Project Agreement
(Water Security and Canal Protection Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

IBER-LEPENC JSC

Dated JANUARY 27, 2017
PROJECT AGREEMENT

AGREEMENT dated JANUARY 27, 2017, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and IBER-LEPENC JSC ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the Republic of Kosovo ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Chief Executive Officer.

4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Telex: 248423(MCI) Facsimile: 1-202-477-6391

4.03. The Project Implementing Entity’s Address is:

Hydro Economic “Iber-Lepenc” JSC
Square "Bill Clinton" No.13 -10000,
Pristina
Republic of Kosovo

Facsimile:
+381-38-526-159
AGREED at PRISTINA, REPUBLIC OF KOSOVO, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: MARCO MANTOVANELLI
Title: COUNTRY MANAGER

IBER-LEPENC JSC

By

[Signature]
Authorized Representative

Name: JANUZ KABASHI
Title: CHIEF EXECUTIVE
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional and Other Arrangements.

1. By no later than one (1) month after the Effective Date, the Project Implementing Entity shall establish a Project Implementation Unit ("PIU"), which shall be responsible for Project implementation, management, monitoring and evaluation and have competent staff in adequate numbers, to carry out their respective responsibilities related to implementation of the Project with terms of reference and resources satisfactory to the Association.

2. The Project Implementing Entity shall take all measures necessary to ensure that the Association has access to Project implementation sites.

3. The Project Implementing Entity shall:

   (a) prepare, in accordance with terms of reference satisfactory to the Association, and furnish to the Association for approval, a Financial Management Manual setting out the financial management and disbursement procedures and requirements for Project implementation in accordance with Sections II.B and III respectively of this Schedule 2, including: (i) planning and budgeting procedures; (ii) internal controls on project expenditures and assets; (iii) staffing and responsibilities; (iv) procedures for accessing, disbursing and accounting for funds under the Project; and (v) financial reporting and auditing requirements;

   (b) by no later than two (2) months after the Effective Date, adopt the Financial Management Manual, which has been approved by the Association and thereafter, carry out the financial management aspects of the Project in accordance with the approved Financial Management Manual; and

   (c) furnish to the Association for its prior approval, any proposed amendment to the provisions of the Financial Management Manual and thereafter, put into effect such amendment as shall have been agreed with the Association.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, Project Implementing Entity shall enter into the Subsidiary Agreement with the Recipient.

2. The Project Implementing Entity shall exercise its rights under the Subsidiary 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 Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
C. **Anti-Corruption**

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

D. **Safeguards.**

*Environment and Involuntary Resettlement*

1. The Project Implementing Entity shall ensure the following:

   (a) that the Project is carried out in accordance with the ESMF and RPF;

   (b) that prior to carrying out any works under the Project, environmental impact assessments and site-specific EMPs be prepared in accordance with the ESMF, including their disclosure and public consultation, in form and substance satisfactory to the Association and that the Project be implemented in accordance with the respective EMPs;

   (c) that prior to carrying out any works under the Project which entail Involuntary Resettlement, a site-specific RAP be prepared in accordance with the RPF, including its disclosure and meaningful consultations with Project Affected Persons, in form and substance satisfactory to the Association and that such RAP be implemented, including by providing appropriate compensation, consistent with the provisions of the RPF and site-specific RAP, to the Project Affected Persons; and

   (d) that the ESMF, EMPs, RPF and/or RAPs, or any provision thereof, not be assigned, amended, abrogated or waived without the prior approval of the Association.

*Dam Safety*

2. The Project Implementing Entity shall establish and thereafter maintain the panel of independent dam safety experts ("Dam Safety Experts"), with qualifications, resources and experience, satisfactory to the Association, which Dam Safety Experts are responsible for: (a) reviewing and evaluating: the safety status of the existing Gazivoda Dam and its performance history, operations and maintenance procedures, and making recommendations for any remedial work or safety-related measures as necessary to an acceptable standard of safety; and (b) reviewing the adequacy of the design and construction procedures of the emergency reservoir and dam to be constructed in Mihaliq ("Mihaliq Dam") and Mihaliq Dam's associated structures and the start of its operation.

3. With respect to the small works to be undertaken at Gazivoda Dam under Part 1(a) of the Project, the Project Implementing Entity shall, taking into account the recommendations of the Dam Safety Experts:

   (a) prior to commencement of the works, update the following plans for the Gazivoda Dam: operations and maintenance plan; emergency preparedness plan; and the instrumentation and monitoring plan, all in a manner satisfactory to the Association;

   (b) carry out Part 1(a) of the Project in accordance with the updated plans; and
(c) not revise any of the said plans without prior written approval of the Association.

4. With respect to the construction of the Mihaliq Dam under Part 1(b) of the Project, the Project Implementing Entity shall carry out, the following:

(a) prior to the commencement of civil works prepare, in accordance with a framework acceptable to the Association, the following plans relating to the Mihaliq Dam: plan for construction supervision and quality assurance; instrumentation plan; operation and maintenance plan; and emergency preparedness plan; and finalize said plans taking into account the recommendations of the Dam Safety Experts regarding the adequacy of the dam design and construction procedures, all in a manner satisfactory to the Association;

(b) implement Part 1(b) of the Project in accordance with said plans and taking into account the Association's comments thereon;

(c) not revise any of the said plans without prior written approval of the Association; and

(d) after the filling and start-up of the Mihaliq Dam, have independent qualified professionals carry out periodic safety inspections of said dam.

5. By no later than twelve (12) months after the Project is declared effective, the Recipient shall furnish to the Association the proposed time bound schedule and criteria for selection of an entity or agency to be responsible for the operation and maintenance of Mihaliq Dam after its commissioning and promptly thereafter, make the selection according to such schedule and criteria taking into account the Association’s comments thereon.

E. Annual Work Plan and Budget

1. The Project Implementing Entity shall:

(a) prepare and furnish to the Association and to the Budget Department of the Recipient’s Ministry of Finance 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.
Section II.  Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project (including implementation progress under EMPs and RAPs) and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later than one (1) month after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than [six months] after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.