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GRANT NUMBER H319-KOS

# Financing Agreement

(Additional Financing For Energy Sector Clean-up and Land Reclamation Project)

between

UNITED NATIONS INTERIM ADMINISTRATION MISSION IN KOSOVO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 5, 2007

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## **GRANT NUMBER H319-KOS**

### **FINANCING AGREEMENT**

Agreement dated November 5, 2007, entered into between UNITED NATIONS INTERIM ADMINISTRATION MISSION IN KOSOVO (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the ESCLR Project (as defined in the Appendix to this Agreement). 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 grant in an amount equivalent to three million three hundred thousand Special Drawing Rights (SDR 3,300,000) (“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 VI 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 Payment Dates are June 15 and December 15 in each year.
- 2.05. 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 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 - REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Events of Suspension consist of the following:
  - (a) Any action has been taken for the dissolution, disestablishment or suspension of the Project Coordination Committee;
  - (b) The Recipient, KTA or KEK has failed to perform any of their respective obligations under Implementing Arrangement Number 5 or Implementing Arrangement Number 6, as the case may be.

**ARTICLE V - EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) Implementing Arrangement Number 5 has been executed on behalf of the Recipient and KTA; and
  - (b) Implementing Arrangement Number 6 has been executed on behalf of KTA and KEK.
- 5.02. The Additional Legal Matters consist of the following:
  - (a) Implementing Arrangement Number 5 has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient and KTA, respectively, and is legally binding upon the Recipient and KTA, respectively, in accordance with its terms.

(b) Implementing Arrangement Number 6 has been duly authorized or ratified by, and executed and delivered on behalf of, KTA and KEK, respectively, and is legally binding upon KTA and KEK, respectively, in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE VI - REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is the Deputy Special Representative of the Secretary-General of the United Nations Interim Administration Mission in Kosovo, Pillar IV.

6.02. The Recipient's Address is:

United Nations Interim Administration Mission in Kosovo  
One Mother Theresa Street  
Pristina, Kosovo

Facsimile:

(212) 963-8442-5642,  
or  
(381-38) 504-604-5642

6.03. 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  
Washington, D.C.

248423 (MCI)

1-202-477-6391

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

**INITIALED ON BEHALF OF THE PROVISIONAL  
INSTITUTIONS OF SELF-GOVERNMENT**

By /s/ Ardian Gjini

Authorized Representative

**UNITED NATIONS INTERIM ADMINISTRATION  
MISSION IN KOSOVO**

By /s/ Paul Acda

Authorized Representative

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By /s/ Ranjit Nayak

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are: (i) to address environmental legacy issues related to the open dumping of ashes on land from KEK's Kosovo A thermal power plant; (ii) to enable KEK to free land for community development purposes currently taken by overburden material and to enable KEK to remove the Kosovo A ash dump; and (iii) to initiate structural operations in KEK for continued clean-up and environmentally good practice mining operations.

The Project consists of the following parts:

#### **Part A: Preparation of Mirash Open Pit Mine for Ash Management**

Preparation of the Mirash mine, including installation of a base liner and construction of lateral dam structures, to develop the proper conditions for safe and sustainable storage of ash and overburden materials collected from KEK's Kosovo A and B thermal power plants, as well as from future lignite mining developments, through the provision of works.

#### **Part B: Relocation of Kosovo A Ash Dumps into Mirash Open Pit Mine**

Removal of existing ash and overburden materials from the Kosovo A storage facility and transportation to, dumping and backfilling of the Mirash mine, through the procurement of equipment and works.

#### **Part C: Reclamation of Overburden Dump Sites**

Reclamation, reshaping and recultivation of KEK's South Field overburden dump and the overburden dump west of KEK's Bardh mine to release approximately 6.5 square kilometers of land for community development purposes, including the construction of roads, a surface drainage system and the planting of trees and mixed vegetation, through the procurement of goods and works.

#### **Part D: Project Management**

Provision of technical assistance to KEK for the purposes of Project implementation, management and supervision, including the financing of Training and Incremental Operating Costs.

#### **Part E: Hazardous Materials Clean-up at the Gasification Plant Site**

- (i) Preparation of a feasibility study including on-site investigations, detailed design and related environmental management plan and

environmental impact assessment on Hazardous Materials Remediation and safety measures to reduce environmental risks from hazardous materials at the abandoned gasification plant; and

- (ii) Implementation of control measures to reduce environmental risks from hazardous materials storage at the abandoned gasification plant site, through the provision of technical assistance, goods, and works

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Coordination Arrangements**

The Recipient shall ensure that the Project is carried out in accordance with the institutional and coordination arrangements set forth below in this Section I.

1. The Recipient shall ensure that the Project Coordination Committee (“PCC”):
  - (a) effectively coordinates the activities and responsibilities of the various ministries and agencies involved in Project implementation, including, without limitation, KTA, MESP, MEM and ICMM, particularly those relating to environmental and social aspects;
  - (b) ensures consultation with local institutions, donors and other stakeholders, as appropriate, based upon recommendations from the Project Management Unit from time to time;
  - (c) reviews the PMU’s quarterly Project progress reports and provides recommendations to the Chairman of KEK’s Board of Directors regarding Project implementation;
  - (d) is chaired by the Minister of MESP or his/her duly authorized delegate from time to time;
  - (e) meets at least once in each calendar quarter during Project implementation, or more frequently as may be required, including representation at each such meeting from at least KTA, KEK, MEM, MESP and the Municipality of Obiliq/Obilic; and
  - (f) performs such other functions and assumes such other responsibilities as may be assigned to it under the Operations Manual from time to time.
2. The Recipient shall ensure, through Implementing Arrangement Numbers 5 and 6, that KEK’s 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 and to consider any recommendations made by the Project Coordination Committee to the Chairman of KEK’s Board of Directors;
  - (b) to review the PMU’s quarterly Project progress reports; and

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

3. The Recipient shall ensure, through Implementing Arrangement Numbers 5 and 6, that the PMU:

(a) reports to KEK's Board of Directors, through the Head of KEK's Mining Division, and to the Project Coordination Committee on a complete, regular and timely basis, including, without limitation, through the delivery of quarterly Project progress reports;

(b) serves as the Secretariat for the Project Coordination Committee in an effective manner, including the preparation and distribution of the agenda and minutes for each PCC meeting;

(c) is responsible for day-to-day Project implementation and management, including, without limitation, environmental and social safeguards management, financial management, procurement, and monitoring and evaluation, as well as progress and financial reporting, drafts terms 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, the PCC and the Association; 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.

## **Section II. Implementation Covenants**

1. The Recipient shall ensure that the Project Coordination Committee shall be maintained for the entire duration of Project implementation, and with the composition, terms of reference and resources satisfactory to the Association.

2. The Recipient shall ensure, through Implementing Arrangement Numbers 5 and 6, that the Project Management Unit shall be maintained for the entire duration of Project implementation, and with the composition, terms of reference and resources satisfactory to the Association, and with suitably qualified staff in sufficient numbers.

3. The Recipient shall ensure, through the Implementing Arrangement Numbers 5 and 6, that KEK obtains a written no-objection from the Association prior to any hiring or dismissal of any staff of or consultant to the Project Management Unit.

4. The Recipient shall use its best reasonable efforts to ensure that KEK's annual budget will provide the funding necessary or appropriate to enable KEK to perform its

obligations under the Project, including, without limitation, for all operating and maintenance costs of KEK equipment required for the Project.

5. Prior to the commencement of any of the works under Part E of the Project, the Recipient shall ensure, through Implementing Arrangement Numbers 5 and 6 that KEK, through the Project Management Unit, shall carry out an environmental impact assessment of Part E of the Project (“Project EIA”), satisfactory to the Association, which assessment shall be conducted by independent environmental assessment experts not affiliated with the Project who shall have been retained by KEK under terms of reference acceptable to the Association.

6. Prior to the commencement of any of the works under Part E of the Project, the Recipient shall ensure, through Implementing Arrangement Numbers 5 and 6, that KEK, through the Project Management Unit, causes the independent environmental assessment experts referred to in paragraph 5 of this Section II, or other independent environmental assessment experts not related to the Project and acceptable to the Association, to prepare an environmental management plan for Part E of the Project (“Project EMP”), satisfactory to the Association, to eliminate, offset, or reduce to acceptable levels any adverse environmental and social aspects, including the actions needed to implement the mitigation, monitoring and institutional measures to be taken during the implementation and operation of said Part E.

7. The Recipient shall, and shall ensure, through Implementing Arrangements 5 and 6, that KEK, through the Project Management Unit:

(a) implements the Project EMP and the Operations Manual in accordance with their respective terms, and applies and implements, as the case may be, the policies, procedures and arrangements therein respectively set forth; and

(b) not amend, suspend, abrogate, terminate or waive, or permit to be amended, suspended, abrogated, terminated or waived, the Project EMP or the Operations Manual, or any provision of any one thereof, except with the prior written approval of the Association.

8. To the extent that the proceeds of the Financing are used for purposes of Part B of the Project, the Recipient shall ensure, through the Implementing Arrangements that KEK, through the Project Management Unit, has complied with and implemented the requirements of Section II, paragraphs 5, 6, and 7 of Schedule 2 of the Financing Agreement relating to the environmental impact assessment and environmental management plan.

9. Not later than July 15, 2007, the Recipient shall ensure, through Implementing Arrangement Numbers 5 and 6, that KEK prepares and adopts an updated Procurement Plan to include Part E of the Project satisfactory to the Association.

10. Not later than two months following the Effectiveness Date, the Recipient shall ensure, through Implementing Arrangement Numbers 5 and 6, that KEK prepares and adopts an updated Operations Manual to include Part E of the Project.

**Section III. Implementing Arrangements**

1. To facilitate the carrying out of the Project, the Recipient shall enter into an Implementing Arrangement with KTA, entitled Implementing Arrangement Number 5, under terms and conditions which shall have been approved by the Association, pursuant to which the Recipient shall agree to on-grant the entire proceeds of the Financing to KTA, and KTA in turn shall agree to on-grant the entire proceeds of the Financing to KEK pursuant to the terms of Implementing Arrangement Number 6. Except as the Association shall otherwise agree, such terms and conditions of Implementing Arrangement Number 5 shall include the following:

(a) reciprocal covenants on behalf of KTA to ensure that those assumed by the Recipient (pursuant to Schedule 2 to this Agreement) shall be facilitated; and

(b) that pursuant to the terms of Implementing Arrangement Number 6, KEK shall provide or cause to be provided the funds, facilities, services and other resources necessary or appropriate to enable it to perform its obligations under the Project, including, without limitation, for all operating and maintenance costs of KEK equipment required for the Project.

2. To facilitate the carrying out of the Project, the Recipient shall ensure that KTA enters into a sub-grant agreement with KEK, entitled Implementing Arrangement Number 6, under terms and conditions which shall have been approved by the Association, pursuant to which KTA shall agree to on-grant to KEK the entire proceeds of the Financing received by KTA from the Recipient pursuant to Implementing Arrangement Number 5.

3. Except as the Association shall otherwise agree, such terms and conditions of Implementing Arrangement Number 6 shall include an agreement by KEK that KEK shall provide or cause to be provided the funds, facilities, services and other resources necessary or appropriate to enable it to perform its obligations under the Project, including, without limitation, for all operating and maintenance costs of KEK equipment required for the Project.

4. Anti-Corruption. The Recipient shall carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines.

**Section IV. Project Monitoring, Reporting and Evaluation****A. Project Reports**

1. (a) The Recipient shall ensure, through Implementing Arrangements Numbers 5 and 6, that the Project Management Unit monitors and evaluates the progress of the Project and prepares Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association, the Project Coordination Committee and KEK's Board of Directors not later than twenty one (21) days after the end of the period covered by such report.

(b) The Recipient shall ensure, through Implementing Arrangements Numbers 5 and 6, that the Project Management Unit:

- (i) prepares, under terms of reference satisfactory to the Association, and furnishes to the Association, on or about January 15, 2008, a Report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section IV, Part A.1., on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
- (ii) reviews with the Association, by March 1, 2008, or such later date as the Association shall request, the Report in paragraph (b) (i) of this Section IV, Part A.1., and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall ensure that the MFE maintains a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section IV, the Recipient shall ensure, through Implementing Arrangement Numbers 5 and 6, that KEK, through the Project Management Unit, and with any necessary cooperation of and assistance from KTA and the MFE, prepares and furnishes to the Association not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering such quarter, in form and substance satisfactory to the Association.

3. The Recipient shall ensure that KEK has the Project's 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 (1) fiscal year of the Recipient or such other period as agreed by the Association. The audited Financial Statements for each such period shall be furnished to the Association not later than (6) six months after the end of such period.

4. The Recipient shall ensure that KEK maintains a financial management system and prepares financial statements in accordance with the provisions of Section 4.09 of the General Conditions, both in a manner adequate to reflect the operations and financial condition of KEK, including the operations, resources and expenditures related to the Project.

5. The Recipient shall ensure that KEK shall have the financial statements referred to above periodically audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of the financial statements shall cover the period of one (1) fiscal year of KEK or such other period as agreed by the Association. 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 V. Procurement**

### **A. General**

All goods, works and 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:

1. Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the World Bank in May 2004 and revised in October 2006 ("Procurement Guidelines"), in the case of goods and works and services (other than consultants' services);

2. Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the World Bank in May 2004 and revised in October 2006 ("Consultant Guidelines") in the case of consultants' services; and

3. The provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines ("Procurement Plan").

**B. Definitions**

The capitalized terms used in the following paragraphs of this Section V to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

**C. Particular Methods of Procurement of Goods and Works**

1. Except as otherwise provided in paragraph 2. below, goods, works and services (other than Consultants' Services) shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and services (other than consultants' services) for those contracts specified in the Procurement Plan: (A) Limited International Bidding; (B) National Competitive Bidding, subject to the additional provisions set out in the Annex to Schedule 2 of this Agreement; (C) Shopping; and (D) Direct Contracting. The Procurement Plan shall specify the circumstances under which such methods may be used.

**D. Particular Methods of Procurement of Consultants' Services**

1. 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. The following methods, other than Quality and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Least-Cost Selection; (B) Selection based on Consultants' Qualifications; (C) Single-source Selection; and (D) Selection of Individual Consultants. The Procurement Plan shall specify the circumstances under which such methods may be used.

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

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods, works or services (other than consultants' services) estimated to cost the equivalent of US\$100,000 or more; (b) the first two contracts for goods, works or services (other than consultants' services) estimated to cost the equivalent of less than US\$100,000; (c) each direct contract for goods, works or services (other than consultants' services); (d) Requests for Proposals, short lists, terms and conditions of contracts, as well as evaluation reports and recommendations for award for the first two contracts for consultants' services provided by an individual and each contract for consultants' services provided by an individual estimated to cost the equivalent of US\$25,000 or

more; (e) each contract for consultants' services provided by a firm estimated to cost the equivalent of US\$50,000 or more; and (f) each Single Source Selection contract. All other contracts shall be subject to Post Review by the Association.

**Section VI. 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 and of this Section and such additional instructions as the Association may 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 World Bank 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 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:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Goods, works, consultants' services, Training, and Incremental Operating Costs for Part B, Part D, and Part E of the Project	3,300,000	100%
<b>TOTAL AMOUNT</b>	<u>3,300,000</u>	

3. With respect to any action required or permitted to be taken under the provisions of Section VI of Schedule 2 to this Agreement and Article II of the General Conditions, the Recipient shall ensure that applications for withdrawal of the Financing from the Grant Account shall be prepared by the MFE in the form specified and satisfactory to the Association and shall be co-signed by one duly authorized representative of KTA and one duly authorized representative of the MFE.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section VI, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2010.

**ANNEX  
TO SCHEDULE 2**

**National Competitive Bidding: Additional Provisions**

**(a) Registration**

- (i) Bidding shall not be restricted to pre-registered firms;
- (ii) 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; and
- (iii) Foreign bidders not from the territory of Kosovo shall not be precluded from bidding. If a registration process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register.

**(b) Advertising**

Invitations to bid shall be advertised in at least one widely circulated Albanian-language daily newspaper and in at least one widely circulated Serbian-language daily newspaper available over the territory of Kosovo allowing a minimum of thirty (30) days for the preparation and submission of bids.

**(c) Pre-qualification**

When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one widely circulated daily newspaper available over the territory of Kosovo a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience, and technical and financial requirements, shall be explicitly stated in the pre-qualification documents, which shall be determined on a “pass/fail” method, not through the use of a merit point system. When pre-qualification is not used, the qualifications of the bidder recommended for contract award shall be assessed by post-qualification, applying minimum experience, technical and financial requirements, which shall be explicitly stated in the bidding documents.

**(d) Participation by Publicly-owned enterprises**

Publicly-owned enterprises 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 contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

**(e) Bidding Documents**

Procuring entities shall use the appropriate standard bidding documents for the procurement of works, acceptable to the Association.

**(f) Bid Opening and Bid Evaluation**

- (i) Bids shall be submitted in a single envelope containing the bidder's qualification information, technical and price bids, which shall be opened simultaneously at the public bid opening;
- (ii) Bids shall be opened in public, immediately after the deadline for submission of bids. The name of the bidder, the total amount of each bid and any discounts offered shall be read aloud and recorded in the minutes of the public bid opening;
- (iii) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents. No merit point system will be used;
- (iv) Extensions of bid validity will be allowed once only for not more than thirty (30) days. No further extensions shall be requested without the prior approval of the Association; and
- (v) Contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated, substantially responsive bid and no negotiation shall take place.

**(g) Price Adjustment**

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

**(h) Rejection of Bids**

- (i) All bids shall not be rejected and new bids solicited without the Association's prior concurrence.
- (ii) When the number of bids received is less than three, re-bidding shall not be carried out without the Association's prior concurrence.

**(i) Securities**

Bid security shall not exceed three percent (3%) of the estimated cost of the contract and performance security not more than ten percent (10%) of this cost. No advance payment shall be made to contractors without a suitable advance payment security. These securities shall be included in the bidding documents in a text and format acceptable to the Association.

The Europe and Central Asia Regional Sample Bidding Documents, modified as acceptable to the Association, shall be used.

**APPENDIX****Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006;
2. “Association” means the International Development Association;
3. “Category” means a category set forth in the table in Section VI of Schedule 2 to this Agreement;
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006;
5. “Co-financing” means the financing to be provided by the Government of the Netherlands for certain Parts of the Project;
6. “Co-financing Agreement” means the agreement signed, or to be signed, between the Association and UNMIK, and initialed or to be initialed by the PISG, for purposes of making use of the Co-financing to implement certain Parts of the Project;
7. “ESCLR Project” means the Kosovo Energy Sector Clean-up and Land Reclamation Project (H234-KOS), terms and conditions of which are set out in the Financing Agreement (as hereafter defined);
8. “Financing Agreement” means the Financing Agreement for the Kosovo Energy Sector Clean-up and Land Reclamation Project between the United Nations Interim Administration Mission in Kosovo and the International Development Association, dated December 13, 2006, and initialed on behalf of the Provisional Institutions of Self-Government;
9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix;
10. “Hazardous Materials Remediation” means removal, treatment and containment measures which would be implemented in accordance with the detail design and the Project EMP and in order to reduce the environmental and health risk related to materials stored on the gasification site;
11. “Implementing Arrangement Number 1” means the agreement, dated December 13, 2006, between the Recipient and KTA, referred to in paragraph 1 of Section III of Schedule 2 to the Financing Agreement, pursuant to which, *inter alia*, the Recipient shall make the proceeds of the Financing specified in the Financing

Agreement available to KTA, as the same may be amended from time to time with the Association's prior written consent, and such term includes all schedules and agreements supplemental to such Implementing Arrangement Number 1;

12. "Implementing Arrangement Number 2" means the agreement, dated December 13, 2006, between KTA and KEK, referred to in paragraph 2 of Section III of Schedule 2 to the Financing Agreement, pursuant to which, *inter alia*, KTA shall on-grant to KEK the entire proceeds of the financing specified in the Financing Agreement received by KTA from the Recipient pursuant to Implementing Arrangement Number 1, as the same may be amended from time to time with the Association's prior written consent, and such term includes all schedules and agreements supplemental to such Implementing Arrangement Number 2;
13. "Implementing Arrangement Number 3" means the agreement, satisfactory to the Association, to be entered into between the Recipient and KTA, referred to in the Co-financing Agreement, pursuant to which, *inter alia*, the Recipient shall make the proceeds of the Co-financing available to KTA, as the same may be amended from time to time with the Association's prior written consent, and such term includes all schedules and agreements supplemental to such Implementing Arrangement Number 3;
14. "Implementing Arrangement Number 4" means the agreement, satisfactory to the Association, to be entered into between KTA and KEK, referred to in the Co-financing Agreement, pursuant to which, *inter alia*, KTA shall on-grant to KEK the entire proceeds of the Co-financing received by KTA from the Recipient pursuant to Implementing Arrangement Number 3, as the same may be amended from time to time with the Association's prior written consent, and such term includes all schedules and agreements supplemental to such Implementing Arrangement Number 4;
15. "Implementing Arrangement Number 5" means the agreement, satisfactory to the Association, to be entered into between the Recipient and KTA, referred to in Section III of Schedule 2 of this Agreement, pursuant to which, *inter alia*, the Recipient shall make the proceeds of the Financing available to KTA, as the same may be amended from time to time with the Association's prior written consent, and such term includes all schedules and agreements supplemental to such Implementing Arrangement Number 5;
16. "Implementing Arrangement Number 6" means the agreement, satisfactory to the Association, to be entered into between KTA and KEK, referred to in Section III of Schedule 2 of this Agreement, pursuant to which, *inter alia*, KTA shall on-grant to KEK the entire proceeds of the Financing received by KTA from the Recipient pursuant to Implementing Arrangement Number 5, as the same may be amended from time to time with the Association's prior written consent, and such term includes all schedules and agreements supplemental to such Implementing Arrangement Number 6;

17. “Implementing Arrangements” means, collectively, Implementing Arrangement Number 1, Implementing Arrangement Number 2, Implementing Arrangement Number 3, Implementing Arrangement Number 4, Implementing Arrangement Number 5, and Implementing Arrangement Number 6.
18. “Incremental Operating Costs” means reasonable and necessary incremental expenditures, as approved by the Association on the basis of budgets acceptable to the Association, incurred by the Project Management Unit on account of Project technical support, implementation, facilitation, coordination, monitoring and evaluation, not otherwise financed under the ESCLR Project, including consultant fees (not otherwise financed under consultants’ services), consumable office supplies, office equipment maintenance and repair, vehicle operation (including fuel) and repair, communication, translation and interpretation, production of documents, publication of advertisements and procurement notices, travel costs, including air fare, local transport, study tours, workshops, conferences, public consultations, hotel and per diem charges, and other miscellaneous costs as may be agreed with the Association, but excluding salaries or honoraria of officials and employees of the Recipient and PISG;
19. “Independent Commission for Mines and Minerals” or “ICMM” means the Independent Commission for Mines and Minerals, an independent regulatory body, established pursuant to UNMIK Regulation Number 2005/2 of 21 January 2005, or any successor or successors thereto;
20. “KEK” means Korporata Energjetike e Kosovës Sh.a, the Kosovo Energy Corporation J.S.C., incorporated under the laws of Kosovo as of December 22, 2005, and registered with the Kosovo Registry of Business Organizations and Trade Names under the number 70325399, or any successor or successors thereto;
21. “Kosovo Trust Agency” or “KTA” means the Kosovo Trust Agency, established pursuant to UNMIK Regulation No. 2002/12 of June 13, 2002, or any successor or successors thereto;
22. “MEM” means the Ministry of Energy and Mining within the PISG, or any successor or successors thereto;
23. “MESP” means the Ministry of Environment and Spatial Planning within the PISG, or any successor or successors thereto;
24. “MFE” means the Ministry of Finance and Economy within the PISG, or any successor or successors thereto;
25. “Operations Manual” means the Operations Manual referenced in paragraph 15 of the Appendix to the Financing Agreement, as the same may have been and may be amended from time to time with the Association’s prior written approval;
26. “PISG” means the Provisional Institutions of Self-Government established pursuant to UNMIK Regulation No. 2001/9 of May 15, 2001, on a Constitutional Framework for Provisional Self-Government in Kosovo, as amended,

promulgated by the SRSG pursuant to the authority given to him under United Nations Security Council Resolution 1244 (1999) of June 10, 1999;

27. "Procurement Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006;
28. "Procurement Plan" means the procurement plan for the Project, dated May 2, 2006, prepared by the Project Management Unit, adopted by KEK, and endorsed by the Recipient, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
29. "Project Coordination Committee" or "PCC" means the committee established for purposes of the ECSLR Project, referred to in Section I of Schedule 2 to this Agreement, which is chaired by MESP and which includes representatives from KEK, KTA, MEM, ICMM, and the Municipality of Obiliq/Obilic, and subject to such modifications of the foregoing as the Recipient and the Association may agree upon from time to time;
30. "Project EIA" means the environmental impact assessment prepared and to be prepared by KEK and satisfactory to the Association in respect of the activities and investments to be undertaken by KEK under Part E of the Project, and as required by Section II of Schedule 2 to this Agreement;
31. "Project EMP" means the environmental management plan to be prepared by KEK, and satisfactory to the Association, in respect of the activities and investments to be undertaken by KEK under Part E of the Project, and as required by Section II of Schedule 2 to this Agreement, describing the environmental issues, mitigation, monitoring and institutional measures for the related activities and investments, as the same may be amended and supplemented from time to time with the Association's prior written approval;
32. "Project Management Unit" or "PMU" means the project management unit established within the Mining Division of KEK, referred to in Section I of Schedule 2 to this Agreement, and comprised of a qualified PMU Director, a Construction Management Specialist, a Financial Specialist, a Procurement Specialist, a Mining Specialist, a Mechanical Specialist, an Environmental Specialist, and a Communication/Social Specialist, and such other qualified staff of KEK and consultants and advisors as may be required for Project purposes, and subject to such modifications of the foregoing as the Recipient, KEK and the Association may agree upon from time to time;
33. "SRSG" means the Special Representative of the Secretary-General of the United Nations, appointed pursuant to United Nations Security Council Resolution 1244 (1999) of June 10, 1999;
34. "Training" means expenditures, as approved by the Association, on the basis of budgets and plans prepared by the PMU and revised semi-annually, acceptable to

the Association, not otherwise financed under the ESCLR Project, and incurred in connection with training, workshops, seminars, conferences, and study tours to be carried out under the Project, including travel costs and per-diem allowances for the trainees, and other training-related expenditures as agreed with the Association; and

35. “UNMIK” means the United Nations Interim Administration Mission in Kosovo, established pursuant to United Nations Security Council Resolution 1244 (1999) of June 10, 1999.

**Section II. Modifications to the General Conditions**

The modifications to the General Conditions for Credits and Grants of the Association dated July 1, 2005 are as follows:

1. The last sentence of Section 1.01 of the General Conditions is deleted.
2. Section 4.02 of the General Conditions is replaced with the following:

“Section 4.02. *Performance of the Project Implementing Entity*

The Recipient shall: (a) ensure that the Project Implementing Entity performs all of its obligations, functions and responsibilities set forth in or contemplated by the General Conditions and the Agreement in accordance with the provisions thereof; and (b) not take or permit to be taken any action which would prevent or interfere with such performance.”

3. Section 40 of the Appendix to the General Conditions is replaced with the following:

“40. ‘Project Implementing Entity’ means Korporata Energjetike e Kosovës Sh.a, the Kosovo Energy Corporation J.S.C., incorporated under the laws of Kosovo as of December 22, 2005, and registered with the Kosovo Registry of Business Organizations and Trade Names under the number 70325399, or any successor or successors thereto.”