

AGREEMENT

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF AUSTRIA

REPRESENTED BY THE FEDERAL MINISTER OF FINANCE

AND

THE GOVERNMENT OF THE REPUBLIC OF KOSOVO

REPRESENTED BY THE MINISTER OF FINANCE

ON

FINANCIAL CO-OPERATION

The Government of the Republic of Austria represented by the Federal Minister of Finance and the Government of the Republic of Kosovo represented by the Minister of Finance, hereunder called the "Contracting Parties",

Desiring to promote further the close and friendly relations existing between the two countries,

Desiring to develop, extend and deepen their financial co-operation,

have reached the following common understanding:

Article 1 - Objective

The objective of this Agreement is to provide a framework for the implementation of development projects and the financial co-operation between the Contracting Parties within their respective existing laws, regulations and policies as well as their international obligations.

Article 2 - Concessional Loans

For the purpose of promoting and expanding financial co-operation, the Austrian Federal Minister of Finance is prepared to support the granting of tied aid credits on concessional terms, refinanced by Oesterreichische Kontrollbank Aktiengesellschaft (OeKB), Vienna, under its export financing scheme for projects of mutual interest in the Republic of Kosovo.

An indicative financial framework of EUR 20,000,000 (Euro twenty million) is envisaged for a period of two years from the date of entry into force of this Agreement.

Article 3 - Conditions for Concessional Loans

Austrian concessional financing is principally offered as tied aid financing in the form of pre-mixed credits subject to a minimum concessionality requirement of at least 35 %.

The terms and conditions of the loans will be set in conformity with international obligations in particular the "Arrangement on Officially Supported Export Credits" under the auspices of the OECD. They are subject to change due to the annual resetting of the discount rate under the auspices of the OECD, and may be further subject to change due to the OECD country risk classification.

Terms and conditions currently offered under the Austrian soft loan scheme are published under www.oekb.at and attached as Annex 1 for purely informative purposes.

Article 4 - Eligibility of Projects

The eligibility of projects to be financed will be appraised taking into consideration the ex-ante guidance gained under the "Helsinki" tied aid disciplines, as well as applicable national allocation criteria.

An indicative list of eligible project sectors is attached as Annex 2.

Article 5 - Procurement

In addition to procurement modes eligible according to Kosovan rules and regulations the following procurement types for projects to be financed under the Austrian soft loan scheme might also be used:

- a. Limited Bidding (limited to eligible companies under the Austrian soft loan scheme)
- b. Direct Contracting

Article 6 - Entities for the Loans

Loan agreements refinanced by OeKB are negotiated and concluded directly between commercial banks as lenders and the Ministry of Finance of the Republic of Kosovo as borrower.

Article 7 -Inclusion of Projects

The inclusion of projects into this Agreement will be agreed upon through exchange of letters between the Ministry of Finance of the Republic of Kosovo and the Federal Ministry of Finance of the Republic of Austria and effected after the signature of the supply and the financial contract.

Article 8 - Use of loans

Tied aid loans granted are to be utilized for the purchase of Austrian capital goods and services for development projects in the Republic of Kosovo, which may include up to 50% of capital goods and services originating outside Austria.

Article 9 - Guarantee

The Republic of Kosovo, represented by the Ministry of Finance, will irrevocably and unconditionally guarantee the fulfilment of all payments resulting from Austrian concessional loans.

Article 10 - Taxes

All payments by the borrower under concessional loans officially supported under the Austrian export financing system will be made free and clear of any form of taxation – if any – or any deduction whatsoever.

Article 11 - Review of Progress

The Contracting Parties will on an annual basis or whenever deemed necessary review progress under this Agreement.

Article 12 - Evaluation of the Use of Loans

In order to evaluate the use of the concessional loans granted under this Agreement and the sustainability of the corresponding projects, the Ministry of Finance of the Republic of Kosovo will facilitate the provision of all necessary documentation for evaluation, auditing and monitoring of the projects.

Article 13 – Settlement of Disputes

Any disputes between the Contracting Parties concerning the interpretation and/or implementation of this Agreement shall be settled amicably through diplomatic channels.

Article 14 - Entry into Force and Validity

The present Agreement will enter into force on the first day of the month following the month in which the Contracting Parties have notified each other of the fulfilment of all procedures necessary in their respective country. It will remain in force for a period of two years, prolongable for similar periods upon mutual consent through an exchange of letters.

Done in two originals, both in English language.

For the Government of the
Republic of Austria

represented by the
Federal Minister of Finance

Maria Fekter m.p.

Vienna, 12 July 2012

Venue/Date

For the Government of the
Republic of Kosovo

represented by the
Minister of Finance

Bedri Hamza m.p.

Prishtinë, 5 June 2012

Venue/Date

ANNEX 1**Terms and Conditions of Concessional Financing Options
valid until 14th January 2013:****• pre-mixed credit I**

- 100 % Soft Loan
- repayment terms: 18 years in 25 half yearly instalments, the first being due after a 5.5 year grace period
- interest rate: 0.40 % p.a.
- guarantee charge: 1.10 % p.a. (50 % grant of overall guarantee charge already deducted)
- concessionality level: 35.30 % according to OECD rules

• pre-mixed credit II

- 100 % Soft Loan
- repayment terms: 15 years in 19 half yearly instalments, the first being due after a 5.5 year grace period
- interest rate: 0 % p.a.
- guarantee charge: 1.10 % p.a. (50 % grant of overall guarantee charge already deducted)
- concessionality level: 35.30 % according to OECD rules

ANNEX 2

Soft Loan eligible projects in most favorable sectors, inter alia

- Agricultural area (e.g. irrigation)
- Drinking- and waste water sector
- Healthcare
- Waste treatment sector
- Education and vocational training
- Field of infrastructure (e.g. railway, bridges, signalisation)
- Civil protection (e.g. fire fighting, emergency warning)
- E-government solutions