Financing Agreement

(Energy Efficiency and Renewable Energy Project)

between

REPUBLIC OF KOSOVO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated JANUARY 15, 2015
AGREEMENT dated JANUARY 15, 2015 entered into between the REPUBLIC OF KOSOVO ("Recipient") and the 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty million one hundred thousand Special Drawing Rights (SDR 20,100,000 (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 IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
2.06. The Payment Dates are April 15 and October 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 through MoED declares its commitment to the objectives of the Project. To this end, the Recipient through MoED shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Recipient through MoED has in accordance with Section 1. A of Schedule 2 to this Agreement, established a Project Implementation Unit (PIU) and recruited staff with qualifications and experience under terms of reference, and with resources satisfactory to the Association.

(b) The Recipient through MoED has in accordance with Section 1. B of Schedule 2 to this Agreement prepared and adopted, in form and manner, a Project Operations Manual satisfactory to the Association.

4.02. The Effectiveness Deadline is the date a hundred and twenty (120) days after the date of this Agreement.

4.03. For purposes of Section 8.05 (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 (20) years after the date of this Agreement.
ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Minister for Finance.

5.02. The Recipient’s Address is:

Ministry of Finance  
Mother Teresa Street  
10000 Pristina  
Republic of Kosovo

Facsimile: +381-38-213-113

5.03. The Association’s Address is:

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

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) 1-202-477-6391
AGREED at PRISTINA, REPUBLIC OF KOSOVO as of the day and year first above written.

REPUBLIC OF KOSOVO

By: 

Authorized Representative

Name: H.E. AVDULLAH HOTI
Title: MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: 

Authorized Representative

Name: ELLEN GOLDSTEIN
Title: COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objectives of the Project are to: (a) reduce energy consumption and fossil fuel use in public buildings through energy efficiency and renewable energy investments and (b) enhance the policy and regulatory environment for renewable energy and energy efficiency.

The Project consists of the following parts:


Promoting efficient use of energy in public buildings through:

(a) carrying out energy efficient and renewable energy Subprojects in central government owned buildings through provision of works;

(b) carrying out pilot energy efficient Subprojects in municipal government owned buildings to test the various financing options to develop a broader program for the municipal market through provision of works;

(c) conducting technical studies and supervision, including conducting building energy audits, development of designs and bidding documents, and carrying out construction supervision and waste disposal studies; and

(d) providing targeted training to design firms, construction companies and other energy efficient and renewable energy service providers and disseminating information on project impacts and results.


Strengthening the Recipient’s policy and regulatory regime for renewable energy and energy efficiency including:

(a) providing support to the Energy Regulatory Office to promote sustainable development of renewable energy generation capacity including:

(i) improving the renewable energy regulatory regime, including FiTs and consumption based district heating tariffs;

(ii) streamlining the permitting, licensing processes and the mechanisms for monitoring licenses;
(iii) developing specific rules for: (A) integrating renewable energy generation capacity into the grid and (B) grid connection agreements; and

(iv) conducting analyses for socially conscious tariff reform including FIT cost recovery and tariff increase impacts on consumer affordability; and

(v) carrying out assessments for renewable energy resources, through provision of technical advisory services, goods and Training;

(b) providing support to the MoED to create an enabling regulatory environment for energy efficiency implementation including:

(i) undertaking a technical review of available information and developing the operating procedures for establishing a sustainable municipal energy efficiency financing scheme to scale up the piloting of the energy efficiency Subprojects under Part 1(b) of the Project; and

(ii) reviewing public procurement rules in the context of procuring energy efficient equipment and services and developing appropriate procurement guidelines; and developing an implementation plan to establish homeowner associations and piloting some energy efficient measures.

Part 3. Project Implementation Support

(a) Establishing a Project Implementation Unit within KEEA and recruiting staff to carry out procurement, financial management and monitoring and evaluation of the Project.

(b) Providing training to KEEA and PIU staff on effective implementation of the Project and sustainability of project activities and goals.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Project Implementation Unit

   (a) The Recipient shall through MoED: (i) implement the Project, with KEEA in MoED as the main executing agency and, (ii) establish and thereafter, operate and maintain at all times during the implementation of the Project, a PIU under the management of KEEA with functions and responsibilities satisfactory to the Association, including ensuring prompt and efficient overall coordination with the various line ministries, municipalities and other beneficiaries on the day-to-day implementation of, and communication relating to, Project activities and results.

   (b) To this end, the Recipient shall through MoED appoint a procurement specialist, a financial management specialist and other staff on as needed basis with resources, qualifications, experience and under terms of reference satisfactory to the Association.

2. Coordination Group

   (a) The Recipient through MoED shall maintain throughout the implementation of the Project, a Coordination Group (CG), chaired by the Chief Executive Officer of the KEEA with functions, responsibilities satisfactory to the Association, including, (i) overall coordination of the investments in energy efficiency and renewable energy measures in government owned buildings, (ii) providing technical guidance in connection with subproject pipelines, (iii) inter-ministerial coordination, (iv) budgeting and procurement and (v) resolving implementation issues.

   (b) To this end the Recipient shall through MoED designate representatives of the MoF, MoEST MoH. MPA, MoLGA, MoESP, MoJ and MoCYS as members of the CG.

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B. Other Arrangements

1. Project Operations Manual

Without limitation to the provisions of Article V of the General Conditions, the Recipient shall through MoED ensure that:

(a) the Project is carried out in accordance with the Project Operations Manual; and

(b) the Project Operations Manual or any part thereof is not amended, waived, suspended or abrogated without the Association’s prior written concurrence, and in case of any inconsistency between the provisions of the Project Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

2. Central Government Subprojects

In implementing Part 1 (a) of the Project, the Recipient, through MoED and in consultation with the various line ministries, shall:

(a) select the buildings to be renovated on the basis of criteria set forth in the Project Operations Manual which shall inter alia include, the requirements that buildings should:

(i) be fully owned by the central government (excluding public owned enterprises);

(ii) be structurally sound and have not had comprehensive energy efficient renovations in the last 10 years and be at least 5 years old;

(iii) not be candidates for office moves, closure or privatization; and

(iv) not be used for security or defense purposes e.g. police or prisons;

(b) enter into an agreement (Memorandum of Understanding or MoU) with each building administrator and the relevant Ministry consistent with the Model MoU in the Project Operations Manual to outline the obligations of each party in connection with the proposed renovations;

(c) exercise its rights and carry out its obligations under each MoU in a manner to protect the interests of the Recipient and the Association and to accomplish the purpose of the Financing; and
(d) except as the Association shall otherwise agree, the Recipient shall not assign, abrogate, amend, suspend, terminate, waive or otherwise fail to enforce any MoUs or any provisions thereof and in case of any inconsistency between the provisions of any MoUs and those of this Agreement, the provisions of this Agreement shall prevail.

3. Municipal Government Subprojects

In implementing Part 1 (b) of the Project, the Recipient shall through MoED:

(a) issue a letter of invitation to all the municipalities and provide them with information about the municipal Subprojects and request them to apply and indicate the buildings to be renovated and rehabilitated to promote more efficient energy use;

(b) select the municipalities (Participating Municipalities) and the Subprojects to be financed by the Financing in accordance with eligibility criteria set forth in the Project Operations Manual which shall inter alia include the following requirements:

   (i) the municipal Subproject selected to generate energy savings which meet the Agreed Levels of Indoor Comfort;

   (ii) the municipality to be selected (Participating Municipality) to meet the requirements for co-financing the proposed municipal Subproject;

   (iii) the buildings proposed by the Participating Municipality should:

       A. be fully owned by the municipality, and structurally sound and have not had energy efficient renovations in the last 10 years and not be at least 5 years old;

       B. not be candidates for office moves, closure or privatization; and

       C. not be used for security or defense purposes e.g. police or prisons.

(c) enter into an agreement (Municipal Agreement) with the Participating Municipality consistent with the model Municipal Agreement set forth in the Operations Manual, and including the following requirements:

   (i) the obligation of the Recipient to provide part of the financing required to implement the Municipal Subproject to the Participating Municipality on a grant basis;
(ii) the obligations of the Participating Municipality to co-finance the Municipal Subproject on the basis of criteria in the Operations Manual;

(iii) rights adequate to protect the interests of the Recipient and those of the Association, including the right to: (A) suspend or terminate the right of the PM to use the proceeds of the financing all or any part of the amount of financing then withdrawn, upon the PM’s failure to perform any of its obligations under the applicable contract; and (B) require each PM to: (1) carry out the Municipal Subproject with due diligence and efficiency and environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines; (2) provide, promptly as needed, the resources required for the purpose; (3) procure the goods, works and services to be financed out of the financing in accordance with the provisions of the Operations Manual; (4) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress on the renovations of the buildings and the achievement of the objectives of the investments; (5) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Municipal Subproject; and (6) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (7) enable the Recipient and the Association to inspect the records of the PM, its operation and any relevant records and documents; and (8) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

(d) The Recipient shall through MoED exercise its rights under each Municipal Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Municipal Agreement in connection with the municipalities or any of its provisions and in case of any inconsistency between the provisions of the Municipal Agreement and the provision of this Agreement, the provisions of this Agreement shall prevail.
4. **Annual Work Plan and Budget**

The Recipient shall through MoED:

(a) prepare and furnish to the Association not later than November 15 of each Fiscal Year during the implementation of the Project, a work plan and budget containing all activities proposed to be included in the Project during the following Fiscal Year (the relevant EMP) prepared in accordance with Section 1.B.4 of Schedule 2 to this Agreement, and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing;

(b) each such proposed work plan and budget shall specify any training activities that may be required under the Project, including: (i) the type of training; (ii) the purpose of the training; (iii) the personnel to be trained; (iv) the institution or individual who will conduct the training; (v) the location and duration of the training; and (vi) the cost of the training;

(c) the Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed work plan and budget and shall thereafter ensure that the Project is implemented with due diligence during said following Fiscal Year in accordance with such work plan and budget as shall have been approved by the Association ("Annual Work Plan and Budget"); and

(d) the Recipient shall not make or allow to be made any change to the approved Annual Work Plan and Budget without the Association's written prior approval.

C. **Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. **Safeguards.**

1. The Recipient through MoED shall ensure that the Project is carried out in accordance with the EMF and if any Project activity would, pursuant to the EMF

   (a) require the carrying out of an Environmental Impact Assessment (EIA'), the Recipient shall ensure that an EIA for such activity is: (A) carried out, in accordance with the requirements of the EMF and furnished to the Association for review and approval; and (B) disclosed as required by the EMF and approved by the Association; and
require the preparation of an Environmental Management Plan, (EMP), such EMP is prepared in accordance with the EMF and furnished to the Association for review and approval, and is disclosed as required by the EMF and approved by the Association.

2. The Recipient through MoED shall ensure, throughout the implementation of the Project that the EIA, and EMP, 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 shall not amend, suspend, abrogate, terminate or waive, or permit to be amended, suspended, abrogated, terminated or waived, any of the EMF, and EMP, or any provision of any one thereof, except with the prior written approval of the Association.

4. In case of a conflict between the EMF or EMP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient through MoED shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient through MoED shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Recipient, through MoED, shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient through MoED shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
Section III.  Procurement

A.  General

1.  Good, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2.  Consultants' Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3.  Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B.  Particular Methods of Procurement of Goods, Works and Non-consulting Services

1.  International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2.  Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the following additional provisions set forth in the Annex; (c) Shopping and (d) Direct Contracting.

C.  Particular Methods of Procurement of Consultants' Services

1.  Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2.  Other Methods of Procurement of Consultants' Services. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Least Cost Selection; (c) Selection based on Consultants’ Qualifications; (d) Single-source Selection of consulting firms; (e) Procedures set forth in
paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (f) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Subprojects under Part 1(a) of the Project</td>
<td>14,260,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Subprojects under Part 1(b) of the Project</td>
<td>2,900,000</td>
<td>75%</td>
</tr>
<tr>
<td>(3) Consultant services, goods under Part 1 (c) 1(d), 2 and 3 of the Project</td>
<td>2,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Costs</td>
<td>40,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>20,100,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed €250,000 equivalent may be made for payments made prior to this date but on or after March 1, 2014 for Eligible Expenditures.

2. The Closing Date is August 31, 2020.
## SCHEDULE 3
Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each 15th October and 15th April:</td>
<td></td>
</tr>
<tr>
<td>commencing 15th October 2019 to and including 15th April 2029</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing 15th October 2019 to and including 15th April 2039.</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* 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 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Agreed Levels of Indoor Comfort" means the standardized comfort levels developed by the Ministry of Environment and Spatial Planning as determined by individual building energy audits and set forth in the Operations Manual.

2. "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 1.B.4 of Schedule 2 to this Agreement; and "Annual Work Plans" means more than one Annual Work Plan and Budget.


5. "Environmental Impact Assessment" or "EIA" means, with respect to each activity under the Project pursuant to which the EMF requires an environmental impact assessment, such assessment carried out pursuant to Section 1.D of Schedule 2 to this Agreement, in accordance with the EMF; and "EIAs" means more than one EIA.

6. "EMF" means the Environmental Management Framework, Environmental Management Framework for Kosovo Energy Efficiency Renewable Energy Project dated March 31, 2014, prepared and adopted by the Recipient, disclosed in the Recipient’s territory on April 1, 2014 and in the Association’s InfoShop on April 8, 2014 referred to in Schedule 2, Section D 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.

7. "EMP" or "Environmental Management Plan" means, with respect to each activity under the Project pursuant to which the EMF of said activity requires an environmental management plan, such plan prepared in accordance with the EMF pursuant to the provisions of Section 1.D of Schedule 2 to this Agreement; and "EMPs" means more than one EMP.
8. "FiTs" or "Feed In Tariffs" means preferential power purchase pricing and contracting mechanisms for renewable energy power producers to promote renewable energy technologies.

9. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

10. "Kosovo Energy Efficient Agency" or "KEEA" means an agency within the MoED established and operating pursuant to the Recipient’s Energy Efficiency Law, April 25, 2012 or its legal successor thereto.

11. "MoCYS" means the Recipient’s Ministry of Culture, Youth and Sports or its legal successor thereto.

12. "MoED" means the Recipient’s Ministry of Economic Development or its legal successor thereto.


15. "MoF" means the Recipient’s Ministry of Finance or its legal successor thereto.

16. "MoH" means the Recipient’s Ministry of Health or its legal successor thereto.

17. "MoJ" means the Recipient’s Ministry of Justice or its legal successor thereto.

18. "MoLGA" means the Recipient’s Ministry of Local Government Administration or its legal successor thereto.

19. "MPA" means the Recipient’s Ministry of Public Administration or its legal successor thereto.

20. "Municipality" means a basic unit of local government established and operating pursuant to the Recipient’s law on Local Self Government, No. 03/L-040 or its legal successor thereto.

21. "Municipal Agreement" means an agreement entered into between the Recipient and the Participating Municipality (as hereinafter defined) and referred to in Section 1.B.3(c) of Schedule 2 to this Agreement.

22. "Operating Costs" means the reasonable incremental expenses under the Project, and based on the Annual Work Plan and Budget, consisting of expenditures for
communications, translations, interpretation, advertising, lodging and per diem, (excluding the salaries of officials of the Recipient’s civil servants).

23. “Participating Municipalities” or “PM” means those municipalities which have met the eligibility criteria to participate in the pilot energy efficiency investment program for municipalities under Part 1(b) of the Project.


25. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 14, 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.

26. “Project Implementation Unit” or "PIU" means the Recipient’s unit to be established for the implementation of the Project pursuant to Section I.A.1 of Schedule 2 to this Agreement.

27. “Project Operations Manual” means the manual to be prepared and adopted by the Recipient, including all appendices and schedules thereto, satisfactory to the Association, 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) procedures for the subproject cycle (identification to commissioning), (e) model MOU and model Municipal Agreement for renovation of buildings in municipalities, (f) the procedures for accessing, disbursing and accounting for funds under the Project; (g) the procedures for Project monitoring, supervision and evaluation, including the format and content of the Project Reports to be submitted by KEEA; and (h) the procedures for procurement and financial management, referred to in Section 1.B of Schedule 2 to this Agreement.

28. “Subprojects” means renewable energy and energy efficient investments to be carried out at selected sites and to be financed out of the proceeds of the Financing under Parts 1(a) and 1(b) of the Project.

29. 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, workshops or study tour preparation and implementation (but excluding costs of consulting services).

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

   “Section 3.02. Service Charge and Interest Charge

   (a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

   (b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

5. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

6. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

   “32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”

7. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

8. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).
ANNEX

NATIONAL COMPETITIVE BIDDING – MODIFICATIONS

The procedures to be followed for procurement of goods/works and non-consulting services using National Competitive Bidding shall be those of “Open Procedure” method as set forth in the Law No. 03/L-241, dated September 30, 2010 of the Republic of Kosovo with the following clarifications:

1. **Participation by foreign bidders**

   Foreign bidders shall not be precluded from bidding. Foreign bidders shall not be required to form a joint venture or to sub-contract part of the supply of goods, works and services as a condition for submitting bids or the award of the contract.

2. **Registration**

   Bidding shall not be restricted to pre-registered firms. Where registration is required, bidders: (1) shall be allowed a reasonable time to complete the registration process; and (2) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

3. **Advertising**

   Invitations to bid shall be advertised in a national newspaper of wide circulation in the national language(s) or official gazette provided that it is of a wide circulation or on a widely used website or electronic portal with free national and international access allowing a minimum of thirty (30) days for the preparation and submission of bids.

4. **Pre-qualification**

   (a) Pre-qualification shall be used only for large, complex and/or specialized works; (b) where used, prequalification criteria shall be on a “pass/fail” basis; and (c) minimum experience, technical and financial requirements shall be explicitly stated in pre-qualification documents acceptable to the Association.

5. **Participation by Government-owned enterprises**

   Government-owned enterprises in Kosovo shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient (as this term is defined in the Procurement Guidelines). Furthermore, they will be subject to the same bid and performance security requirements as other bidders.
6. **Bidding Documents**

Procuring entities shall use the appropriate standard bidding documents acceptable to the Association.

7. **Bid Opening and Bid Evaluation**

(a) Bids shall be submitted in a single envelope and shall be opened in public immediately after the deadline for submission of bids. The name of the bidder, the total amount of each bid, discounts (if any) and existence of bid security shall be read aloud and recorded in the minutes of the public bid opening; a copy of the minutes shall be promptly provided to all bidders, and to the Association with respect to contracts subject to prior review.

(b) Evaluation of bids shall be made through post-qualification in strict adherence to the monetarily quantifiable criteria declared in the bidding document. Qualification criteria shall be on a "pass/fail" basis.

(c) Contracts shall be awarded to the lowest evaluated, substantially responsive bidder who is determined to be qualified to perform the contract in accordance with pre-defined and pre-disclosed evaluation criteria and no negotiation as to the price or substance shall take place.

(d) An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the expiration date and for a minimum period required to complete the evaluation or award a contract, but not to exceed thirty (30) days. No further extensions shall be requested without the prior concurrence of the Association.

8. **Price Adjustment**

Civil works contracts of long duration (more than 18 months) shall contain an appropriate price adjustment clause.

9. **Rejection of Bids**

All bids shall not be rejected (even if less than two (2) responsive bids are received), the procurement process shall not be cancelled and new bids solicited without the Association's prior concurrence.

10. **Securities**

A bid security shall be required and it shall not exceed three percent (3%) of the estimated cost of the contract and performance security not more than ten percent (10%)
of the contract price. No advance payment shall be made to contractors without a suitable advance payment security.

11. **Award of Contract**

Within two weeks from the Association’s no-objection to the award recommendation for contracts subject to prior review and within two weeks from the Recipient’s decision for contracts subject to post review, the contracting authority shall publish the following information on contract award on a free and open access website or on another means of publication acceptable to the Association: (i) name of each bidder who submitted a bid; (ii) bid prices as read out at bid opening; (iii) name and evaluated price of each bid that was evaluated; (iv) name of bidders whose bids were rejected and the reasons for their rejection; and (v) name of the winning bidder, final contract price and duration and summary scope of the contract awarded.

12. **Right to inspect and audit**

In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Credit shall provide that: (i) the bidders, suppliers, contractors and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the Association, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

13. **Fraud & Corruption**

Each bidding document and contract financed from the proceeds of the Credit shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The World Bank will sanction a firm or individual, at any time, in accordance with prevailing Association sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a World Bank-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier or service provider of an otherwise eligible firm being awarded a World Bank-financed contract.