Project Agreement

(Energy Sector Clean-up and Land Reclamation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

KOSOVO ENERGY CORPORATION

Dated MAY 15, 2013
PROJECT AGREEMENT

Agreement dated __________, 2013, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and KOSOVO ENERGY CORPORATION ("Project Implementing Entity") ("Project Agreement") in connection with the Second Additional Financing Agreement ("Financing Agreement") of the 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 objectives of the Project. To this end, the Project Implementing Entity shall carry out Parts C and E of the Project, as well as Part D of the Project together with MESP, in accordance with the provisions of Article IV of the General Conditions. The Project Implementing Entity shall provide promptly, as needed, the funds, facilities, services and other resources required for its Respective Parts of 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 its Respective Parts of 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 Project Management Unit Coordinator.
4.02. The Association’s Address is:

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

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

4.03. The Project Implementing Entity’s Address is:

Mother Theresa Street 36
1000 Pristina
Kosovo

Facsimile: +381385017011296

AGREED at Pristina, Republic of Kosovo, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: JAN-PETER OLTERS
Title: COUNTRY MANAGER

KOSOVO ENERGY CORPORATION

By

Authorized Representative

Name: EDMOND NULLESHI
Title: EX. DIRECTOR CORP. SERVICES

ŞOK S. O.
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall enter into the Subsidiary Agreement with the Recipient for the purpose of receiving funds necessary for carrying out the Project.

2. The Project Implementing Entity shall duly perform all its obligations under the Subsidiary Agreement. Except as the Association shall otherwise agree, the Project Implementing Entity shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement or any provision thereof.

3. The Project Implementing Entity shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project or the performance by the Project Implementing Entity of its obligations under this Agreement or under the Subsidiary Agreement.

4. The Project Implementing Entity shall be responsible for project management activities for Parts C and E under Part D of the Project. The Project Implementing Entity shall also be responsible for implementation of Parts C and E of the Project.

5. The Project Implementing Entity shall ensure that its Board of Directors meets at least once in each calendar quarter during Project implementation, or more frequently as may be required:

(a) to consider progress in the implementation of the Project;

(b) to review the KEK PMU’s quarterly Project progress reports; and

(c) to consider providing the KEK PMU whatever advice or recommendations it may consider appropriate or necessary in the circumstances.

6. The Project Implementing Entity shall ensure that the KEK PMU:

(a) is maintained at all times during Project implementation with adequate funds, facilities, services and other resources, and with suitably qualified staff in sufficient numbers;

(b) reports to KEK’s Board of Directors, through KEK Corporate Services, on a complete, regular, and timely basis, including, without limitation, through the delivery of quarterly Project progress reports;
(c) is responsible for day-to-day Project implementation and management of Part E, as well as project management activities for Parts C and E carried out under Part D, including, without limitation, environmental and social safeguards management, financial management, procurement, and monitoring and evaluation as well as progress and financial reporting, drafts term of reference for consultant assignments financed under the Project and reviews consultants’ reports and monitors the performance of such consultants, and arranges public consultations as required;

(d) prepares quarterly Project progress reports for KEK’s Board of Directors; and

(e) discharges such other functions and assumes such other responsibilities as may be assigned to it under the Operations Manual from time to time.

B. Anti-Corruption

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

C. Safeguards

1. The Project Implementing Entity shall carry out the Project in accordance with the Environmental Management Plans and the Operational Manual in accordance with their respective terms and shall apply and implement, as the case may be, the policies, procedures and arrangements therein respectively set forth.

2. The Project Implementing Entity shall not amend, suspend, abrogate, terminate or waive the Environmental Management Plans or the Operational Manual without the prior approval of the Association.

3. Without the Association’s prior written consent in consultation with the Recipient, the Project Implementing Entity shall not:

(a) Take any final decision on the use of the land reclaimed pursuant to Part C of the Project; or

(b) Sell, transfer, lease or otherwise dispose of the whole or any part of such land;

unless and until a land use plan, satisfactory to the Association, has been developed consistently with applicable spatial planning legislation in Kosovo and in a participatory manner acceptable to the Association.
Section II.  Project Monitoring, Reporting and Evaluation.

A.  Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Parts 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 the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar quarter and shall be furnished to the Recipient no later than twenty-one (21) days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association in the overall Project Report.

2. No later than one hundred twenty (120) days after the Closing Date, the Project Implementing Entity shall provide to the Recipient, for incorporation in the report referred to in Section 4.08(c) of the General Conditions, all such information as the Recipient or the Association shall reasonably request for the purposes of such report.

B.  Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare project 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 Project. The Project Implementing Entity shall be responsible for the consolidated project financial statements until activities related to removal of all hazardous chemicals from the gasification site have been completed and reported, after which time the Recipient will be responsible for the consolidated project financial statements.

2. The Project Implementing Entity shall have the 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.

Section III.  Procurement

All goods, works and services required for the Project Implementing Entity’s Respective Parts 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.