the Association.

16. “Internet Service Provider” or “ISP” means a public or private enterprise duly authorized to provide internet access services to the end users on the Recipient’s territory and registered with ARKEP in accordance with the General Authorization Regulation No. 37 (019/B/18), dated April 16, 2018.
17. “MED” means the Recipient’s Ministry of Economic Development, or its legal successor or successors thereto.
18. “Ministry of Finance” means the Recipient’s Ministry of Finance, or its legal successor or successors thereto.
19. “PIU-KODE” means the Project Implementation Unit for the Project, referred to in Section I.A.1 of Schedule 2 to this Agreement, or any legal successor or successors thereto, acceptable to the Association.
20. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017.
21. “Project Operations Manual” or “POM” means the manual prepared and adopted by the Recipient in accordance with Section I.B.1 of Schedule 2 to this Agreement, and as such manual may be amended from time with the agreement of the Association.
22. “Safeguard Policies” means, the Operational Policies (OPs) and Bank Procedures (BPs) of the Association, namely OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams); they can be found at <https://policies.worldbank.org>.
23. “Selected ISP” means an Internet Service Provider which meets the eligibility criteria, and has been selected to implement Part 1.1 (a) of the Project, as set forth in the POM.
24. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
25. “Social Charges” means any payments, premia, or contributions for health and social benefits provided to the PIU-KODE’s staff pursuant to the Recipient’s applicable laws.
26. “Sub-projects” means any investments or activities to be carried out under Part 1.1 (a) of the Project.

27. "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 of 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 and any costs financed by other donors and financing sources).