

**Republic of Kosovo**

**Ministry of Economic Development**

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**Kosovo Energy Efficiency and Renewable Energy Project (KEEREP)**

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**OPERATIONS MANUAL**

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## ABBREVIATIONS

|                |   |
|----------------|---|
| <i>CG</i>      | Coordination Group  |
| <i>ECA</i>     | Europe and Central Asia Region                                |
| <i>EE</i>      | Energy Efficiency   |
| <i>EIA</i>     | Environmental Impact Assessment                               |
| <i>EMF</i>     | Environmental Management Framework                            |
| <i>EMP</i>     | Environmental Management Plan                                 |
| <i>ESCO</i>    | Energy Service Company  |
| <i>FI</i>      | Financial Institution   |
| <i>FMR</i>     | Financial Monitoring Report                                   |
| <i>FMS</i>     | Financial Management System                                   |
| <i>GHGs</i>    | Greenhouse Gases  |
| <i>GOK</i>     | Government of Kosovo  |
| <i>IBRD</i>    | International Bank for Reconstruction and Development         |
| <i>IFRS</i>    | International Financial Reporting Standards                   |
| <i>KEEA</i>    | Kosovo Energy Efficiency Agency (Project Implementation Unit) |
| <i>KEEREP</i>  | Kosovo Energy Efficiency and Renewable Energy Project         |
| <i>LM</i>      | Line Ministry   |
| <i>M&amp;E</i> | Monitoring and Evaluation                                     |
| <i>MoED</i>    | Ministry of Economic Development                              |
| <i>MF</i>      | Ministry of Finance   |
| <i>MoU</i>     | Memorandum of Understanding                                   |
| <i>NGO</i>     | Non - Governmental Organization                               |
| <i>OM</i>      | Operations Manual   |
| <i>PAD</i>     | Project Appraisal Document                                    |
| <i>PMAS</i>    | Project Management Accounting System                          |
| <i>TA</i>      | Technical Assistance  |
| <i>ToR</i>     | Terms of Reference  |
| <i>WB</i>      | The World Bank  |
| <i>AC</i>      | Air Conditioning  |
| <i>BI</i>      | Beneficiary institutions                                      |
| <i>CAO</i>     | Chief Administrative Officer (General Secretary)              |
| <i>COA</i>     | Chart of Accounts   |
| <i>COFOG</i>   | Classification of the Functions of Government                 |
| <i>CPO</i>     | Commitment and Payment Orders                                 |
| <i>DBF</i>     | Division of Budget and Finance                                |
| <i>CFO</i>     | Chief Financial Officer (Head of DBF)                         |
| <i>EOI</i>     | Expression of Interest  |
| <i>ERO</i>     | Energy Regulatory Office                                      |
| <i>FIT</i>     | Feed-in Tariff  |
| <i>FMC</i>     | Financial Management and Controls                             |
| <i>FMS</i>     | Financial Management Specialist                               |
| <i>GFS</i>     | Government Financial Statistics                               |
| <i>GIZ</i>     | German Federal Enterprise for International Cooperation       |
| <i>IAD</i>     | Internal Audit Department                                     |
| <i>IAS</i>     | International Accounting Standards                            |
| <i>IFRS</i>    | Interim Financial Reports                                     |
| <i>IPSAS</i>   | International Public Sector Accounting Standards              |

|       |   |
|-------|---|
| ISA   | International Standards on Auditing                   |
| KFMIS | Kosovo Financial Management Information System        |
| KfW   | German government-owned development bank              |
| kWh   | Kilowatt-hour   |
| LPFMA | Law on Public Financial Management and Accountability |
| MESP  | Ministry of Environment and Spatial Planning          |
| MW    | Megawatt  |
| NEEAP | National Energy Efficiency Action Plan                |
| NOB   | No Objection  |
| NREAP | National Renewable Energy Action Plan                 |
| PFM   | Public Financial Management                           |
| RFP   | Request for Proposal                                  |
| SBD   | Standard Bidding Document                             |
| SOE   | Statement of Expenditure                              |
| SPN   | Special Procurement Notice                            |
| STA   | Single Treasury Account                               |
| UNDP  | United Nations Development Programme                  |
| USAID | United States Agency for International Development    |

This Operations Manual (OM) lays out the principles and implementation rules governing the Kosovo Energy Efficiency and Renewable Energy Project (KEEREP). In so doing it gives guidance to all the key actors involved in project management, implementation and monitoring. The Manual has the goal of creating a common understanding of project principles and practice for all stakeholders, and it aims to create the foundation for a partnership among all. The contents of this document including the annexes cannot be modified or set aside without the explicit approval of the World Bank, based on the recommendations of the MoED/KEEA (PIU).

The draft is based on the experience and the OMs of similar Energy Efficiency (EE) Projects from the World Bank's Europe and Central Asia Region (ECA). This provides a good platform for launching the KEEREP project operation, but may also serve as a solid foundation for further building and development of EE and renewable energy (RE) for the Republic of Kosovo. It includes the following key components:

**1. Management and Institutional Structure:** This draft OM proposes a simplified management structure:

- Coordination Group composed of key ministries in energy policy making (MoED/KEEA) and key beneficiary institutions at the central government level (Line Ministries);

**2. Investment Policy and Eligibility Criteria.** The KEEREP will finance only EE and RE projects and will target the subprojects with the highest demonstration and replication potential. Subprojects to be financed by KEEREP have to be selected based on agreed eligibility criteria and in close cooperation with the key participating line ministries that make up the project's Coordination Group (CG). Thus, beneficiary institutions (BI) will play the most important role in nominating potential subprojects. KEEA, through its PIU will identify potential buildings (i.e. hospitals, university buildings or other central government buildings) against pre-determined eligibility criteria, agreement by the relevant line ministry in the CG and among those units that have passed preliminary energy audit already, as follows:

- buildings must be owned by the central government (excluding publicly-owned enterprises);
- buildings must be structurally sound, not had a full EE renovation in the past 10 years and must be at least 5 years old ;
- there are no plans for office moves, closure or privatization; and;
- Some buildings related to defense or police (e.g., prisons) would not be eligible.

**3. Financial Support** proposed under KEEREP is an investment to cover of the proposed energy saving plan for the eligible public beneficiaries. The MoED/KEEA may also decide on other financial products to better suit the targeted sectors and reach the EE targets and social benefits.

**4. Capacity Building** is essential for the development of the EE market and to ensure quality implementation. This is also relevant for Kosovo and essential technical assistance (TA) is expected to be provided by the project.

One of its goals will be training project developers and raising awareness, sharing success stories and educating all potential users in EE technologies practical application.

One of the primary goals of this project will be to provide comprehensive training to key stakeholders including project developers, energy auditors etc.

**5. Project Cycle** describes the step by step process to examine and assist in project preparation until the approval for financing and further for post-implementation support and energy saving measuring

**Considerations:** Few products to be developed for the sake of the better project management:

- Guidelines to Initial Project Proposal, Environmental Questionnaires, etc.
- Methodology on assessment of energy savings and GHG emissions reductions to be based on local legislation and donors' requirements and approved by the Coordination Group.

## **1 INTRODUCTION**

### **1.1. *KEEREP in the context of EE and RE development policies***

The project directly supports Kosovo's recently passed Energy Efficiency Law and associated National Energy Efficiency and Renewable Energy Action Plans (NEEAP, NREAP). The GOK is now developing a suite of secondary legislation to establish coherent energy efficiency (EE) policy framework.

The World Bank's Country Partnership Strategy (CPS) for Kosovo (FY12 – FY15), approved in May 2012, provides comprehensive support for the implementation of the Government's strategies for (i) economic growth and employment generation, and (ii) improvements in environmental management. The CPS is divided into two pillars. Pillar I aims at accelerating broad-based and sustained growth in six main areas, one of which is strengthening infrastructure, particularly that of energy. Security of energy supply is crucial to achieve accelerated growth and job creation, improved quality of life, an improved business environment, better governance and investments in agriculture and human capital. Pillar II seeks to support the GOK in increasing EE and the use of RE, reducing environmental hazards, enhancing water supply, and moving toward harmonization with EU environmental standards. The proposed project would thus address both pillars.

The proposed project will complement other donors' investments in the sector. Two donors, KfW and the European Union (EU), are both active in EE in the public municipal buildings. The EU is renovating some 65 municipal buildings (63 schools, 2 hospitals) on a grant basis. KfW is negotiating concessional loans with four creditworthy municipalities to renovate about 30 municipal buildings. EBRD recently launched a credit line for EE for small and medium enterprises and households. No donors are currently working on renovation of central government buildings. In addition, KfW is working to ensure the Kosovo B power plant is cogeneration-ready, which would provide the necessary heat to the Pristina district heating network. Combined with financial support to rehabilitate parts of the network, improve metering and billing systems, and investments to expand the network, these efforts would lead to significant energy savings and enhance the financial viability of the system while allowing additional buildings, including public consumers, to be connected to the system.

The proposed activities are also fully complementary to ongoing TA. Two new studies have been commissioned by KfW: a Wind Atlas and a Security of Supply Study by Vattenfall. Both USAID and GiZ have been providing TA to the ERO for the development of overall regulation essential to responsibly meeting their mandate and IFC is preparing to assist with further RE regulatory support. GiZ has also been providing TA and capacity building to KEEA to develop the second NEEAP. And, UNDP is complementing existing donor activities in both EE and RE with the preparation of a national greenhouse gas (GHG) inventory and a climate change/green development strategy. The European Commission and the Bank co-hosted the "Donors Conference on Sustainable Energy for Kosovo" donors' conference in May 2013 to raise financing for the closure of Kosovo A and EE and RE investment programs, and to coordinate ongoing efforts in these areas.

## **1.2. Key objectives**

### **A. Proposed Development Objective (PDOs)**

The project development objectives (PDOs) are to:

- (i) reduce energy consumption and fossil fuel use in public buildings through energy efficiency (EE) and renewable energy (RE) investments; and
- (ii) Enhance the policy and regulatory environment for RE and EE.

To achieve these PDOs, the proposed project consists of three components:

1. EE and RE investments in public buildings;
2. RE and EE policy and regulatory support, as well as related RE resource assessments;
3. Project implementation support.

### **B. Key Results**

Progress made under the proposed project will be monitored according to these key project performance indicators:

- (a) Reduced energy use in central government buildings (kWh);
- (b) Increased RE generation licenses approved by ERO (MW);
- (c) Development of a sustainable financing mechanism for EE investments in the municipal sector (e.g., public EE revolving fund); and
- (d) Enhanced policy and regulatory mechanisms developed and adopted to scale-up EE and RE (e.g., updated feed-in-tariff frameworks for RE technologies, rulebooks for RE grid balancing and curtailment, EE building certificates, select RE prefeasibility studies, etc.).

## 2 PROJECT COMPONENTS

The project will be supported by a US\$31 million IDA credit to provide the necessary investment financing and policy support in order to meet the above PDOs and government EE/RE targets. Given the nascent state of the market in Kosovo today, it is proposed that the investment component focus on the public sector, which can demonstrate the benefits of EE/RE and help build the demand for related products and services. Such an approach can also help institutionalize technical standards and quality control for further market development, demonstrate commercial viability and enhance awareness of such investments, establish institutional capacity in the government agencies and suppliers to incorporate EE/RE into their facilities, and catalyze the supply chain for clean energy goods and services. The common ownership would also allow the project to be done at a greater and rapid scale than typical market-based schemes, thereby creating more consistent and stable demand while helping to foster various business models, such as energy service companies (ESCOs). As the markets and institutional capacities develop, and household energy pricing continues to move towards cost recovery levels, investment programs in the residential sector (where about 72 percent of the EE potential in building sector lie) will become more viable. In order to realize the PDOs, three components will be carried out. These include: (i) EE and RE investments in public buildings; (ii) RE and EE policy and regulatory support, as well as related RE resource assessments; and (iii) project implementation support. Details are provided below.

### **Component 1: Energy efficiency and renewable energy investments in public buildings (US\$29.56 million)**

Under this Component, EE and RE investments (“subprojects”) would be undertaken in public facilities (both central-owned and municipal government buildings). It is expected that such subprojects will generate demonstrable energy cost savings and social co-benefits (e.g., improved indoor temperature and comfort, reduced occupant sick days, better indoor air quality, and reduced local/global pollution).

Specific criteria have been agreed and are provided below. Detailed energy audits will be conducted to identify economically justified measures (i.e., simple payback period under 10-12 years with adjustment for comfort levels) and would focus on typical building-level energy measures such as building envelope (windows, doors, wall/roof insulation), heating systems (boilers, piping and insulation, radiators, valves/controls, meters), fuel switching (lignite/oil to biomass or district heating when viable, solar water heating, heat pumps), cooling and ventilation, pumps/fans, lighting, and improved operations and maintenance practices. While several RE systems may be viable in the medium-term, the project would focus on conversion of lignite/oil boilers to sustainable biomass (e.g., use of wood chips, briquettes, pellets from underutilized wood residue) boilers and solar water heaters (SWHs). A limited amount of additional funds (5-10%) would be made available for costs not directly associated with EE/RE measures but necessary to ensure a logical completion to the renovation works (e.g., wiring, painting, minor roof repairs).

Two sub-components are proposed. These include:

- (a) **EE and RE investments in central government buildings** (US\$22.0 million). There are some 330 centrally-owned government buildings across the country with more than 180,000 m<sup>2</sup> of floor area. Centrally owned buildings span several ministries, with the main users being Education, Health, Justice and Culture. All these buildings have very high energy use and most meet or exceed norms for internal comfort levels, with estimated energy savings potential of over 40 percent. Under this subcomponent, it is proposed to finance eligible EE and RE investments in central government buildings—about 140 buildings—thereby significantly reducing energy use and public expenditures

in heating and power services. Agreed eligibility criteria will include: (i) buildings must be owned by the central government (excluding publicly-owned enterprises); (ii) buildings must be structurally sound, not had a full EE renovation in the past 10 years, and be at last 5 years old; (iii) there are no plans for office moves, closure or privatization; and (iv) some buildings related to defense or police (e.g., prisons) would not be eligible.

- (b) **Pilot EE investment program for municipalities** (US\$6.0 million). Municipal public buildings account for 1,480 buildings, representing some 2.36 million m<sup>2</sup>. A pilot municipal EE financing program has been developed to test schemes to accelerate the transition to more commercial financing, such as requirements for partial co-financing, partial payments to contractors based on actual energy savings, and mechanisms to allow the funds to revolve. The program involves 1-2 rounds of competitive calls in the latter years of the project for municipal proposals for grants to support building and street lighting improvements with some co-financing requirement, or possibly a budgetary mechanism to recover part of the funds. This component would test various schemes in order to help MoED formulate a broader program to address the full municipal market.
- (c) **Technical studies and supervision** (US\$1.36 million). This subcomponent would include consultancies to support the investment component, including conducting of building energy audits, development of detailed designs and bidding documents, construction supervision, and project commissioning/passports. It would also include technical assessments needed for adequate disposal of any hazardous materials from the renovations as well as their actual disposal and a pre-and post-renovation building occupant satisfaction surveys.
- (d) **Training of firms** (US\$0.20 million). This subcomponent would support targeted training of design firms, construction companies and other EE/RE service providers to ensure adequate technical competencies and learning lessons from early projects, such as reasons for variations from energy audits and commissioning, typical technical design and construction weaknesses, etc. Through this, information dissemination related to early project impacts and results, broad dissemination of RE investment, etc. would also be disseminated for potential replication in other sectors.

**Component 2: Policy and regulatory support for RE/EE** (US\$2.30 million). The Law on Energy Efficiency, 1<sup>st</sup> and 2<sup>nd</sup> NEEAPs, NREAP and other packages approved by GOK provide a strong base for sustainable energy development within Kosovo. Now, greater effort is needed to develop the necessary secondary legislation, regulations, rulebooks and other aspects to allow implementation to take place, while conforming with EU guidelines and helping them to meet their obligations under the Energy Community Treaty. In addition, reliable and complete resource data is needed to help foster further investments.

Under this component, two subcomponents are proposed:

- (a) **Support to ERO for RE and EE development** (US\$1.6 million). This subcomponent will focus on four areas: (i) support for the regulatory regime as it relates to RE, including FiTs, and consumption-based DH tariffs to ensure an effective and economically efficient policy and regulatory regime; (ii) streamlining the permitting and licensing process, including mechanisms to monitor applications; (iii) support for formalizing the grid integration rules, including grid balancing, curtailment, etc.; and (iv) further analyses on FiT cost recovery mechanisms and impacts on consumer affordability. This package of regulatory support includes stakeholder roundtables and public consultations, development of guides and information to potential project developers and ERO staff

training. ERO will also undertake one detailed RE assessment (small hydro), complete with site specific measurements, in coordination with relevant ministries and technical agencies, to provide more comprehensive and reliable data and analysis and disseminate it to potential project developers.

- (b) **Support to MoED for EE secondary legislation and implementation** (US\$0.70 million). While the EE Law is in place, secondary legislation and implementation remain underdeveloped. Further, MESP has recently adopted or plans to adopt a number of laws relating to buildings (e.g., Condominium Law, Law on Construction) which then have to be implemented. Under this subcomponent, support will be provided to MoED to: (i) develop a sustainable municipal EE financing scheme (e.g., revolving EE fund) to scale-up the municipal EE pilot program under Component 1b; and (ii) review of public procurement rules as they relate to energy efficient equipment and services (e.g., ESCOs). In addition, support to MESP under the project will be provided to: (iii) develop an implementation plan for the new obligation to establish homeowner associations (HOAs) and help pilot some to implement EE measures.

**Table 1. Component 2 Budget Breakdown**

| Subcomponent  | Description  | Cost       |
|---|--|------------|
| <b><i>Support to ERO for RE/EE development</i></b>                              |  |            |
| Regulatory Support for Renewal Energy Regulatory Framework and Grid Integration | Comprehensive review of RE regulatory regime, incl. economic incentives (FITs and tenors, COOs), efficiency, affordability, and develop package of adjustments for strengthening; Review and revise rules for RE grid integration, grid balancing, curtailment, etc. | \$ 600,000 |
| Streamlining of procedures and tariff analyses                                  | Review of regulatory processes and approvals, monitoring and enforcement practices, PPAs and grid connection agreements, etc. and develop package of improvements to streamline processes.   | \$ 450,000 |
| Small hydro resource assessment   | National resource assessment of small hydro potential (<10 MW) including at least one-year on-site measurements and data analysis; development of sustainable data collection and analysis functions within local institution.                                       | \$ 500,000 |
| ERO staff training  | Training of staff related to energy sector tariff setting, regulatory functions, licensing, and international best practices.  | \$ 50,000  |
| <b><i>Support to MoED for EE secondary legislation</i></b>                      |  |            |
| Development of Energy Efficiency Fund   | Review of legal options to establish revolving mechanism to finance municipal EE; development of governance, staffing and business plan.   | \$ 250,000 |
| Review of public procurement for EE   | Review of public procurement rules and development of package of changes to allow public agencies to purchase energy efficient equipment and EE services.  | \$ 200,000 |
| HOA implementation  | Develop templates and guides on establishing HOAs, information and roundtables on HOA formation, work with few pilot HOAs on full building renovations,  | \$ 250,000 |

|                 |                            |                     |
|-----------------|----------------------------|---------------------|
|                 | develop case studies, etc. |                     |
| <b>Subtotal</b> |                            | <b>\$ 2,300,000</b> |

**Component 3: Project implementation support (US\$ 0.64 million).** The project will also support the main implementing agency, KEEA, to help ensure effective project implementation of the other two components. This would include: (i) creation of a project implementation unit (PIU) within KEEA to carryout Components 1-2, including support for procurement, financial management, technical oversight, project monitoring and reporting, and financial audits; and (ii) training of KEEA and PIU staff to ensure effective implementation of the project and sustainability of project activities and goals.

**Table 2. Component 3 Budget Breakdown**

| <b>Subcomponent</b>                             | <b>Cost</b> |
|---|-------------|
| PIU   | \$402,041   |
| Financial audit                                 | \$19,302    |
| Operational Expenses (Translation, advertising) | \$70,454    |
| Contingency (5%)                                | \$23,818    |
| KEEA and PIU Training                           | \$100,000   |

### 3. ORGANIZATIONAL STRUCTURE AND GOVERNANCE

#### 3.1. Project Institutional Arrangement

The Financing Agreement envisage that the Recipient (Republic of Kosovo), more specifically KEEA shall through MoED act as the lead implementing agency for the project and maintain fiduciary responsibilities for all components. For this purpose, KEEA’s capacity will be strengthened with consultant support for procurement and financial management and technical supervision and oversight. These consultants will form a project implementation unit (PIU) and will maintain responsibility for day-to-day implementation of the project under the management of the KEEA’s Chief Executive Officer. To ensure proper coordination with the various line ministries and subproject beneficiaries under Components 1 and 2, it was agreed that MoED would establish a Coordination Group (CG), with invitations to relevant ministries (e.g., Finance, Education, Health, Public Administration, Local Government, Environment and Spatial Planning, Justice, Culture) to participate. The CG would be chaired by KEEA and would discuss issue related to project criteria, subproject pipelines, inter-ministerial coordination, budgeting and procurement, resolving of implementation issues, etc. For technical issues related to Component 3, KEEA will liaise closely with the concerned agencies (e.g., ERO, MESP, municipal association) on technical oversight of policy and regulatory advice, option papers, assessments and training to ensure proper coordination.

The proposed legal arrangements between IDA, MoED (on behalf of the Republic of Kosovo) and KEEA will include:

- Financing Agreement between IDA and MoED
- Public Budgeting Agreement between the MoF and MoED
- Memorandums of Understanding (MOUs) between MoED, line ministries and beneficiaries

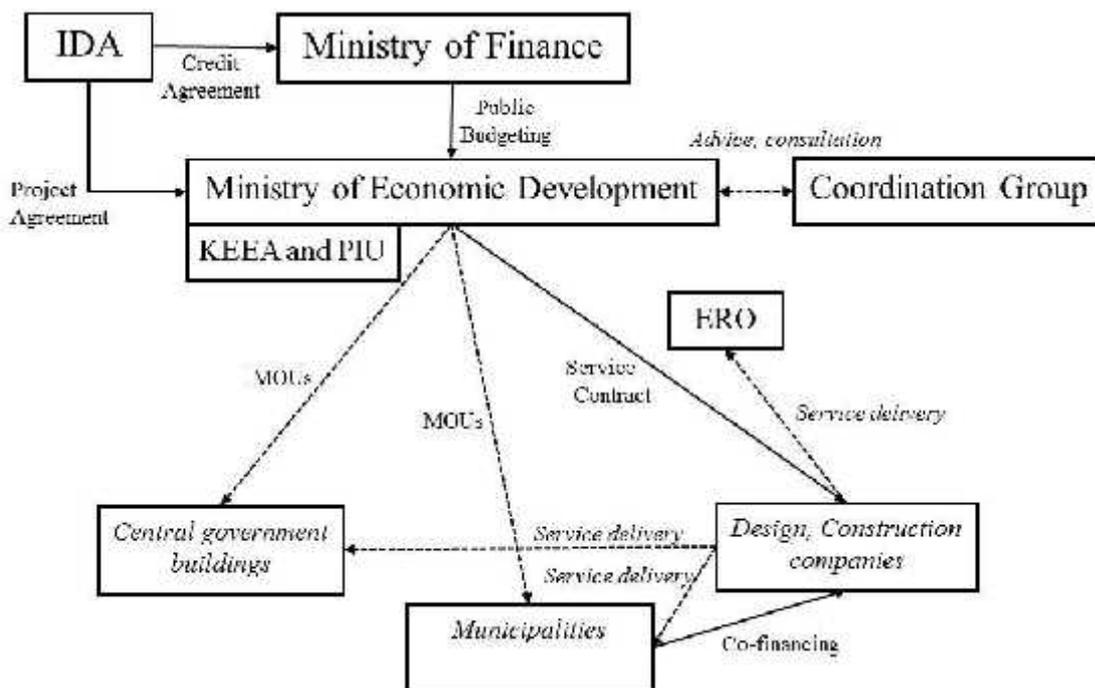


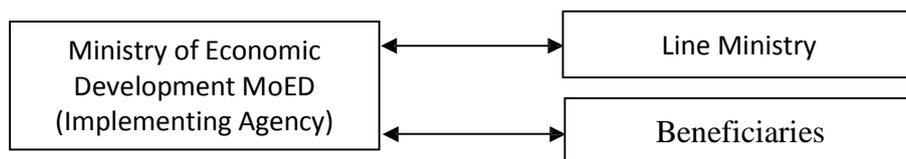
Fig.1 – Legal Arrangements

KEEA, through MoED, would also enter into tri-party Memorandums of Understanding (MOUs) with each building administrator and their line ministry, to clarify the roles and responsibilities of each party. The MoU will be signed between the MoED and each Line Ministry (LM) willing to join the project. The sample MoU is in the Annex 1 attached.

Once a letter of presented approval is issued by MoED, a MoU would be signed between the KEEA, and each subproject’s municipality (or any other directly governing local authority) and the Project Beneficiary. These letters will detail the specific terms and conditions under which grant proceeds will be provided for a specific subproject. Under these arrangements, the KEEA will establish the main conditions and terms under which the project can provide investment and TA support to the Project Beneficiary and establish the KEEA as a Special Agent of the Project Beneficiary for purposes of preparing detailed designs, performing technical supervision and conducting procurement and payment of contracts from the IDA credit proceeds.

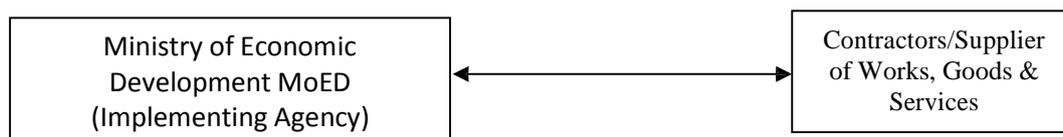
Basically it will serve as second stage in subproject development. After this stage contracting of works to implement investment for sub projects will start. Statements of accomplished works/invoices will be confirmed by the Project Beneficiary

**Stage 1. Memorandum of Understanding**



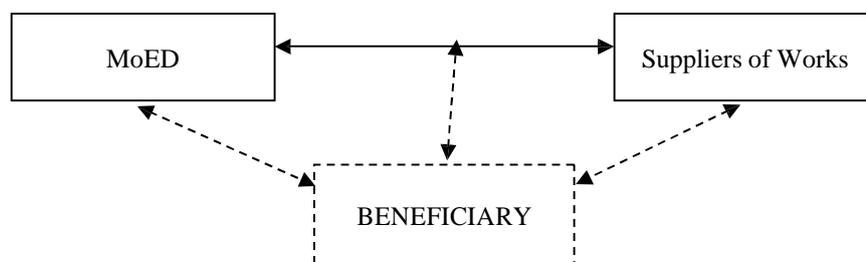
*Fig 2 Memorandum of Understanding*

**Stage 2. Supply Contract**



*Fig 3 Supply Contract*

Contracting of suppliers to implement investment for subprojects



*Fig 4 Contracting of suppliers to implement investment for subprojects*

### 3.2. Project Institutional Framework

The proposed institutional set up shown in Figure below

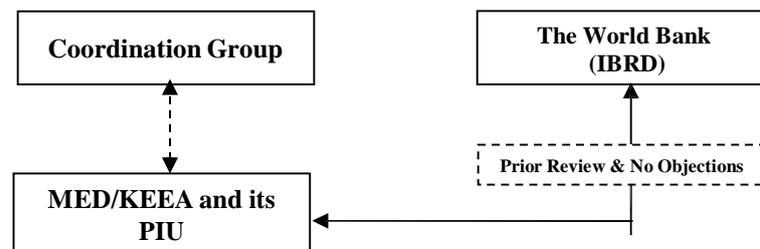


Fig. 5. Proposed institutional set up

### 3.3. Institutional responsibility of MoED and KEEA for project implementation

According to the Financing Agreement, more specifically under Section I, where Implementation Arrangements are defined it is envisaged that the Recipient (Republic of Kosovo) 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. 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.

Having in mind the institutional responsibilities and limitation within the Republic of Kosovo, the financing agreement envisages that implementation of this project will go through MoED, even though KEEA is referenced as executing agency. Due to the constraints that KEEA has in entering into financial obligations and disbursing the funds, it is envisaged that KEEA will work closely with respective offices inside MoED. Requests that deal with financial matters, including any procurement document, require approval of the relevant offices inside MoED. Therefore, all KEEA and the PIU responsibilities that are referenced under this OM are made with an understanding that KEEA and PIU will exercise these responsibilities within the organizational structure of MoED and within the limitation of responsibilities for approval of expenditure of funds in accordance with the procedures for financial control of MoED.

The KEEA under the MoED, as envisaged in the FA, will have the primary responsibility for project implementation, including evaluation and selection of subprojects, work planning, budgeting of operations, consultant contracting, technical supervision, financial management, monitoring and reporting. Due to the financial management controls in effect for committing and disbursement of the funds, the KEEA will be responsible for acquiring necessary approvals or signatures from authorizing persons within the MoED.

To satisfy the financial controls measures, when following the World Bank procurement guidelines for all procurements methods, there are a number of steps that KEEA needs to ensure that are taken for requests that need the authorizations of the official personnel within MoED. The preparation,

evaluation and awarding contracts will strictly follow the WB guidelines and will be implemented by the PIU and KEEA, but these steps will only ensure disbursement of funds. All aspects of procurement, including no objection from the WB, will be followed as envisaged in the WB procurement guidelines. Where KEEA and PIU are referenced in this document, it is with an understanding that they will act in full conformity with the steps listed below for authorization and signature. Aside from all other arrangements for implementation, the following steps need to be taken into account to ensure proper implementation:

- a. Request for commitment of the funds should be signed by the Commitment officer of the financing division of MoED and approved by Chief Administrative Officer (CAO).
- b. The procurement notices will be published by the Procurement division of MoED. Specific Procurement Notice (SPN) published in the local newspaper(s) of wide circulation, and in the United Nations Development Business on-line (through submitting draft SPN to the World Bank/Client Connection) and on MoED website;
- c. The procurement division of MoED will ensure that the bids are received as well as kept unopened in a locked safe until the bid opening date.
- d. The office of CAO of MoED will appoint the Evaluation committee, based on the proposal of PIU/KEEA, within 3 working days from the bid opening date.
- e. Evaluation committee will prepare the Evaluation Report with the recommendation for award, which will be sent to Procurement division;
- f. Procurement division of MoED will announce the contracts award to the lowest evaluated responsive bidder.
- g. Procurement division of MoED will publish the contracts.
- h. The CAO will authorize the disbursements according to the contracts.

The list of steps above does not in any way preclude other procurements steps needed to be taken by the PIU and KEEA to ensure that all relevant provision of the WB procurement guidelines are properly implemented.

For the purposes of KEEREP's successful implementation MoED has created PIU within KEEA. The PIU will initially consist of a Project Manager, Procurement Specialist, Environmental Specialist and Construction Engineer. After the project effectiveness - KEEA will hire a Financial Management Specialist (FMS).

Within the organizational structure of MoED mentioned above, The KEEA, through PIU will have primary responsibility to ensure:

- Initiation of Procurement processes of works, goods and consultancy
- Preparation of all necessary Procurement documents- request, financial declaration, Terms of Reference, Technical Specifications of works, goods and consultancy. ;
- KEEA/PIU will prepare the bidding documents, while the Procurement division of the MoED will ensure publication of all bidding documents, including the publication on the United Nations Development Business (UNDB) on-line, and the Bank's website.
- Development of annual plans, recommendations for future sub-project criteria;
- Reporting and developing the TA activities, including follow-up on the outcomes of market assessments and analysis etc.
- Providing technical oversight to and managing consultants, e.g., giving them contextual background, helping to identify suitable meetings, conducting technical reviews of outputs, ensure quality of the outputs, etc.;
- Organization of a promotion and information campaign regarding the KEEREP's procedures and activities at national, regional and local levels;
- Providing local public authorities and potential beneficiaries with technical assistance in

- subprojects identification;
- Social, environmental and technical (EE – the main criterion) appraisal of subprojects according to the criteria stipulated in the OM;
- Selection of subprojects for implementation according to eligibility criteria;
- Supervision of subprojects implementation;
- Providing local public authorities and beneficiaries with technical assistance to assure implemented subprojects sustainability;
- Training for the main participants of the KEEREP Project implementing process (KEEA staff, representatives of the LMs, Beneficiaries) on their capacity development for an efficient implementation of subprojects and achievement of objectives of the KEEREP Project;
- Project's progress monitoring and supervision of the financing process of all approved subprojects;
- Elaboration of reports and their presentation according to the destination;
- Analysis of the lessons learnt and best positive practices and their dissemination at a national and regional level;
- Creation of partnerships with the organizations, institutions interested in energy efficiency and local socio-economic development;

The KEEA is headed by the executive chief, who has the following prerogatives:

- Ensures the activity of the KEEREP and is personally responsible for the achievement of project objectives;
- Represents the KEEREP in its relations with the state and public organizations and with the international organizations;
- Administrates the assets and the financial resources of the KEEREP within the organizational structure of the MoED and its functions;
- Within the organizational structure of MoED, KEEA employs on a competitive basis and dismisses the Department's staff, consultants and other employees, determines the job obligations and work programs for them.

Within KEEA operates PIU with following staff:

1. Project Manager
2. Environmental Specialist
3. Procurement Specialist
4. Financial Management Specialist
5. Civil Engineer

The project will also support the main implementing agency, KEEA, to help ensure effective project implementation of the other three components. This would include: (i) creation of a project implementation unit (PIU) within KEEA to carryout Components 1-3, including support for procurement, financial management, technical oversight, project monitoring and reporting.

A special attention will be given to hiring an international EE advisor to review the nationally conducted assessments for the first tranche of selected beneficiaries. The draft TOR for PIU and an external consultant is presented in the Annex 4.

The KEEREP partners' mission will be to facilitate the successful implementation of the project. So doing, during the project they will provide KEEA with relevant comments and advice. This may include consulting firms, design and construction companies, industrial and municipal associations, banks, donors, and others.

### 3.4. The World Bank and other donors

The World Bank is the main financier of the project and will conduct their own project supervision and due diligence, ensuring KEEA adheres to its fiduciary obligations. The World Bank team will conduct supervision missions twice a year and report progress, discuss and help resolve implementation issues, and provide mission reports to the Government.

Donors are active in the EE sector and, as evidenced in Table 3.1, several ongoing and planned EE investment projects focus on the public building sector but none at the central level. Although the majority of Kosovo's municipalities are not currently creditworthy, donors such as KfW are working with four municipalities that now have some limited ability to take on loans for EE implementation.

Table 3.1: Ongoing and Planned EE Investment Projects

| Donor(s)      | Scope   | Amount                            |
|---------------|---|-----------------------------------|
| KfW, EU, WBIF | Termokos cogeneration project to improve DH connection (up to substations), possible network rehabilitation | <b>€ 26.2 million total</b>       |
|               |   | €11 million KfW loan/grant        |
|               |   | €13.2 million EU grant            |
|               |   | €2 million Pristina grant         |
| KfW, WBIF     | WBIF study and implementation of EE measures in public buildings at municipal level; ~30 buildings          | <b>€7.5 million total</b>         |
|               |   | €2 million WBIF grant             |
|               |   | €5.5 million KfW loan/grant       |
| EC            | Study and implementation of EE measures at municipal level; 65 buildings (ongoing)                          | <b>€15.6 million EU-IPA grant</b> |
| EBRD          | KoSEP - Credit line for RE/EE projects in SMEs and household sectors through participating commercial banks | <b>€15 million total</b>          |
|               |   | €3 million EC grant               |
|               |   | €12 million EBRD loan             |

## 4. SUBPROJECT CYCLE

### 4.1. Subproject identification

Subprojects to be financed by KEEREP have to be selected based on eligibility criteria and nominations from CG. Thus, line ministries will play the most important role in identification of potential sub projects. Based on calls for proposals, BIs will identify potential sub projects Beneficiaries (i.e. schools, hospitals or municipalities) against pre-determined eligibility criteria, among those entities that have passed preliminary energy audit already.

The eligibility criteria are as follows:

- buildings must be owned by the central government (excluding publicly-owned enterprises);
- buildings must be structurally sound, not had a full EE renovation in the past 10 years and must be at least 5 years old ;
- there are no plans for office moves, closure or privatization; and;
- Some buildings related to defense or police (e.g., prisons) would not be eligible.

Measures that are eligible for project support are:

- a) Building envelop measures:
  - insulation of walls, basements and attics,
  - repair/replacement of external doors,
  - Repair/replacement of windows, window optimization (window optimization involves partial replacement of existing windows with walls while complying with day-lighting requirements).
- b) Heating and cooling systems:
  - boiler upgrade/replacement,
  - fuel switching, i.e., from oil to biomass
  - connection to District Heating systems
  - reflective surfacing of walls behind radiators,
  - control systems,
  - pipe insulation,
  - chiller/AC replacement,
  - Heat pumps.
- c) Lighting:
  - compact fluorescent lamps,
  - high pressure sodium vapor (for street/external lighting),
  - Light emitting diodes.
- d) Power systems and other energy-using systems
  - pumps and fans,
  - Solar water heating.

The list of eligible EE measures is non-exhaustive (i.e. some of other activities/measures, that are not listed, might be considered as long as they are not in the negative list), and could be added to the

eligible list in consultation with the World Bank. Buildings that are listed as Cultural Heritage sites must

have their designs approved by the relevant Government agencies before any renovation works can take place.

### **Non-eligible subprojects**

The Kosovo Energy Efficiency and Renewable Energy Project does not support financially the following typologies of subprojects:

- Administrative services and facilities, i.e. rehabilitation of political parties' offices and trade unions' offices, rehabilitation of cooperatives' or other owner groups' facilities, procurement of transport units or other machines to be used by mayor's office workers;
- religious infrastructure facilities and services as the rehabilitation of churches, mosques, chapels and other buildings for religious purpose;
- Investments in facilities with a commercial character, as private, commercial and entertainment facilities (bars, dance clubs, camps, health strengthening centers, etc.);
- Buildings related to national defense and correctional facilities (prisons); and
- other types of projects and activities, as would be any actions that would have a negative impact on the environment either encourage the marginalization of some social and ethnical groups; subprojects which would double other projects and activities supported by other institutions; subprojects/subprojects and activities that run counter to the Legislation of Kosovo; any project proposal submitted by the communities that have not followed their obligations assumed in front of KEERP regarding the maintenance and sustainability of the previously renovated objects; rehabilitation of summer camps for children; any investment required by NGOs for the buildings that are not a public privacy.
- Any subproject which would result to trigger of the Operational Policy on Involuntary Resettlement will be excluded from funding.

### **4.2. Initial subproject screening**

Due to lack of staff within KEEA, the IC Clean Energy that is conducting energy audit under WBIF grant in agreement with World Bank and KEEA, should prepare the list that includes the buildings that fulfill eligibility criteria. The KEEA/PIU will screen the buildings, and if eligible, add them to the list of buildings for energy audits. After pass the screening, the energy audit will be conducted under the WBIF grant also shall be subject of reviewing by the World Bank and KEEA. The screening will include the Environmental Screening as described in the Environmental Management Framework screening procedures and the checklists and section 6 below.

### **4.3. Appraisal**

The KEEA then will review the energy audit reports and rank the identified EE measures based on potential energy savings (i.e., percentage of potential energy reduction with all measures with payback period of less than 10-12 years). A limited amount of additional funds (5-10%) may be made available for costs not directly associated with EE measures but necessary to ensure a logical completion to the renovation works (e.g., wiring, painting, minor roof repairs). Additional non-EE measures can be undertaken if the LM/BI agrees to coo finance these investments under the renovation works contract.

#### **4.4. Approval**

The KEEA will then submit list of appraised and selected sub projects to the Project Coordination Group (CG) for review. After reviewing of sub projects by CG, then KEEA will approve the sub projects.

The implementation of sub project will start from signing of MoU between KEEA, LM and beneficiary. Such MoU will detail responsibilities of each of parties from the very first steps till post implementation supervision.

#### **4.5. Detailed energy audit and design**

Under the related WBIF grant, managed by the World Bank, detailed energy audits of central government facilities are now being carried out in order to assess potential EE measures, estimate energy savings and assess their financial viability and identify potential hazardous waste that may result from the proposed renovations. KEEA will also have responsibility to review and accept these audits. As agreed, these audits will take into account existing comfort levels and design renovations to bring the indoor temperatures to national norms (20-22° C).

After such audit is completed, KEEA within the organizational structure of MoED will hire consultant firms to prepare detailed technical design, including specifications, bill of quantities and costs estimates of facilities subject to investment. These firms will also be required to conduct construction supervision and project commissioning. This design will also include the investigation and quantification of presences of the amount of hazardous materials, specifically asbestos and mercury containing light-bulbs, including specifications and bill of quantities for removal, packaging, transport and disposal/interim storage of these hazardous materials, personal safety equipment and monitoring requirements (Environmental Mitigation and Monitoring Measures) and estimate of costs as per the Environmental Management Framework. This will also include the location where the asbestos can be disposed and the interim storage location for the mercury containing light-bulbs as per EMF and Kosovo legislation. At this stage contract will be signed between KEEA and company only, KEEA being responsible for taking over of the design, but with official and formal acceptance of the beneficiary in order to ensure proper level of responsibility from beneficiaries' side. The final beneficiary will review and approve the final audit and design.

#### **4.6. Contracting**

Based on the design prepared by engineering company, KEEA within the organizational structure in section 3.3, will initiate call for bids and will award the contract to the lowest responsive bidder/contractor for implementation of civil/installation works and supply of equipment.

Selection will follow the World Bank procurement guidelines and procedures and will be focused on regional level due to the small size of investment per each Line Ministry and will use NCB method of procurement as explained in section 5.7. Buildings will be bundled to reduce the number of procurements. Contracts with awarded bidders will be signed by Procurement Division with countersigning by beneficiaries in order to ensure proper level of ownership and responsibility.

#### **4.7. Implementation**

The signed contract will authorize the start of the construction works. The contract will indicate the date when the beneficiary needs to make a site available for the contractor. This contract can be signed only after the Construction supervision firm has been contracted.

As works progress the contractor will submit a Statement of Accomplished Works (SAW) to the Construction supervision firm, who will sign off on the accomplished works after they are cross-verified by the beneficiary. The SAW will include the following information:

- Quantity of Work and Accumulated Quantity since the last SAW, reflecting any amendment to the original amount of works (change orders);
- % of consumed time as a percentage of the total expected duration of the contract; and
- Works completed, the total budgeted amount, accumulated disbursement, and the amount to be disbursed for the previous period.
- Compliance with the Environmental Management Plan.

#### **4.8 Construction supervision firm**

Under the KEEREP, a firm will be engaged for preparing detailed designs and technical specifications. This firm also will have responsibility for supervision and commissioning of the project.

The Construction supervision firm (CSF) will visit the subproject site at least once during sub-project implementation. During these visits, the CSF will meet with beneficiaries, supervisors and contractors to discuss any issues related to subproject implementation.

The CSF prepares the site reports and sends a copy of material acceptance to professional consultants. Oversee all phases of project and contract and sign payment parts as specified on contract. Administer contracts; evaluate schedules; monitor progress of the contractors on projects; ensure that project deadlines are met. This will include the carrying out of environmental supervision regarding proper removal, packaging, transport, and disposal/interim storage of the hazardous materials and use of personal safety equipment and monitoring in line with requirements of design and Environmental Mitigation and Monitoring Measures for each renovation based on the Environmental Management Framework. Evaluate on the completion and commissioning of the project, confirming its compliance with the investment plan. In case of deviation from those plans, justification of the differences and evaluation of consequences in terms of compliance of the project with the eligibility criteria of the Facility. The CSF will follow key steps:

1. Preparing detailed technical specifications and basic renovation designs
2. Preparation of the draft bidding document according to World Bank procurement procedures and technical assistance/advice for the KEEA evaluation committee during evaluation of bids.
3. Supervising and commissioning of works during project implementation

Commissioning Process:

- Pre-design phase - Select a commissioning lead, commissioning meeting and developing initial commissioning Plan outline

- Design Phase - Commissioning meeting-design phase, update commissioning Plan, begin planning for verification checklists, functional tests, systems manual and training requirements.
- Construction phase - Construction phase kick-of meeting and review submittals monitor development of shop and coordination drawings, review O&M manuals, perform ongoing construction observation, perform verification checks, perform functional testing, develop commissioning report and systems manual, verify and review training of owner`s staff.
- Operations phase - Resolve outstanding commissioning issues, perform seasonal - different testing, perform near warranty-end review

The CSF prepares the acceptance report for KEEA. After acceptance report CSF prepare commissioning report and energy saving testing report. In annex 6 is included the ToR for construction supervision firm.

#### **4.9 Post-implementation supervision**

According to the Project development objectives, the KEEA will pay special attention to supervision at the post-implementation stage.

The main goals of this supervision are as follows:

- Verify that the beneficiaries maintains the implemented sub-project operational and sustainable;
- Community awareness regarding the necessity in a sustainable local development;
- Active involvement of LM in the process of post-supervision and in the realization of the EE objectives.

The listed objectives will be realized by the KEEA through following activities:

- Monitoring and facilitation of the realized /subprojects sustainability plan implementation,
- Monitoring of the implemented subprojects impact on energy consumption reduction;
- Monitoring of the implemented subprojects impact on local development,
- Insurance of a permanent exchange of experience between the beneficiaries that have already implemented subprojects regarding the dissemination and replication of positive practices,

The supervision at the post-implementation stage will be performed using the following methods:

- Visits in field at least once in half a year, performed by the KEEA consultants in M&E;
- Discussions by telephone with the representatives of the beneficiaries having implemented the subproject,
- Participatory monitoring and evaluation visits performed once a year with a support from the beneficiary ,
- Trainings study tours realized with the KEEA support,
- Memorandum of Understanding signed with other institutions and organizations from the country and from abroad, activating in the area of EE

The Project cycle is subject to annual revision and approval by MoED/KEEA.

#### **Supervision in social context**

The project will also develop and implement pre- and post-renovation customer satisfaction surveys and social monitoring, to track the number of total project beneficiaries and co-benefits during

implementation, disaggregated by gender. The social monitoring and assessment of the implementation of EE measures will be conducted to define subjective perceptions of end users, employees and users of public services on indoor comfort satisfaction and define the level of knowledge and awareness of EE. The social monitoring survey will be conducted over the project implementation period, and will be applied on a selected sample of central government buildings. The work will assess 'pre-implementation' (i.e., before renovations), and 'post-implementation' (i.e., after renovation). The social monitoring will aim to measure: end users' satisfaction, perception of indoor comfort levels, awareness of EE, and additional benefits from the EE improvements (e.g., reduced sick days, increased productivity, increased budget for other priorities, etc.) The analysis will also assess whether there are patterns based on the gender and this will be reflected in the gender based analysis section of the social monitoring. Based on the findings the activity will provide a recommendation to the institutions that could be mainstreamed in the operations.

## 5. PROCUREMENT MANAGEMENT

### 5.1. *Procurement principles and procedures*

Procurement for the project will be carried out in accordance with World Bank's Guidelines. (i) "Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011; (ii) "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers", dated January 2011; and (iii) the provisions stipulated in the Financing Agreement, more specifically provisions in Annex 1 of the Financing agreement. The World Bank Guidelines on "Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credit and Grants" dated October 15, 2006 and revised on January 2011 would also apply.

Procurement activities will be carried out by KEEA, within the organizational structure of MoED in section 3.3, supported by the PIU established within KEEA.

An experienced procurement specialist familiar with the Bank procurement procedures was hired to assist with all procurement processes. The Bank's procurement staff based in the Washington, HQ will provide advice and assistance on a regular basis. The risk assessment rating for the entire project was done through Procurement Risk Assessment and Management System (P-RAMS). Identified risks and proposed mitigation measures are described below. The procurement risk is rated as "high". The procurement packages will be carefully prepared in order to foster national competition, wide and advance advertising will be carried out, and proactive search and contact of potential contractors, suppliers and consultants will be ensured. The procurement plan (PP) for the entire project was prepared during appraisal mission, the updated PP will be sent before Negotiations. The procurement plan will be updated at least once per calendar year or as required to reflect the actual project implementation needs and improvements in institutional capacity and each update will be subject to the Bank's prior review. No procurement can begin if the activities are not approved in the PP. The initial procurement plan together with the subsequent updates will be published on the Bank's external web site in line with the requirements of the Bank's Guidelines. All procurement activities should be carried out strictly in conformity with the procedures as stated in the World Bank guidelines. A General Procurement Notice covering the project procurement activities will be prepared and published after negotiations. Specific Procurement Notices will be published for all International Competitive Bidding (ICB) and National Competitive Bidding (NCB) procurement, as well as, all consulting services contracts as required under the respective Guidelines.

**Procurement of Works.** The works contracts above US\$2.0 million equivalent will follow ICB procedures. The works contracts below US\$2.0 million equivalent will be procured under NCB procedures. The Bank Standard Bidding Documents (SBD) shall be used for all ICB packages. In case of NCB, the "open procedure" shall be used as set forth in the Public Procurement Law and will take into account the NCB conditions set forth in the Financing Agreement. Works contracts with the estimated budget of less than US\$200,000 equivalent may be procured using Shopping procedures on the basis of at least three written price quotations obtained from qualified contractors.

**Procurement of Goods.** Goods contracts above US\$1,000,000 equivalent will be procured under ICB procedures using the Bank's SBD for procurement of goods. The NCB method will be applicable for procurement of goods contract with the estimated budget of less than US\$1,000,000. In case of NCB, the "open procedure" shall be used as set forth in the Public Procurement Law, and will take into

account the NCB conditions set forth in the Financing Agreement. Goods contracts with the estimated budget less than US\$100,000 or equivalent may be procured using Shopping procedures on the basis of at least three written price quotations obtained from qualified suppliers.

**Selection of Consultants.** The methods for selection of consultants will include Quality and Cost Based Selections (QCBS), Quality Based Selection (QBS), Fixed Budget Selection (FBS), Least Cost Selection (LCS), Selection based on Consultants Qualifications (up to US\$300,000), Single Source Selection in compliance with Paragraph 3.8 of the Bank's Consultant Guidelines, and Individual Consultants (IC). Contracts estimated to cost above US\$300,000 equivalent will be advertised through United Nations Development Business (UNDB) on-line, the Bank's website and local media (one newspaper of national circulation or the official gazette, and MoED's website). Shortlists of consultants for services estimated to cost less than US\$300,000 equivalent per contract may be composed entirely of national consultants under the provisions of paragraph 2.7 of the Bank's Consultant Guidelines.

**Operating Costs.** The reasonable incremental expenses to ensure proper implementation of the Project by the KEEA, as envisaged in the organizational structure of MoED, would include inter-alia communications, translations, and interpretation cost of advertisements lodging and per diem). Such costs will be financed by the project based on the annual work plan and budget prior reviewed and agreed by the Bank. The purchase will be carried out in accordance with the implementing agency's internal administrative procedures. Operating cost will not include salaries of officials of the Recipient's civil servants.

## **5.2. Procurement responsibilities and contracting**

Main procurement responsibility will remain at KEEA, with exceptions based on the organizational structure in section 3.3. KEEA will be responsible for the following:

- endorsement of specifications and terms of reference elaborated by technical staff / consultants / LPAs / beneficiaries and ensure that such specifications are neutral and do not favor any specific manufacturer / contractor;
- preparation of bidding documents
- through MoED (as applicable in section 3.3) procurement division to ensure advertisement in UNDB on-line, local newspaper and on web-portals of MoED (as applicable);
- through MoED (as applicable in section 3.3) procurement division to ensure collection of bids, opening in the presence of tender committee and bidders, preparation of bid opening minutes;
- technical assistance to tender committee in evaluation, preparation of bid evaluation reports;
- obtaining of necessary approvals and No Objection letters from the Bank;
- contract negotiations, preparing the draft contract for signing, contract management (including technical supervisors hired for this purpose).
- maintaining of all procurement files, including approved specifications or terms of reference, copies of advertisements, bids/proposals, lists of bids/proposals received, bids/proposals opening minutes, evaluation reports, minutes of negotiations, contracts, amendments and all relevant Bank's approvals and No Objections. These records will be kept as envisaged in the section 5.5 and will be available for the Bank for the period of at least 5 years after the end of the Project.

### **5.3. PIU database of interested consultants, suppliers and contractors**

The PIU will establish a computer based register of Consulting Firms, Individuals, suppliers, contractors who expressed interest in response to any type of advertisement ( SPN, EOI, etc.)

Information in the register would include:

1. Name of Consulting Firms, Individuals, suppliers and contractors
2. Area of expertise and brief information on qualifications (if available)
3. Date of expressing the interest
4. Contact details (info, address, e-mail, phone)

The register will be maintained in 2 parts:

- Suppliers (for Goods)/Contractors (for Works)
- Consulting Firm/Individuals

Prior registration is not a requirement for participation of bidders, suppliers, Consulting Firm, Individuals, etc.

### **5.4 Procurement supervision**

In addition to the Bank prior review supervision, it is recommended that the Bank's Procurement Specialist will carry out two supervision missions per year. The ex-post reviews will be conducted on a sample basis (20 percent in terms of number of contracts, i.e. one in five contracts) for the contracts that are not subject to Bank's prior review. All contracts below Bank's prior review threshold are subject to Bank's ex-post review in accordance with the procedures set forth in Appendix 1 to the Procurement Guidelines, and on a random basis. A post review report will be prepared, shared with KEEA and filed in the procurement post review system of the World Bank.

The dates and duration of the ex-post reviews will be agreed with KEEA. The PIU will be responsible for making readily available all required procurement documents for the ex-post review purposes.

Each contract financed from the proceeds of this credit shall provide that the suppliers, contractors, subcontractors, consultants and sub-consultants shall permit the World Bank, at its request, to inspect their accounts and records relating to the procurement and performance of the contract and to have said accounts and records audited by auditors appointed by the World Bank. The deliberate and material violation by the supplier, contractor or subcontractor, consultants or sub-consultants of such provision may amount to obstructive practice.

The Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank Group.

### **5.5 Record keeping**

- Due to the existing legislation in Kosovo for access to the official documents, and for ensuring transparency, the PIU will ensure that original documents are properly filled and kept in the respective departments of MoED to ensure that third parties have access to these documents.

Where PIU or KEEA is referenced for maintaining documents or record keeping, it means that the original documents may be kept by respective divisions responsible for record keeping inside the MoED. For the purposes of ensuring proper control, if the original documents should be kept within other divisions, the PIU or KEEA will be responsible for maintaining a copy of all project documents. Moreover, if required by the World Bank, the PIU or KEEA will ensure that the documents are available to the World Bank team. The PIU or KEEA are responsible that they maintain all records of location of original documents within the MoED institutional structure. Where KEEA or PIU are referenced in this document for the purposes of maintaining records, it is done with understanding that KEEA and PIU will act within their limitations and organizational structure of MoED.

- The KEEA's PIU, within the above mentioned organizational structure of MoED shall be responsible to maintain records on each of the steps taken during the procurement process. To facilitate monitoring, reporting, internal control, and implementation of check-ups it is mandatory to have effective system of handling documentation and reports. According to this system the PIU is obliged to store all procurement documentation in good order for the period determined by the current legislation or this Operational Manual whichever is later.
- At the expiration of the period of storage and/or once project funded staff leave at the end of the project, all files kept within the PIU shall be submitted to the Ministry's archives in accordance with established procedure. Documents that certify submission of file to the archive are permanently stored at the Ministry.
- The PIU or KEEA are responsible to maintain all records of location of original documents within the MoED institutional structure, with respect to each contract not subject to prior review during Project implementation and up to five years after the closing date of the Financing Agreement and the terms fixed by the national regulations, whichever is later.
- For each procurement, the procurement documentation is kept in files in chronological order.
- The files shall include at least the following:
  - Procurement request
  - Cost estimates
  - Short lists/ invitation to quote published in mass media, if any
  - Priced quotations
  - Bid Evaluation report and minutes of Evaluation Commissions minutes; Notification of contract award
  - Copy of purchase order or a contract and amendments to contract
  - Correspondence with suppliers, contractors and Firms
  - Records on changes of and amendments to the contract
  - Acceptance certificates, reports, delivery documents, etc.
  - Records on payments
  - Bank's no-objections, if necessary.
- Financial Division of MoED, shall keep the original contracts signed responsible for disbursement and a copy will be maintained in the procurement files. Original Bid Securities, Advance Payment Guarantees, Performance Securities shall also be passed to the section responsible for disbursement and copy will be kept by the Procurement Division of MoED. The records on passing these documents shall be enclosed in appropriate procurement files.
- The following information and documents shall also be made available:
  - Operations Manual, Financing Agreement, World Bank Procurement and Consultants Guidelines;

- Annual Procurement Plans and updates, Procurement Management Reports, Contract Management Forms, etc.;
- Register of firms and individuals expressed their interest;
- The prices and model technical specifications for commonly needed items.

**Evaluation Committee:** The office of CAO of MoED will appoint the Evaluation Committee (EC), based on the proposal of PIU/KEEA, within 3 working days from the bid opening date. (For consulting assignments, an EC will be appointed within 2 days of the due date for submission of expressions of interest (EOIs).) The EC will be comprised of at least 3 members, who are acknowledged as experts in the relevant fields, familiar with the project, and have sufficient English skills to carry out the evaluation of the bids and proposals. The EC uses the evaluation criteria set out in bidding documents and the RFP as issued.

The EC is not authorized to change, amend, or modify the technical specifications and TOR since bidders and consulting firms prepare their bids and proposals based on the technical specifications and TOR included in the bidding documents and RFP.

The judgment of the EC members has to be technically sound and objective, strictly complying with the procedures and evaluation criteria indicated in the bidding documents and RFP, and capable of providing an adequate explanation for each evaluation. The experience of EC members in the disciplines related to the assignment and their familiarity with evaluation techniques of bids and Consultants' proposals are both important. The EC should comprise individuals of comparable hierarchical levels and from the institution responsible for the outcome of the project. When making a proposal to appoint the EC, the PIU shall seek the advice of the team who drafted the TOR, who may indicate those qualification requirements of the EC members that will best fit the characteristics of the assignment.

Observing the above referenced requirements Evaluation Committees are set up to evaluate bids for particular contracts. The EC are set up in accordance with the annual Procurement Plans and particular needs for each bid.

The PIU Procurement Specialist will act as a Secretary to the Evaluation Committee and prepare minutes and evaluation reports as required.

Evaluators' impartiality is as important as their professional expertise and mastery of evaluation techniques. Consultants and other stakeholders must be informed that the evaluation process is objective, fair, and conducted strictly by the rules and procedures set out by the bidding documents and the RFP.

EC members must exhibit the highest standards of integrity, which preclude any questionable affiliation with bidders or the short-listed Consultants, including as an employee, Consultant, relative, or political or business affiliate. Failure to comply should disqualify the EC candidate.

All candidates should disclose in advance any perceived, potential, or actual conflict of interest that can affect their objectivity, even if doing so could lead to exclusion from the EC. All EC members should sign a written agreement to abide by restrictions on transactions with invited Consultants to ensure that the credibility of the evaluation process is preserved and confidence in the Borrower is maintained.

Observing the World Bank Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credit and Grants dated October 15, 2006 and Revised in January 2011, it is important that before starting the evaluation, the EC members should ensure that they:

- Have no conflicts of interest,
- Understand the evaluation (bids) the rating and scoring system (consulting services),
- Have been provided with evaluation worksheets, and
- Agree on how to evaluate the bids/proposals.
- Sign the Declaration of -impartiality and confidentiality

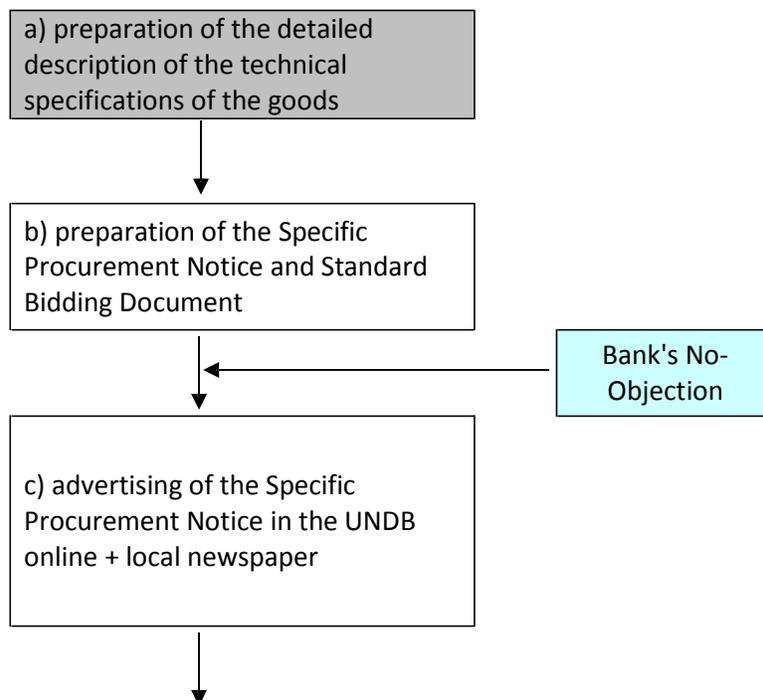
The office of CAO of MoED in consultation with PIU/KEEA will decide whether to select EC members from its own staff or to employ independent Consultants. Whenever possible, the first option should be preferred because it allows the Borrower to better assess (i) the integrity of the candidates, (ii) their professional background and competence, and (iii) their familiarity with proposal evaluation techniques.

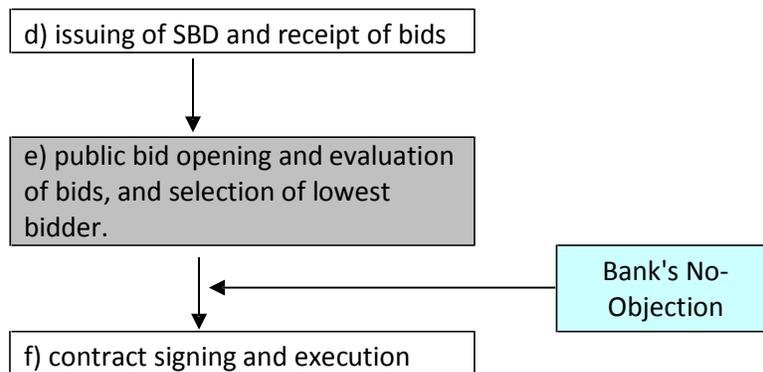
Assistance to the EC: If the PIU/KEEA cannot form a sufficiently competent and reliable EC, it should appoint an independent Consultant to assist the EC in the process of understanding the selection procedures; and carrying out the evaluation, including drafting of the technical evaluation report.

The PIU Procurement Specialist shall record minutes of meeting; at the end of evaluation process concluded by the Evaluation Committee, Evaluators will sign the minutes of the meeting duly; For all procurement methods, except NCB method, the Evaluation Committee shall adopt the Bank's Sample Evaluation Report. For NCB procurement method, the EC shall use the standard reporting forms as envisaged in the Law on Public Procurement.

Typical process for ICB and NCB including Bank's approval is presented below

***ICB&NCB Steps and Sequences Process***





## 5.6 International Competitive Bidding (ICB)

ICB as applicable to goods, works including non-technical services as per the thresholds above agreed. WB Standard Bidding Documents (SBD)'s should be used.

The steps involved in carrying out an ICB are the responsibility of PIU, within the organizational structure of MoED explained in section 3.3. The following steps are involved in carrying out the ICB:

- a. Preparation of technical requirements, including technical specification and approval by the KEEA and furnished to the World Bank for a No objection;
- b. Preparation of Bidding Documents including technical specifications in accordance with the Bank's SBD for Goods/Works;
- c. Receive the WB "No Objection" on the draft of Bidding Document prior to issuing them to prospective bidders;
- d. Specific Procurement Notice (SPN) published in the local newspaper(s) of wide circulation, and in the United Nations Development Business on-line (through submitting draft SPN to the World Bank/Client Connection) and on MoED's website;
- e. The time allowed for the preparation and submission of bids shall be determined with due consideration of the particular circumstances of the project and the magnitude and complexity of the contract. Generally, not less than six weeks from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, shall be allowed.
- f. Issuing Bidding Documents to interested and potential eligible Bidders;
- g. Clarification on Bidding Documents as requested, including responses to questions raised. Draft response should be cleared with World Bank prior sending it to the bidders for prior review contracts. Responses copied to each bidder who purchased bidding documents without disclosure of the source of clarification received.
- h. Receiving of bids and keeping them unopened in a locked safe until the bid opening date;
- i. Bid Opening and preparation of Minutes;
- j. Bid Opening minutes sent to WB and to all bidders who submitted bids on time;
- k. Evaluation and comparison of bids using the standard form of evaluation report;
- l. Preparation of Evaluation Report with the recommendation for award;
- m. Submission of the evaluation report to the WB for "No Objection";
- n. Respond to clarification requests on evaluation to the WB (if any);
- o. Signed contracts awarded to the lowest evaluated responsive bidder

p. Publication of Contracts

In case of small procurement under shopping method, KEEA as envisaged within the organizational structure of MoED in section 3.3 will issue Invitation To Quote (ITQs) and take guidance from sample ECA documents for small procurement.

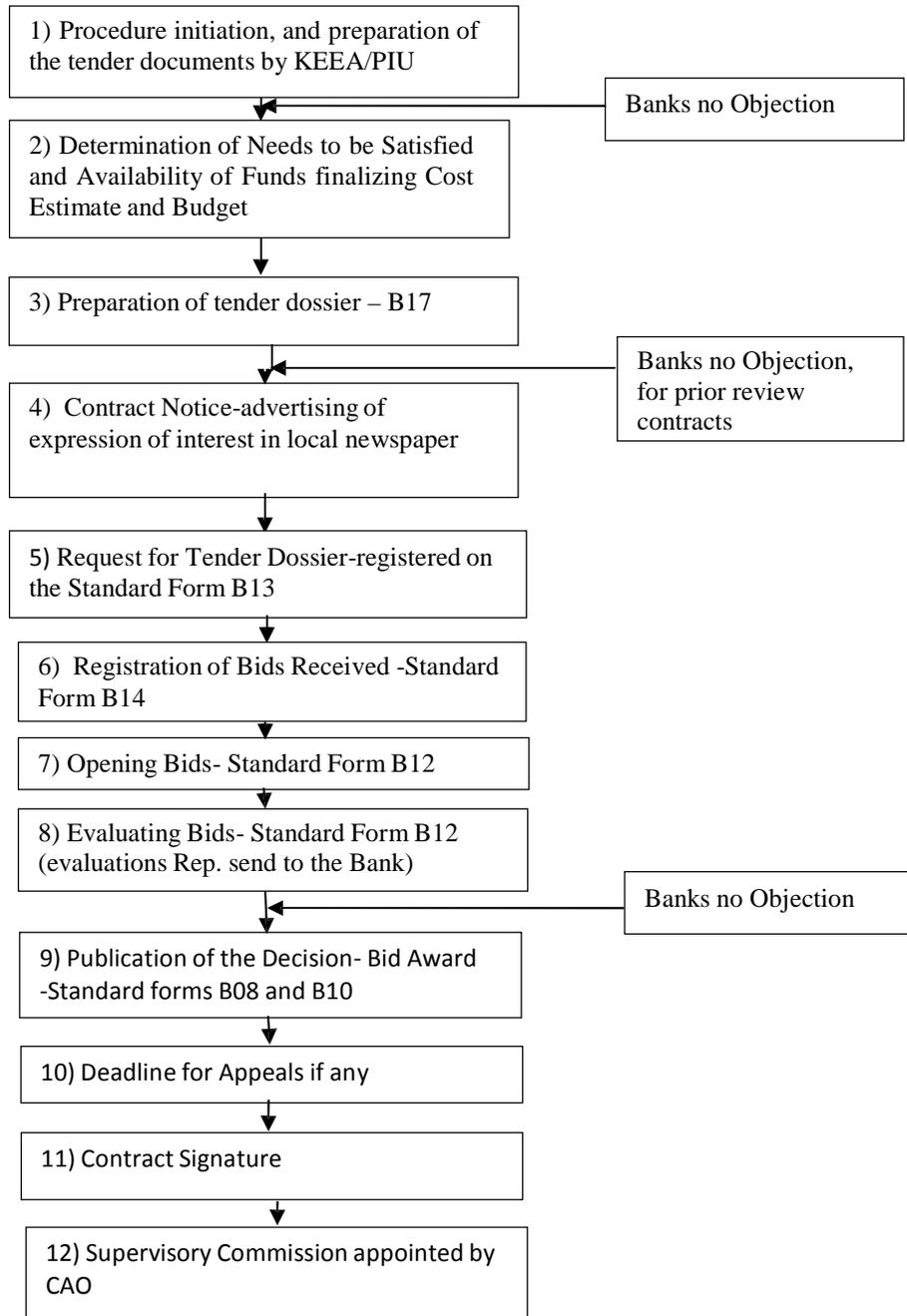
### **5.7 National Competitive Bidding (NCB)**

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 on Public Procurement of the Republic of Kosovo with the additional clarifications as stated in annex 1 for all 13 points of this annex of the financing agreement. In respecting all clarification as set forth in the annex 1, the following steps will be used. To ensure that we minimize the possible delays in time period of dealing/resolving the complaints according to the LPP, the MoED will approach the Procurement Review Body (PRB) to propose an MoU between MoED and PRB to review/resolve/respond to the complaints under this project with utmost priority.

- a. Request for procedure initiation for procurement from the requesting unit (KEEA, PIU) signed by Authorized Officer- AO, Chief Authorizing Officer-CAO, and Chief Financial Officer-CFO based on the Article 22 of the LPP. Tender documents and Technical Specification of the project are attached to this request based on the Article 28 of LPP.
- b. Determination of Needs to be Satisfied and Availability of Funds- based on the Article 9 of LPP signed by Responsible Procurement Officer- RPO, AO, CFO, and CAO.
- c. Preparation of tender dossier based on the specifications or terms prescribed on request for procedure initiation from KEEA/PIU including Bank Suggestions and recommendations. Respective Standard forms for supply, works, non-consultant services, and design works must be fulfilled according to the standard form B17.
- d. No Objection from Bank on draft bidding documents
- e. Preparation of Contract Notice based on the Article 40 of LPP (standard form B05). 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. Use of languages in the public procurement documents is specified in the Article 13 of LPP.
- f. Request for Tender Dossier are Registered on the Standard Form B13. Also on this form are registered details of the parties received the tender dossier, questions and answers, field visits if any. Questions, Answers and field visits will be closely coordinated with KEEA/PIU and the Bank.
- g. Registration of Bids Received from Economic Operators based on the Standard Form B14, from the Procurement Division acting in close cooperation with the Procurement Specialist.
- h. Decision about Opening Bids, and registration of Opened Bids- Standard Form B12, and based on the Article 58 of LPP.
- i. The CAO of MoED will appoint the Evaluation committee, based on the proposal of PIU/KEEA, within 3 working days from the bid opening date
- j. Evaluation Decision, and Evaluation Report- Standard Form, Article 59 of LPP. Preparation of Evaluation Report from the Evaluation committee with the recommendation for award need to be sent to Procurement division, and to the Bank for no objection.

- k. Publication of the Decision for bid award or for cancellation- standard forms B08 and B10.
- l. Deadline for Appeals
- m. Contract Signature based on the Article 26 of LPP by RPO, CAO, and the Minister for higher values.
- n. Supervisory Commission appointed by CAO. Permanent Manager of the Contracts will be Head of KEEA.
- o. Payments for works and/or services based on the reports of the Supervisory Commission after the No Objections from the Bank. Disbursement according to the contract and authorized by the CAO.

**NCB Steps and Sequences Process**



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13) Payments based on the Supervisory Commission Reports and after Banks no Objection

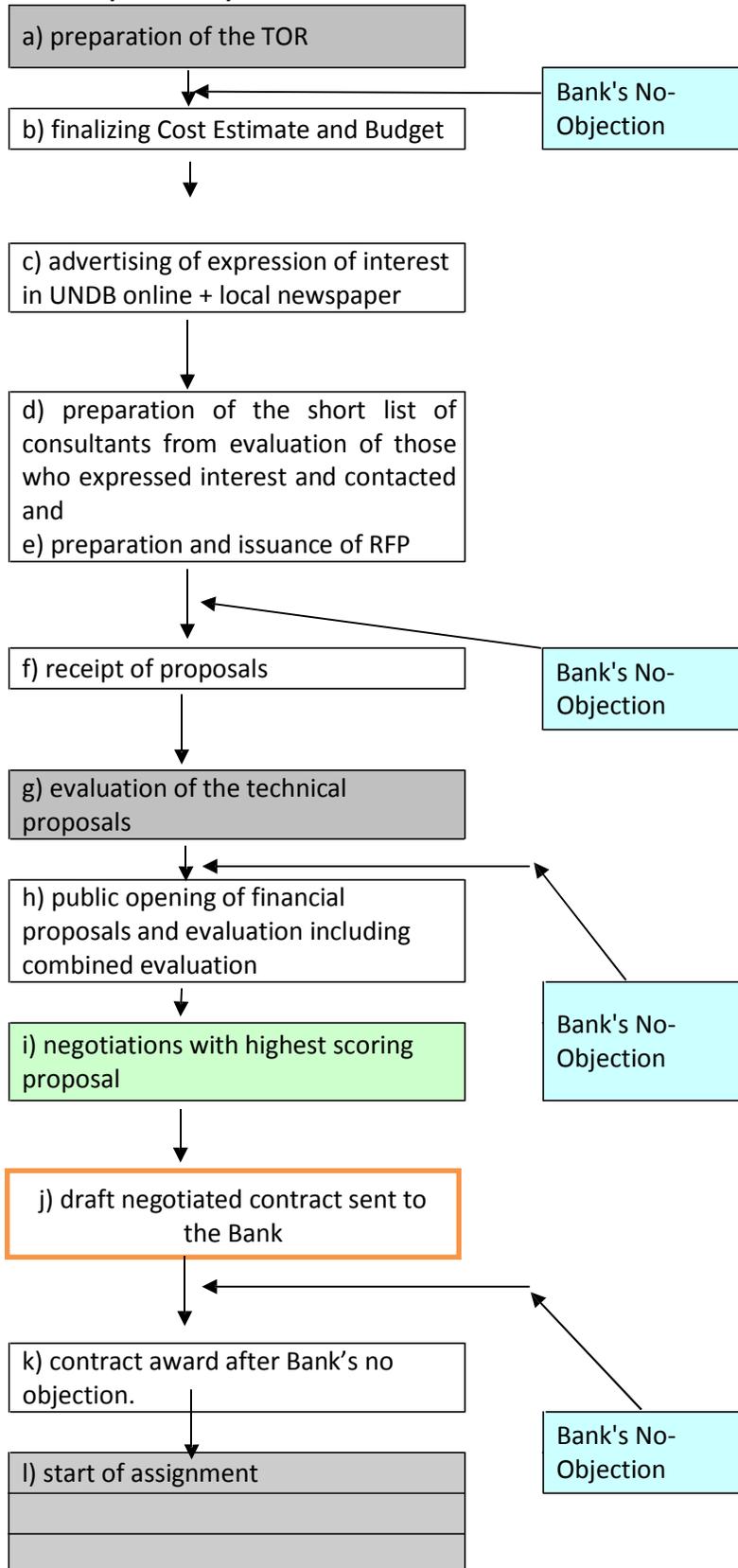
## **5.8 Shopping (SH)**

Shopping procedure will be used for readily available off-the-shelf goods, including office and computer equipment for the (PIU) and would have standard specifications, estimated to cost less US\$100,000 equivalent per contract. For Works the threshold is also less than US\$ 200,000 equivalent. This procedure will be based on obtaining and comparing price offers from at least three suppliers.

KEEA (PIU), with exceptions based on the organizational structure explained in section 3.3 will:

- Prepare works, equipment/goods list and technical requirements;
- Prepare the Invitation to Quote (ITQ) and send the ITQ, through MoED's procurement division to a list of more than 3 qualified eligible Contractors/Suppliers in order to receive at least 3 quotations;
- Receive the WB "No Objection" on the ITQ and the list (in case prior review is required);
- Through MoED's procurement division send ITQ to the Contractors/Suppliers;
- Obtain/receive quotations, through MoED's procurement division, evaluate it (for Evaluation Committee compositions refer to page from the section Evaluation Committee) and prepare an Evaluation Report in the standard form and finalize draft Work/Purchase Order;
- Through MoED's procurement division, Send draft Work/Purchase Order including Terms and Conditions of Supply to the selected supplier;
- Obtain the Confirmation of Receipt of the Purchase Order;
- Inform unsuccessful suppliers, through MoED's procurement division;
- Submit copy of the signed Contract to the WB promptly after signing but not later than 15 days after the date of No objection letter (or notification of award when NO is not required);
- Post information, through MoED's procurement division on contract award on the World Bank's website, and MoED's website;
- Receive and inspect works/goods and make payments, through MoED DBF on invoices as per the Purchase Order.

**QCBS, FBS and LCS Steps and Sequences Process**



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## **5.9 Selection of Consultants (Firms and Individuals)**

Request for expressions of interest for each contract for consulting firms shall be published in the national gazette or a national newspaper or in an electronic portal of free access. In addition, contracts expected to cost US\$300,000 equivalent or more shall be advertised in UNDB online. Borrowers may also advertise requests for expressions of interest in an international newspaper or a technical magazine. Procedures for Selection of Consultants (Firms and Individuals) will follow the selection procedures described under of the World Bank Consultants Guidelines, edition of January 2011.

## **5.10 Quality Cost Based Selection (QCBS)**

The procedure QCBS would be used for procurement of consulting services. The steps involved in selecting consulting firms under a QCBS procedure shall be the responsibility of the PIU, within the organizational structure of MoED as explained in 3.3. The steps under the QCBS are:

- a. Prepare draft Request for Proposals (RFP) composed of Information to Consultants, TOR and draft contract);
- b. Specific Request for EOI to be published, through MoED procurement division, in the local newspaper(s) and in the UNDB on-line, and posted on MoED website;
- c. Receive, through MoED procurement division Expressions of Interest;
- d. Prepare short list of up to six firms, with no more than 2 firms from the same country. Short list for Contracts up to \$300,000 can comprise national firms only. RFP and Short-list submitted to the WB for “No Objection”;
- e. Receive WB “No Objection” on Short List and RFP;
- f. Issue the RFP, through MoED procurement division, to short-listed firms;
- g. Document any questions for clarifications from Consultants and their respective answers, and respond to all consulting firms without identifying the name(s) of the consulting firms requesting clarification. Draft responses should be cleared with World Bank prior distribution; If there is a need to modify RFP documents due to answers provided to the Consultants, or due to PIU own initiative, such modifications shall be made through an Amendment approved by the WB. PIU may extend the deadline date for submission of proposals if an Amendment so warrants and a longer preparation period is needed;
- h. Submission of Technical and Financial Proposals by Consultants;
- i. Evaluation of Technical Proposals by the Evaluation Committee;
- j. The Evaluation Committee shall score the technical proposals based on the points assigned in RFP. k. Each member shall score independently and sign an individual evaluation sheet.
- l. Preparation of Technical Evaluation Report (using Bank’s template) by EC assisted by the PIU Procurement Specialist and submission to the WB for “No Objection”;
- m. Receipt of WB “No Objection” for the results of Technical Evaluation Report;
- n. Notification of the firms through MoED procurement division, that passed the minimum technical score and will advise on the date, time and address for public opening of the financial proposals; and also notify those Firms whose proposals did not meet the minimum qualifying mark that their financial proposals will be returned unopened after the signature of the contract.

- o. Preparation of Minutes of the Financial Proposals opening meeting and send a copy to the WB and all firms that submitted proposal;
- p. Completion of the final evaluation report and ranking the proposals according to their combined technical and financial scores using the RFP assigned weights, and send it to the WB for information.
- q. Final evaluation report will contain also the outline of the topics/issues to be clarified at negotiations, if needed;
- r. Invitation by the PIU, through MoED's procurement division, of the firm scoring the highest combined technical and financial score for negotiations informing on the list of topics/issues to be clarified at negotiations or prior to contract signing;
- s. The negotiation will include: Discussion of technical proposal, work plan, staffing and firm's suggestions to improve the TOR as was suggested by the Firm in their technical proposal; PIU and firm's agreement on the final TOR to be incorporated in the description of services; Should negotiations fail with the highest ranking firm, PIU shall inform the WB and obtain the Bank's no objection and invite the firm with the second highest score;
- t. PIU, through MoED's procurement division, shall incorporate the results of the negotiations in a Draft Contract and send it to WB for "No Objection";
- u. After receiving WB "No Objection" to the draft Contract, MoED and the winning firm shall sign the Contract;
- v. Inform unsuccessful bidders and post information on contract award, through MoED's procurement division, on MoED's website, as well as in the WB client connection and UNDB online as per paragraph 7 of Appendix 1 of the Consultants Guidelines.
- w. The copy of the signed Contract shall be submitted to the WB promptly after signing but not later than 15 days after issuing the letter of NOB;
- x. The firm shall submit the invoice for advance payment and the bank guarantee, if applicable, and MoED shall pay the amount promptly for Firm to begin the assignment.

### **5.11 Selection Based on Consultant's Qualifications (CQS)**

CQS will be used for contracting firms for which the value of the assignments is estimated to cost less than US\$300,000 equivalent per contract.

The steps involved in selection of consulting firms under CQS will vary depending whether the selection is subject to prior review or post review as per the Procurement Plan.

The PIU, within the organizational structure of MoED explained in 3.3 shall be the responsible for selection based on CQS that is being subject to prior review, and following steps are to be followed:

- a. PIU will prepare the Request for Expression of Interest (REOI) including the TORs;
- b. Send the draft REOI and the criteria to the WB for "No Objection";
- c. Advertise the REOI, through the MoED procurement division, in the local newspaper and MoED's website, as well as in the WB client connection/UNDB-online as appropriate, requesting Firms to express interest in the assignment and provide information on Firms experience and qualification relevant to the assignment;
- d. Prepare a long list from all firms who responded to the REOI advertisement. Select at least three qualified firms with relevant experience, through the MoED procurement division;
- e. PIU will send the Short List (prepared by EC) and the draft RFP including TORs and draft Contract to the World Bank for "No Objection", along with its recommendation to invite the best qualified firm;

- f. Evaluation Committee assisted by the PIU Procurement Specialist prepares an Evaluation Report explaining strengths and weakness of each short listed firm and justifies selection of the most qualified firm for the assignment; After Bank's no objection is received, PIU will send RFP requesting combined technical and financial proposal from the top ranked qualified Firm;
- g. The Evaluation Committee shall review the Technical and Financial proposals and if the Technical proposal is acceptable to them, send the draft negotiated Contract for the WB for its "No Objection";
- h. After receiving WB "No Objection" PIU, through the MoED procurement division, will invite the firm for negotiations which will include: verification of understanding of the TORs, methodology and work plan, PIU and firm's agreement on the final TOR, taken into consideration Firm's suggestions (proposed modifications) as described in the Firm's technical proposal, corrections of the financial proposal (arithmetical errors if any) where appropriate;
- i. If negotiations with the first firm does not result in contract signing, PIU shall inform the Bank and recommend to invite the second ranked firm to submit the combined technical and financial proposal and negotiate contract;  
PIU shall incorporate the results of the negotiations in a Draft Contract to be sent to WB for "No Objection";
- j. After receiving WB "No Objection" to the draft Contract, MoED and the firm shall sign the Contract;  
Copy of the final Contract shall be submitted to the WB promptly after signing but not later than 15 days after issuing letter with No objection;
- k. Award of contract, through the MoED procurement division, shall be published as per paragraph 7 of Appendix 1 of the Consultants Guidelines;
- l. The firm shall submit the invoice for payment as per contract terms and the bank guarantee, if required, and MoED DBF shall pay the amount promptly for services to begin.

For selection based on CQS that is being subject to post review following steps are to be followed:

PIU will prepare the request for Expression of Interest (REOI) including the TORs;

- a. Advertise the EOI, through the MoED procurement division, in the local newspaper and MoED's website as well as in the WB client connection/UNDB-online as appropriate asking Firms to express interest in the assignment and provide information on Firm's experience and qualification relevant to the assignment;
- b. Prepare a long list from all firms who responded to the EOI advertisement.
- c. Select at least three firms, through MoED's procurement division, from the long list to the short list;
- d. PIU, based on the proceedings of Evaluation Committee, prepares an Evaluation Report explaining strengthens and weakness of each short listed firm and justifies selection of the most qualified one for the assignment and keep it in file for Bank's post review";
- e. PIU, through the MoED procurement division, will send RFP requesting combined technical and financial proposal from the top ranked qualified Firm;
- f. KEEA/PIU, through the MoED procurement division, will invite the firm for negotiations which will include: verification of understanding of the TORs, methodology and work plan, KEEA and firm's agreement on the final TOR, taken into consideration Firm's suggestions (proposed modifications) as described in the Firm's technical proposal, corrections of the financial proposal (arithmetical errors if any) where appropriate;
- g. If negotiations with the first firm do not result in contract signing, KEEA shall document the same and proceed with the inviting the second firm, the PIU, through the MoED procurement division, invites the second ranked firm to submit the combined technical and financial proposal and negotiate contract;
- h. PIU, through the MoED procurement division, shall incorporate the results of the negotiations in a Draft Contract and sign it but not later than 15 days within the date of the Evaluation Report;

- i. Award of contract, through the MoED procurement division, shall be published as per paragraph 7 of Appendix 1 of the Consultants Guidelines;
- j. The firm shall submit the invoice for payment as per contract terms and the bank guarantee, if required, and MoED DBF shall pay the amount promptly for work to begin.

### **5.12 Selection of Individual Consultants (IC)**

Many specialized activities where specific skills are needed for short period of time at scattered intervals and which would not be practical to package with the assignments for consulting firms described above, would be best served through the selection of individual Consultants (both foreign and national). Selection of individual Consultants will be carried out in accordance with Section V of the Consultants Guidelines.

The steps involved in selection of Individual Consultants will vary depending whether the selection is subject to prior review or post review as per the Financing Agreement.

For selection of IC that is being subject to prior review following steps are to be followed:

- a. Prepare and agree with the WB on the draft TOR's
- b. Advertise the REOI in the local newspaper, post on the MoED's website, in case of Int'l Consultant place an advertisement in the UNDB on-line;
- c. Prepare a long list from candidates who responded to the published REOI and/or picked from the IC database maintained by the PIU registering any interested Consultants who expressed interest in the project through either contacting the KEEA or responding to GPN, REOI and other advertisement on the project;
- d. Evaluate the expressions of interest and prepare a shortlist of a minimum of three qualified candidates based on their qualification and previous experience in the area of the assignment;
- e. Send the Short List with all CVs, together with the recommended individual consultant to the World Bank for "No Objection", accompanied by an explanatory note on how the short list was prepared and based on what criteria the candidates were selected for the short list;
- f. Evaluation Committee receives the CVs, carry out interviews if needed, compare CVs, and select the most qualified candidate for the assignment;
- g. Submit the evaluation report to the World Bank for "No Objection";
- h. After receiving WB "No Objection" negotiate contract, through the MoED procurement division, with the selected Consultant;
- i. If negotiations with the first individual Consultant do not result in contract signing, PIU shall request the WB No objection to invite the second candidate;
- j. PIU, through the MoED procurement division, shall incorporate the results of the negotiations in a Draft Contract to be sent to WB for "No Objection", accompanied by an amended evaluation report if the second scenario applies;
- k. After receiving WB "No Objection" for the draft of negotiated Contract, Procurement Division will sign the Contract with the selected Consultant;
- l. Copy of the signed Contract shall be submitted to the WB promptly after signing but not later than 15 days after issuing letter with No objection;

For selection of IC that is being subject to post review following steps are to be followed:

Prepare draft TORs;

- a. Advertise the REOI in the local newspaper, post on the MoED website, in case of Int'l Consultant place an advertisement in UNDB on-line;
- b. Prepare a long list from candidates who responded to the published REOI and/or picked from the IC database maintained by the PIU registering any interested Consultants who expressed interest in the project through either contacting the KEEA or responding to GPN, REOI and other advertisement on the project;
- c. Evaluate the expressions of interest and prepare a shortlist of a minimum of three qualified candidates based on their qualification and previous experience in the area of the assignment; Prepare the Short List with all CVs;
- d. Evaluation Committee receives the CVs, carries out interviews if needed, compares CVs, and selects the most qualified candidate for the assignment;
- e. Evaluation Committee prepares Evaluation Report assisted by the PIU Procurement Specialist;
- f. PIU, through the MoED procurement division, invites Individual Consultant to negotiate contract;
- g. If negotiations with the first individual Consultant do not result in contract signing, PIU invites the second candidate and records it in the amendment to the Evaluation Report;
- h. PIU, through the MoED procurement division, negotiates and signs the Contract with the selected Consultant within 15 days;

In addition to the prior review supervision to be carried out by the World Bank, the capacity assessment of the Implementation Agencies has recommended two supervision missions per year to visit the field to carry out post review of procurement actions. It is envisaged that 2 out of every 5 procurements will be reviewed ex-post.

### **5.13 *Fraud, Corruption and Conflict of Interest***

WB policy requires that Firms provide professional, objective, and impartial advice and hold at all times the client's interests paramount, without any consideration for future work, and strictly avoid conflicts with other assignments or their own corporate interests. Firms shall not be hired for any assignment that would be in conflict with their prior or current obligations to other clients, or that may place them in a position of not being able to carry out the assignment. Without limiting the generalities of this rule, Firms shall not be hired under the circumstances set forth below:

A firm that has been engaged by the Borrower to provide goods or works for a project, and any of its affiliates, shall be disqualified from providing consulting services for the same project. Conversely, a firm hired to provide consulting services for the preparation or implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods or works or services related to the initial assignment (other than a continuation of the firm's earlier consulting services provided the original contract included a provision for a downstream work) for the same project.

Firms or any of their affiliates shall not be hired for any assignment that, by its nature, may be in conflict with another assignment.

In cases of the permanent staff or associates of a consulting firm who may be available as individual Consultants, the conflict of interest provisions shall apply to the parent firm;

In cases of Firms who were engaged in the preparation stage of the project, and in particular, were involved in drafting or contributing to the TORs or specifications, for the consultancies or Goods related services to be selected/procured under the project, conflict of interest situation can arise and such

Consultants will be precluded from bidding on the project packages/contracts. Each case where there might be even a perception of potential conflict of interest will be discussed between the MoED (including KEEA and PIU staff) and World Bank prior to any further actions taken or decisions made.

There is a provision in the WB standard documents informing the bidders that any attempt to influence the Borrower in bid evaluation may result in rejection of the bid, outlining the policy on Fraud and Corruption on this issue. It is the WB policy to require that Borrowers (including beneficiaries of IDA credit), as well as Suppliers/Contractors/Consulting Firms under Bank-financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts..

For the specific information on the possible ineligibility, the Bank site [www.worldbank.org/html/opr/procure/debarr.html](http://www.worldbank.org/html/opr/procure/debarr.html) provides regular up-dates on debarred firms.

#### **5.14 Contract Administration**

The following guidelines and procedures outline the entire process of contract monitoring. To follow the Guidelines and Procedures, certain actions regarding the contract performance and monitoring shall be mandatory, if uniformity, efficiency and control are to be ensured. Where KEEA/PIU is referenced, it is done so in accordance with the section 3.3.

The Project Coordinator is mainly responsible to identify and address possible mistakes or insufficient control, which could lead to delays in the progress of projects, sometimes significant, costs.

##### **A. Preparation**

The contract award of an eligible activity starts with the preparation of the Terms of Reference (TOR) observing the timeframe agreed in the Procurement Plan. Once receiving the TORs and or the technical specifications, KEEA supported by the PIU is responsible to put together the bidding documents, Invitation to Quotes, Request for Proposals and to activate the selection process according to the procurement method agreed with in the procurement plan. Once the contract is defined, it shall be assigned a number, in accordance with the system provided for each component (codes) in Procurement Plan. The Authorization to start the procedures will be signed by KEEA and approved by the CAO.

##### **B. Contract Signing**

Finalization of the contract and its preparation for signing shall be responsibility of the PIU. The work contracts valued less than €500,000 will be signed by the head of Procurement Division, while the work contracts valued above €500,000 will be signed by CAO and the Minister of MoED. The contracts for goods and services valued at less than €125,000 will be signed by the Procurement division, while the contracts for goods and services above €125,000 will be signed by CAO and the Minister of MoED. PIU in cooperation with CFO and Head of Procurement division will be responsible for negotiating the contracts, and amending them.

Each contract shall be stored in their respective directories, with the files' names shall be identical to those of the contracts. If there should be several revisions of the contract, the extensions shall show the revisions in the alphabetical order. The originals of the signed contracts shall be kept in the PIU, within the limitation specified in 5.5; the PIU shall keep one copy. A copy of the signed contract subject to the Banks Prior Review will be sent to the World Bank's office within 10 consecutive days after the day of the contract signature.

### C. Contract Monitoring

The Project Manager in cooperation with monitoring commission shall monitor contract performance. Official control shall include definition of stages, results and main components of contract execution process. The stages and dates shall be clearly stated in the contract, and compliance with the set dates and achievement of specific results by suppliers shall constitute conditions for payment. Accordingly, the stages indicated in the contracts shall be reference points for contract monitoring. Documentation of the Contract Monitoring shall be made available by PIU for Project Audit and the Bank's Post Review.

#### 5.15 Thresholds for Methods and prior Review Limits

Procurement Methods, Contract Value and Prior Review Requirements

| Expenditure Category | Contract Value (US\$) *)  | Contract Value (Euro) | Procurement Method   | Bank Prior Review                         |
|----------------------|---|-----------------------|----------------------|---|
| Works                | ≥ 2,000,000   | ≥ 1,763,000           | ICB                  | First 2 ICB contracts                     |
|                      | < 2,000,000   | < 1,763,000           | NCB                  | First 2 NCB contracts                     |
|                      | ≤ 200,000   | ≤ 176,300             | Shopping             | The 1st Shopping contract                 |
|                      | N/A   | N/A                   | DC                   | All DC contracts                          |
| Goods                | ≥ 1,000,000   | ≥ 881,000             | ICB                  | All the ICB contracts                     |
|                      | <1,000,000  | <881,000              | NCB                  | First 2 NCB contracts                     |
|                      | ≤ 100,000   | ≤ 88,100              | Shopping             | The 1st Shopping contract                 |
|                      | N/A   | N/A                   | DC                   | All DC contracts                          |
| Consultant Services  | ≥ 300,000   | ≥ 264,000             | QCBS, QBS, FBS, LCS, | All contracts above USD 200,000 for firms |
|                      | ≤ 300,000   | ≤ 264,000             | CQS                  | The 1st CQS contract                      |
|                      | N/A   | N/A                   | SSS                  | All contracts                             |
|                      | NA  | NA                    | IC                   | All above USD 100,000                     |
| Notes:               | ICB– International Competitive Bidding<br>NCB – National Competitive Bidding<br>DC – Direct Contracting<br>QCBS – Quality and Cost Based Selection<br>QBS – Quality Based Selection<br>FBS – Fixed Budget Selection<br>CQS – Selection Based on Consultant' Qualification will be followed depending on type of assignments for estimated value less than USD 300,000 |                       |                      |   |

SSS – Single Source Selection

IC – Individual Consultant selection procedure

NA – Not Applicable

(\*) Note: The procurement method thresholds and prior/post review thresholds, are determined only based the USD column information/amounts. The information in Euro column is only indicative and it cannot determine such thresholds.

## 6. ENVIRONMENTAL SCREENING AND ASSESSMENT

The entire set of rules and principles applicable to the Environmental Section of the OM is presented in separate working document “Environmental Management Framework”. This document is a subject for expert review and prior approval by the World Bank for any adjustments and/or changes suggested. For the benefit of the OM reader some basic statements are presented below; however the full requirements to follow regarding the environmental screening, assessment and mitigation and monitoring measures are listed in the Environmental Management Framework

### 6.1. *Key principles and criteria for environmental impact assessment*

**Project category.** In accordance with the Bank’s safeguard policies and procedures, including OP/BP/GP 4.01 Environmental Assessment, the project is placed into the Bank’s Category B which is applied to all proposed projects that have potential environmental impacts. As at this stage are not yet identified the subprojects to be financed, the Bank requires that client will screen all proposed subprojects and ensures that subproject beneficiaries carry out appropriate EA for each subproject. For this purpose the client prepared an Environment Management Framework (EMF).

**Potential environmental impacts.** As the project would support different types of civil works, it may generate some environmental and social impacts. While these impacts are expected to be mostly positive (reduced energy consumption and pollutant emissions, improved indoor temperature and comfort, reduced student sick days, reduced payments for energy resources), the project might also generate some adverse impacts which would be associated with air pollution, dust, noise, construction wastes, asbestos, mercury occupational hazards, etc. All of these adverse impacts are minor, short term, site specific, and can be easily avoided and/or mitigated during project implementation.

**Environment Management Framework.** The EMF outlines environmental assessment procedures and mitigation requirements for the subprojects which will be supported by the project. It provides details on procedures, criteria and responsibilities for subprojects’ screening, preparing, implementing and monitoring of subproject specific EMP. The document also includes Environmental Guidelines for proposed subprojects, containing the following: (a) generic mitigation measures for potential environmental impacts of the EE activities in the selected premises. In this regard the guidelines are focused, in particular, on handling of construction generated wastes, and storage of hazardous materials under project supported activities, measures to reduce noise and dust; preventing occupational hazards; (b) screening procedure for identifying Category C subprojects which do not require an EA as well as category B subprojects for which it is necessary to apply an Environment Management Plan Checklist; and (c) requirements for conducting monitoring activities for category B subprojects. The EMF contains also institutional responsibilities for its implementation and for implementation specific EMPs.

### 6.2. *Environmental Screening and Ineligible Subprojects*

**Expected subproject environmental categories.** As mentioned above, the project will support only EE activities in the existing public and social premises which will not generate significant environmental impacts if any. The project will use the existing facilities and implement different types of EE activities – see point 14 above. Most of these activities will generate insignificant environmental impacts if any, which are site specific, temporary in nature and very easily managed during the project implementation.

In some cases they would include also major refurbishing activities, replacement of roofs, as well as associated with some of hazardous materials like asbestos, residues from paints, enamels, etc. Based on mentioned it is expected while most of the subprojects will be Category C, a number of them might be also of Category B.

**Criteria for environmental screening.** Based on the description of the subprojects activities it is possible to identify the type and scale of potential environment impacts and to determine which environmental category the subproject should be attributed. Among most important criteria for such determination would be; (a) type of the impact; (scale and magnitude of the impacts; (c) potentially affected environmental components and people; (d) duration of the impacts. Taking into account potential impacts described above all subprojects might be classified as Category C in the following cases:

- insulation of walls, basements and attics,
- repair/replacement of external doors and windows, window optimization,
- boiler upgrade/replacement,
- fuel switching,
- reflective surfacing of walls behind radiators,
- control systems,
- pipe insulation,
- chiller/AC replacement,
- heat pumps,
- compact fluorescent lamps,
- high pressure sodium vapor,
- light emitting diodes
- pumps and fans,
- solar water heating.

The Category B should be attributed for the subprojects which would involve the following:

- EE works involving generation of comparatively large waste quantities (e.g. replacement of floor, exchange of ventilation, replacement of doors and/or windows);
- Replacement of the asbestos roofs;
- Major refurbishing activities involving removal / reconstruction of walls (especially when containing Asbestos isolations or sheets);
- EE activities involving potentially hazardous materials like residues from paints, solvents, enamels, and the replacement of larger quantities (several 10's) of windows and doors;
- Heat pumps involving deep (more than 25 m drilling)

**Environmental screening procedure.** The screening should be done at the initial stage of the subprojects selection. Based on the description of the EE activities and on their potential environmental impacts, and using described above criteria the KEEA will decide which project category should be attributed. For that purpose it should be used a special Environmental Screening Checklist (see annex 2). This document will be attached to all submitted subprojects.

**Main EA requirements for Category C and B subprojects.** As mentioned above, in the case of Category C subprojects no any further EA actions are needed beyond the Environmental Screening Checklist. For all these small scale EE activities the Contractor is required to follow good construction and housekeeping practices along with requirements related to occupational health and safety issues, avoiding all potential environmental impacts.

### **6.3. Environmental Management Plan**

**The scope and objective of the EMP.** A project's environmental management plan consists of the set of mitigation, monitoring, and institutional responsibility measures to be taken during implementation and operation to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels. An EMP is a key element of an EA report for all Category B subprojects. As the project would involve typical small scale EE activities it is proposed to be used a generic EMP checklist-type format ("EMP Checklist"), developed by the World Bank to provide "pragmatic good practice" and designed to be user friendly and compatible with safeguard requirements. The checklist-type format attempts to cover typical preventive and mitigation approaches to common civil works contracts with temporary and localized impacts. This format provides the key elements of an Environmental Management Plan to meet Environmental Assessment requirements of the World Bank (under OP/BP/GP 4.01).

**EMP Checklist structure.** The EMP Checklist has three sections: (a) Part 1 constitutes a descriptive part ("site passport") that describes the project specifics in terms of physical location, the project description and list of permitting or notification procedures with reference to relevant regulations. Attachments for additional information can be supplemented if needed; (b) Part 2 includes the environmental and social screening in a simple Yes/No EMS format; and (c) Part 3 is a site-specific monitoring plan for activities carried out during the rehabilitation activities.

**EMP disclosure.** In case of Category B subprojects although no need for a special public hearing the project beneficiary should provide information to all interested parties about the construction by installing a notice plate placed at the site of the EE subproject. All subproject specific information related to the EMF will be also publicly available on-line on the project website.

**Integration of the EMP into project documents.** The EMP provisions would be used for the following: (a) inclusion of the EMP requirements in the Project Operational Manual; (b) inclusion of Environmental guidelines in construction contracts for individual subprojects, both into specifications and bills of quantities, and the Contractors will be required to include the cost in their financial bids; (c) highlighting of EMP follow-up responsibility within the KEEA; (d) specifying mitigation and avoidance measures during the implementation of the proposed activities; and (e) monitoring and evaluation of mitigation/avoidance measures identified in the site-specific review and in the EMP.

## **7. MONITORING, EVALUATION AND REPORTING**

KEEA and its PIU will have primary responsibility for day-to-day monitoring of the project and individual subprojects. The PIU will develop a monitoring system to track ongoing project progress, procurement, investments and disbursements, energy audit data and energy commissioning reports.

KEEA and its PIU will be required to submit biannual progress reports to MoED management and the Bank for review. The outline of this progress report will be developed and included in the Project's Operations Manual.

For energy savings, data will be collected from the detailed energy audit reports to determine pre-project energy use and comfort levels. For each subproject, a post-project energy savings commissioning report will also be prepared to compare energy use and patterns and determine actual energy savings for reporting purposes. Variances between estimated and actual energy savings will be documented for improving future energy audit reports through training, case studies, etc.

During the early years of project implementation, close Bank supervision will be done to assist the PIU in refining their monitoring system and internal capabilities. For RE, data will be collected from ERO based on their license application and approval database.

The support for RE license monitoring under Component 3a will also help improve monitoring of such data as well as identify potential delays in developer permitting, etc. The project will also develop and implement pre- and post-renovation customer satisfaction surveys to track the number of total project beneficiaries and co-benefits during implementation.

A Mid-Term Review will be carried out to assess the overall project progress, identify critical implementation issues and make any necessary revisions to the project design, parameters or schedule as agreed. Key lessons learned and implementation experiences by KEEA, the line ministries and contractors will be documented through supervision and progress reporting in order to incorporate them into the sustainable municipal EE financing scheme to be developed under Component 3b.

The Key performance indicators which will be monitored systematically by KEEA in annex 9

## 8. FINANCIAL MANAGEMENT MANUAL

### 8.1 Introduction

The Financial Management Manual defines objectives, targets, mechanisms, criteria and documents to be used in the course of implementation of KEEREP that is financed by IDA. The Manual will be in effect for the duration of the Project beginning on the Project implementation, and may be subject to amendment with prior no-objection of the World Bank. However, the initial phase necessitates the formulation of a uniform system of main rules and procedures. As the Project evolves and requirement in specific areas are identified, the Manual for assignments may be developed.

All staff of KEEA/PIU involved in the implementation of the KEEREP is required to familiarize themselves with the scope and content of this Manual, including Accounting Procedures and Internal Controls section, and observe Manual provisions in accomplishing the PIU day-to-day activities.

The following documents provide the framework for the Manual:

- Project Appraisal Document (PAD);
- Project Operations Manual (OM);
- World Bank Guidelines for Financial Management and Disbursement;
- Disbursement Handbook;- Guidelines for Borrowers;
- International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS);
- The primary objective of the KEEREP Financial Management System is to track recourses and expenditures of the Project and generate timely financial information, prepared in a transparent and consistent format, which facilitates better planning and control by the management in implementing the Project.
- In general, requirements of the KEEREP project financial management system involve the establishment of a sound financial management and reporting system that is capable of generating:
  - Interim Financial Reports (IFRs);
  - Annual financial statements and audit reports in compliance with international accepted and World Bank guidelines (e.g. IPSAS);
  - Information regarding adequacy of resources in the annual budget;
  - Timely disbursement of the Loan proceeds;
- In establishing the Financial Management System attention has been paid to:
  - Project objectives and components as outlined in the Project Appraisal Document;
  - The mechanism within which participating bodies interact;
  - Expenditures categories;
  - Sources of financing;
  - The procurement profile of project expenditure; and
  - Other related information;

The Project will rely extensively on the various elements of Kosovo's public financial management system, including:

- **Budgeting:** the project budgets will be prepared and approved in accordance with existing regulations;

- **Internal controls:** the project will use the existing internal control framework within the Ministry with some additional procedures developed for the Project;
- **Flow of funds and payments:** the project will use the KFMIS/ Treasury system; and
- **Accounting and reporting:** the project will rely extensively on the public accounting and reporting systems with some additional reporting requirements for the Project supervision.

Project Financial Management is a process which brings together planning, budgeting, accounting, financial reporting, internal control, auditing, procurement, disbursement and physical performance of the KEEREP in accordance with Kosovo Law on Public Financial Management (03/L-048), with the aim of managing project resources properly and achieving the Project development objectives.

This Financial Management Manual comprises policies and procedures to assist in ensuring the orderly and efficient management and control of all project resources, and to render proper accountability to all stakeholders. It is concerned with effective financial control over project assets, liabilities, funds and expenditures together with the system required to account for the financial operation of the project. The manual sets forth the policies and procedures for the guidance of all personnel charged with financial responsibilities, the policies and guidelines convey standards for sound financial management and administration for the Project, and are designed to:

- Promote orderly, economic, efficient and effective operations consistent with the project objectives;
- Prevent and detect fraud and errors;
- Ensure the accuracy and completeness of the accounting records;
- Facilitates timely preparation of financial information and ensures that financial statements are fairly and accurately presented;
- Safeguard project assets;
- Ensure the compliance with applicable laws, financial, policies and regulations.

## **8.2 Staffing**

All Commitment and Payment Orders (CPOs) produced by finance department of MoED will be submitted to the Ministry of Finance`. Although the project will use Kosovo's own internal control procedures for most processes, the MoED will appoint a Project Financial Management Specialist (FMS)<sup>1</sup>, to deal with financial management issues of the project in collaboration with the Division of Budget and Finance (DBF) of MoED, including and not limited to production of withdrawal applications and semi-annual and annual financial statements for the project.

The MOF shall assign a staff member to be the focal point for processing and control of payments related to the project. The FMS at the PIU works closely with the DBF/MED to ensure information required to prepare project interim and annual reports and financial statements are made available

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<sup>1</sup> A qualified and experienced Financial Management Specialist will be hired to support the Budget and Finance Department in MED in complying with the Bank financial management and disbursement requirements. Terms of reference for Financial Management Specialist are described in Annex 7.

### **8.3 Expenditure cycle**

#### **8.3.1 Planning and Budgeting**

Project planning is a tool that is crucial in achieving the objectives of the Project. The OM and Project Appraisal Document (PAD) should guide all planning efforts of the MoED. KEEREP planning is closely related to budgeting and control over the budget implementation. Since sources, amounts of financing, budgets for each category of expenses are established within the project documents, the annual budget is a quantitative expression of actions to be undertaken.

Project planning and budgeting includes:

- Linking the OM, PAD and Project Procurement Plan to the Project budget and establishing a detailed budget with time limits for each planned action;
- establishing physical targets to be achieved during the planning period and linking these to financial outlays required to meet the targets;
- Periodic monitoring of variances between actual and planned cost and activities;
- Proper budgetary controls;
- Timely initiation of budget changes through the re-allocation of financing from one category to another (within limits provided under the approved Project budget).

The PIU's FMS will prepare annual Budgets for every year of the Project broken down by quarters, categories and components of spending, as well as by every source of Project financing. The Budget is split then by the main directions of the Project activity.

The Budgets should contain information detailed as for the financial statements, to enable comparison and correlation.

The PIU FMS, together with the CFO, shall ensure effective budgeting exercise each year to facilitate timely implementation of the various components of the project. For this purpose, the PIU FMS shall estimate requirements of the funds for specific tasks/objectives of the project.

At the time of estimating the requirements of the funds, the FMS shall consider the priority and importance of work based on the World Bank guidelines and proposals submitted. Every effort should be made to link the budget with physical targets. The budget would be consistent with the annual Procurement Plan.

The MoED in cooperation with MoF shall forecast sufficient provision in their annual budget for meeting the expenditure to be incurred under the project.

#### **8.3.2 Project Planning**

The PIU shall prepare an annual financial project plan, or, in other words, an annual work plan and budget. The plan should be realistic and identify the following:

- All activities required to complete the interim and overall project objectives, areas of procurement by components and sub-components of the Project, project management (staffing, consulting services, etc.), and, other relevant activities;
- Cost estimates for each action;
- Time schedule for implementing all actions planned;

- Quantitative expression of the variety actions ensuring interrelationship with the Project Appraisal Document (PAD), which is the key aspect for budget performance control.

The PIU should submit the draft budget for the next year within the time frames defined by the MOF annual budget circulars and/ or Administrative Instruction of the MoED to the Division of Budget and Finances (DBF), more specifically to the Chief Financial Officer (CFO) of the MoED. The budget process is described below:

- a) Budget is prepared by DBF/MoED with support from the PIU Financial Management Specialist and Procurement Specialist;
- b) Budget is prepared with breakdown for years and quarters and includes all project components and categories;
- c) Budget is prepared in details in order to anticipate financing of all categories of expenses, components and elements in full volume;
- d) Procurement Specialist provides updated and approved Project Procurement Plan to CFO of MoED ;
- e) The final draft budget is reviewed by MoED Chief Finance Officer (DBF) and KEEA director.
- f) Annual resources are approved in accordance with limits of Credit Agreement for different expenditure categories.
- g) Any changes to annual resources processed and approved in such order as in original budget;
- h) Final Annual budget is approved by CAO, and submitted to MFE as part of the MoED annual budget.

The PIU will prepare a detailed budget for the first full year of KEEREP implementation, broken down by quarter, before the Credit becomes effective.

Payments for project expenditure should be forecasted on the basis of the budget approved by the Assembly of Kosovo.

### 8.3.3 *Forms for Planning and Monitoring*

All plans are prepared for the financial year so they should be completed before the start of the financial year in compliance with the process of preparation and approval of state budget. These plans must be monitored regularly accordingly with the actual implementation, disbursement and payment progress. Any adjustment, if necessary, will be made for the second half of the financial year.

The procurement plan should be prepared in the format specified in Annex 3 to provide information for reporting purposes and to form the basis for financial and disbursement planning.

## 8.4 ***Originating Expenditure***

### **ALLOCATION OF FUNDS**

Allocation is a process of making funds available to be spent according to budgetary appropriations included in the Law on Budget of the Republic of Kosovo. Immediately subsequent to the approval from the Assembly of the Appropriation Law, every beginning of the year, the DBF with assistance by the PIU FMS prepares the annual cash flow plans for the project activities that reflect the expected payments for contracts over the concerned fiscal law, fully consistent with approved project budget and appropriations specified in the Appropriations Law. Allocation of funds is conducted according to LPFMA.

Treasury through quarterly allocations will provide MoED with adequate funds for expenditures in accordance with the cash flow plan of the project. If MoED wants that their allocations be modified, in order to reflect the changes in their budget execution plans, they must file a request with the Treasury Director and it should be confirmed according to the modified forecast of the cash flow. LPFMA requires for all expenditures to be conducted from the allocations of budgetary appropriations.

#### Financial rule

- In KFMIS, the commitment is an accounting recognition of a future possible in order to conduct spending of public funds.
- LPFMA, article 36.1 requires from the Budget Organization, that prior to an initiation of a procurement process which is to result in filing of an obligation in the current fiscal year, to register all commitments of funds allocated in KFMIS in accordance with FMC rules.
- LPFMA, article 37.1 has defined budget organization shall not enter into any obligation for the current year that requires expenditure in excess of allocated funds.
- Commitment of funds is done through CPO, the purchase request signed by authorized persons (KEEA Head, CFO and CAO).

#### **INITIATION OF EXPENDITURE**

Once a need has been identified and a decision made to expend public money, the first step is for the budget organization to determine whether a procurement process is required in order to make such expenditure.

For all items requiring a new procurement, a Commitment request for Purchasing Form must be submitted to the CFO and CAO for approval.

The MoED/KEEA must ensure that information is correctly entered on the Commitment request for purchasing form that identifies the following:

- a) Budget Organization code,
- b) Program code,
- c) Project code,
- d) Funding source,
- e) Economic classification
- f) Functional classification
- g) Estimated delivery (payment) dates.

The expenditure must be properly coded, in accordance with the Administrative instructions issued by the Treasury (see instruction 2005/08). Chart of Accounts that defines these codes are available on the MFE website.

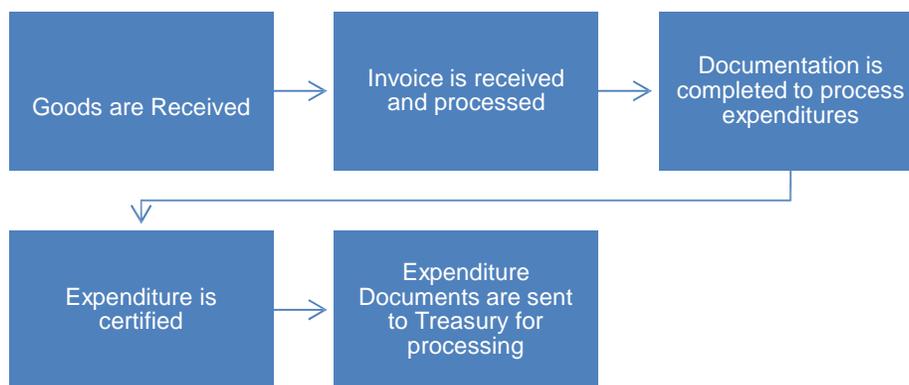
The KEEA must ensure that the estimated value of expenditure is reasonable. The KEEA can best ensure this through discussion with the Procurement Division of MoED and PIU Procurement Specialist. The Project coordinator must carefully consider if (1) the proposed expenditure is cost effective use of public money (2) the proposed expenditure is consistent with budget and procurement plans (3) that funds are appropriated and allocated for the expenditure (4) that a

statement of needs and other required procurement documents have been produced. The CFO can confirm that sufficient funds are available with reference to the KFMIS or a report produced from the system. Only when the CAO is confident of these items should they sign the Commitment request for purchasing form.

Financial Rule: For any expenditure requiring a procurement process, a Commitment Request for Purchasing must be completed by the PIU, which needs to be authorized by KEEA head and approved by the CFO and CAO. The CFO, prior to approving such a request, must ensure that sufficient funds are available and that the request form has been fully and accurately completed.

### **8.5 General Procedures for Receiving Goods Accepting Invoices and Processing Payments**

This section sets out general procedures that apply to all expenditures once the goods and services are received. These apply to all purchases, whether procurement has been undertaken or not.



### **8.6 Receiving of Goods and Services**

The PIU is responsible for the management of assets and coordinating the receipt of goods and services.

The PIU Procurement specialist should arrange or be aware of the arrangements for the delivery of goods and services that have been procured. For any type of asset (a physical good with a value of more than €1,000.00, or for any type of service, the PIU FMS shall ensure that the MoED CAO signs the Receiving Report to identify that the goods/services have been received.

The signed receiving report should be sent to the DBF, together with the original contract and invoice. The DBF should use these documents to seek certifying of the payment, and later hold the receiving report with the other relevant documents associated with the expenditure.

Financial Rule: All authorized officials of the Budget Organization must have documented evidence that goods have been received prior to any payment of public funds to a supplier.

### 8.7 Preparing Invoice for Payment

The DBF is responsible for receiving invoices and ensuring that these are paid on time in accordance with the contract.

The PIU FMS, within the imitations envisaged in 5.5, should keep a list of invoices that have been paid for each contract and ensure that no invoice is paid twice.

Once an invoice is received, and evidence obtained that the goods have been received and services delivered, the DBF checks invoice and supporting documentation and submits the invoice and receiving report and contract to the DBF.

The PIU should keep detailed record of payments on file.

| Nature  | Checks to be performed  |
|---------|---|
| Service | <ul style="list-style-type: none"> <li>• verification of account numbers,</li> <li>• mathematical accuracy of the invoice,</li> <li>• matching legal conformity of the invoice,</li> <li>• matching the invoice to the relevant contract and subsequent amendments,</li> <li>• agreeing invoice to evidence of completion of work,</li> <li>• supporting documents (monthly statements; timesheets; proofs of actually incurred expenditures; deliverables; bank guarantees etc. as applicable);</li> <li>• existence of required approvals (duly certified monthly statements signed timesheets; contract coordinator and assigned contract management group approvals;</li> <li>• Approval of Beneficiary on the deliverables etc. as applicable).</li> </ul> |
| Goods   | <ul style="list-style-type: none"> <li>• verification of account numbers,</li> <li>• mathematical accuracy of the invoice,</li> <li>• matching legal conformity of the invoice,</li> <li>• matching the invoice to the relevant contract and subsequent amendments,</li> <li>• agreeing invoice to goods received notes,</li> <li>• supporting documents (bills of lading; insurance policies; manufacturers' authorization; operational acceptance; goods receipt note; taking over certificate; bank guarantees etc. as applicable)</li> <li>• existence of required approvals (taking over and operational acceptance committee approvals as applicable);</li> </ul>   |
| Works   | <ul style="list-style-type: none"> <li>• verification of account numbers,</li> <li>• mathematical accuracy of the invoice,</li> <li>• matching legal conformity of the invoice,</li> <li>• matching the invoice to the relevant contract and subsequent amendments,</li> <li>• agreeing invoice to evidence of completion of work,</li> <li>• supporting documents supporting documents (interim payment certificates; monthly statements; actual re-measurement; timesheets; proofs of actually incurred expenditures; bills of lading; insurance</li> </ul>   |

|         |   |
|---------|---|
|         | <p>policies; manufacturers' authorization; deliverables; operational acceptance; taking over certificate; bank guarantees etc. as applicable);</p> <ul style="list-style-type: none"> <li>• existence of required approvals (duly certified monthly statements and interim payment certificates; signed timesheets; Engineer's and Contract Coordinator's approvals; approval of Beneficiary, and approval of contract management group, approval of the work's supervision company, as applicable)</li> </ul>  |
| General | <ul style="list-style-type: none"> <li>• Verification of unit rates, prices and quantities;</li> <li>• Verification of supporting documents</li> <li>• Existence of required approvals</li> <li>• Check if the requested amounts have not been already paid</li> <li>• Verification of invoices (correct name, address, identification information and bank account of the payee</li> <li>• Check if the payee's information in the invoice is the same as in the contract and previous payments;</li> <li>• Check if the payment request fits the payment schedule/milestones in the contract</li> <li>• Check if the appropriate percentage recovery of the advance payment has been deducted;</li> </ul> |

The DBF<sup>2</sup> is responsible for:

- a) Checking that the invoice is not already paid.
- b) Collecting the receiving report showing that the goods/services have been completed (received) in accordance with the contract.
- c) Ensuring that the vendor is recorded in the Kosovo Financial Management Information System (KFMIS) and bank account details are correct.
- d) Preparing the "Payment Details" section of the CPO form (for purchases not requiring procurement), or preparing the Payment Order for payments that involved a procurement process.
- e) For payments to vendors with bank account outside Kosovo, prepare a "wire transfer" form.
- f) Forwarding the CPO and associated documents to the Certifying Officer.

**Financial Rule:** The Chief Financial officer is responsible to ensure that all valid invoices are paid on time. This responsibility includes ensuring that sufficient allocated and committed funds are available and that invoices are paid within 30 days of being received.

Direct payments: The same controls and documentation requirements would apply to the invoices paid through direct payments.

## 8.8 Registration of Vendors

Vendor registration forms will be completed by PIU Financial Management Specialist and Procurement Specialist, reviewed by DFB and Procurement Specialist and forwarded to Central

<sup>2</sup> The officials in charge of this procedures in accordance with the Kosovo Law on Public Financial Management (03/L-048) and related sub rules.

Treasury for the required action. Central Treasury will assume sole responsibility and full control of all functions relating to vendor information once the forms have been received.

**Financial Rule:** All recipients of public money (other than individuals who are employees or recipients of social welfare) must be registered as vendors in the KFMIS in accordance with the instructions issued by Treasury.

Direct payments: For payments to be executed through direct payments, vendors (beneficiaries) should be registered in the client connection system. The same controls will be conducted as in the case of registration in KFMIS.

### **8.9 Certifying Payment**

Prior to registering the expenditure in KFMIS, the Certifying Officer shall be responsible for reviewing the documentation associated with the expenditure to check for compliance with the following and make sure that the documentation is complete, such as:

- a) That a procurement has been conducted in accordance with the Bank Procurement policies and procedures,
- b) That the contractual terms have been fulfilled before payment is made,
- c) The payment request is coded to the correct expenditure sub-item in the expenditure classification;
- d) A properly rendered invoice was received;
- e) Commitment/request for purchase, announcement of tender, contract, purchase order, report of acceptance and the accepted invoice is possessed in the file;
- f) That the applicable internal financial controls have been observed during the initiation and conduct of the procurement activity and the expenditure process; and
- g) All other legal requirements and provisions were fulfilled.

If the conditions stated above are not satisfied, the Certifying Officer will not certify the payment.

A Certifying Officer by delegation who considers that a decision which it is his/her responsibility to take is irregular or contrary to the principles of sound financial management shall inform the MoED CAO in writing. If the CAO then gives a reasoned instruction in writing to the Certifying Officer to take the decision in question, the Certifying Officer may not be held liable. This authority of the CAO to instruct the Certifying Officer does not allow the CAO to permit any breach of the Law. Any breach of the Law should be reported to the relevant authorities.

Where the Certifying Officer is satisfied that the expenditure is acceptable, based on the above criteria, the Certifying Officer shall sign and stamp the payment execution forms, initial and stamp the original contract and invoice, make a copy of the original contract and certify that it is a true copy (this version to be provided to Treasury), and return these original documents to the Budget and Finance Office. The Certifying Officer should keep a copy of relevant document for future reference.

A Certifying Officer must, as may be required in relevant instructions issued by the Treasury, enter data or complete on-line verifications in the KFMIS.

**Financial Rule:** All expenditure of public money must be certified by a Certifying officer prior to being submitted for processing by the Treasury. The Certifying officer must independently verify that the

proposed expenditure is in compliance with the financial rules and legal framework for procurement prior to certifying the expenditure.

*Explanatory Note: It is currently the case that the Treasury is the final point of ex-ante control over expenditures. It is desirable that the internal controls in budget organizations be strengthened to the point where verification of the veracity of these internal financial controls will enable treasury to devolve this function. It is essential that certifying officers be allowed to operate as an independent check of the expenditures prior to processing. By enabling the certifying officer to perform this function, the budget organization will avoid the risk that external audits and other investigations show that the proper processes have not been followed.*

### **8.10 Executing Payment**

The MoED has to pay, every valid invoice for the payment of goods and services received, within 30 calendar days, from the day of receiving of invoice.

The following documents are required for the processing of payment by the Treasury:

- a. Request for purchase / commitment;
- b. Copy of contract which is signed by the responsible officer of procurement as an authentic copy of the original;
- c. Purchase order;
- d. Report of acceptance;
- e. Payment order;
- f. Original invoice;
- g. Supporting evidence (as described above)

In the case of expenditures that required procurement, the budget organization must supply the Purchase Requisition and a certified payment execution form – Payment Order.

In the case of all other payments, the budget organization must supply a certified Commitment and Payment Order (CPO).

Any other documentation specified in this document as a requirement (refer to later section on specific payment types).

**Financial Rule:** All expenditure of public money must be supported by a valid current contract, valid current invoice that has not previously been paid and a Purchase Order and report of acceptance. All budget organizations must keep a detailed file on all payments that are made, including a copy of the invoice, the contract, and documents where the payment has been authorized and certified. This record should be kept for at least seven years after the payment is made.

### **8.11 Arrears**

All invoices received by the MoED/ PIU with regard to contracts for project activities should be paid within 30 days, from the day of receiving of invoice, if not otherwise foreseen under the contract.

The Chief Financial Officer is responsible to create mechanisms, which enable registration of invoices received and submit the processing of payment of these invoices. In cases when commitments and obligations expire at the end of a fiscal year without meeting the contractual obligations, then the DBF has to:

- a. Report these payables to Treasury and Budget of MoF;
- b. Report these payables in the financial reports of the MoED and project financial statements according to Financial Rule on annual reporting of budget organizations; and
- c. Immediately register a commitment and an obligation in KFMIS from the budget of the following year.

### **8.12 Specific Procedures**

Expenditures for official trips

- i. Personnel travelling on official trips can get advance cash or can use the credit card according to the Administrative Instruction No. 04/2009.
- ii. The amount is given in a table according to the sub-legal documents in force for official trips.
- iii. All advance money should be justified and the unspent amounts should be returned to the bank accounts in the deadline set forth in the sub-legal documents in force for official trips.
- iv. Justification of funds is done through a form for the closing of the advance money for the official trip to which documents set forth in the sub-legal documents in force for official trips.

### **8.13 ACCOUNTING AND FINANCIAL REPORTING PROCEDURES**

#### **8.13.1 Accounting Policy and Project Accounting Principles**

#### **LEGAL BASE**

Accounting methodology for the Project is developed in accordance with the World Bank requirements for non-revenue Projects and the legislation of Kosovo.

The accounting policies represent a set of special principles, methods, rules and practical settings to be applied by the Project and developed in accordance with the World Bank procedures on financial accounting, reporting and auditing.

#### **ACCOUNTING STANDARDS**

Accounting principles and standards provide a fundamental basis for and authoritative guidance on the acceptable ways of preparing financial statements. They are intended to ensure consistency, fair presentation, and comparability between accounting periods and among financial statements of different entities, as well as make financial statements more relevant, informative, reliable, and understandable.

The accounting system of project is maintained according to:

- cash basis International Public Sector Accounting Standards (IPSAS). Under the cash basis, income (or expenditure) is recognized when cash is received (or paid) irrespective of when goods or services are received.

- commitment accounting. This basis recognizes transactions when they are committed, for example, when an order is issued. Main function of the commitment accounting is budgetary control.

Accounting shall be based on double-entry bookkeeping method. The accounting treatment of documents shall be conducted over the following stages: (i) recording of commitments, (ii) preparing and approving the payment documents; (iii) recording payment requests. Under these stages, there shall be distinct segregation of duties **of the involved accounting staff**.

### **BASIS OF PREPARATION**

For project reporting purposes cash basis International Public Sector Accounting Standards (IPSAS) is adopted.

The project financial statements will be prepared according to cash basis of accounting and in compliance with the respective project legal document.

The annual financial statements of the project will consist of the following reports: (i) Sources and Uses of Funds, (ii) Uses of Funds by Project Activity, (iii) Withdrawal Schedule, (iv) Notes to the Financial Statements, and (v) Source of funds reconciliation statement.

The project interim financial reports and project annual financial statements are prepared in EUR.

### **FOREIGN CURRENCY TRANSACTIONS**

Project accounts are maintained in EUR. Transactions denominated in other currencies are translated into EUR as follows:

- Payments to contractors/suppliers/consultants expressed in currencies other than EUR are translated into EUR at the KCB exchange rate at the date of the transaction.
- Monetary assets and liabilities are translated into EUR exchange rate at the date of reporting.
- Transactions and translations exchange differences (gains/losses) are recognized and presented in the project financial statements in net as an Exchange Difference.

### **CHART OF ACCOUNTS**

The chart of accounts is the accounting group scheme for project activities to be carried out based on signed contracts. A chart of accounts is one of the ways of classifying the accounting data of the Project in a manner that will promote its use, lead to better management and achieve more meaningful accountability. The major classifications according to which the chart of accounts will be classified should be divided into sub-accounts.

The chart of accounts should also provide appropriate linkages to the government budgeting. The project will use Kosovo chart of accounts.

The Budget Classification/Chart of Account is based upon Government Financial Statistics (GFS) 2001 and is COFOG compliant. The classification system used includes:

- Functional classification using 10 groups at level 1 and sub functions
- Economic classification
- Administrative classification

**Source code:** Financing from credits (04)

**Organization code:** MoED code for expenditure at the ministry level and Municipality code of expenditure at municipality level

**Project code:** specific code to be created and assigned to the project by MFE

**Economic class:** based on the nature of expenditure according to the Kosovo COA

#### 8.13.2 *Fiscal Year*

Fiscal year of the MoED lasts from January 1 till December 31 of the calendar year.

#### 8.13.3 *Accounting and Information System*

The MoED will maintain accounts and records for the project transactions in the Kosovo Financial Management Information System (KFMIS) on a cash basis, and based on documentation provided by key project beneficiaries, including commitment information for signed contracts. To complement the system generated reports, it is required that project financial information is maintained contract wise in excel spreadsheets. The FM Specialist within the PIU will assist in this function.

#### 8.13.4 *Financial Reporting*

All reports generated by the KFMIS are presented according to cash-based IPSAS and broken down according to the budget structure.

DBF in cooperation with the PIU will produce all financial reports for the Bank based on the information received from the KFMIS and supplementary records maintained by the PIU. These reports will be supported with expenditure details by component and subcomponent and contract monitoring tables that will be prepared by PIU. The quarterly un-audited financial reports will be used for project monitoring and supervision: monitoring Project resources and expenditures by actual and planned for the period reported, annual to-date, cumulative and variance. Variances should be analyzed and large variances explained and monitored.

DBF in cooperation with the PIU will produce a full set of interim financial reports on a quarterly basis throughout the life of the project. These reports will be submitted to the bank not later than 45 days from the end of the quarter.

The DBF and the PIU will be supported by the Project FMS for the preparation of the Project financial reports and other financial information, such as project forecasts disbursement projections, required from the Bank.

The Quarterly Interim Financial Reports, in the format and content presented in Annex 1 include:

#### **Financial Reports**

Report 1-A: Sources and Uses of Funds Statement  
Report 1-B: Uses of Funds according to sub-components  
Detail Account Analysis Report (Free-balance Report)

### **Progress Monitoring Reports**

Report 2-A: Contract monitoring

## **8.14 Disbursement Arrangements and Procedures**

### **8.14.1 Disbursement Arrangements**

The following Disbursement Methods may be used:

- **Reimbursement.** The Bank may make payments to the borrower, upon MoED request for the cost of project eligible expenditures. The borrower provides documentation showing that such expenditures have been incurred and paid from its own resources at the time a request for payment is made, such as: Statement of expenditure, or records (e.g., invoices, receipts), or records required by the Bank for specific expenditures and statement of expenditure for all other expenditures.
- **Direct Payment.** The Bank may make payments at the Borrower request, directly to a third party (consultant, supplier, and contractor) for eligible expenditures.
- **Special Commitment.** The Bank may make payments to a financial institution for the cost of project eligible expenditures covered by a special commitment. A special commitment is an irrevocable commitment entered into by the Bank in writing to pay such amounts notwithstanding any subsequent suspension or cancellation. The financial institution provides confirmation that such expenditures have been incurred at the time a request for payment is made. Society for Worldwide Interbank Financial Telecommunication (SWIFT) or other advice from the commercial bank confirming that documents have been negotiated (i.e., documents have been received and are acceptable) and that payment has been made or is due and will be made promptly to the beneficiary covered by the special commitment.

For the detailed procedures refer to the World Bank “Disbursement Guidelines for Projects”, May 2006.

### **8.14.2 Single Treasury Account**

The Government guides and manages expenditure of all budget organizations through the central Treasury, often referred to as the “**Single Treasury Account**” or “**STA**”. According to the single account system, budget organizations do not control their bank accounts. Instead, management of public money lies with Treasury. Treasury makes payments on behalf of budget organizations after ensuring that authorization and documentation is in line with the Financial Rules. Treasury makes all payments from the Single Treasury Account.

As a result, budget organizations do not control the cash allocated to them for various expenses. However, for reporting purposes, budget organizations must show all transactions through the STA that relate to their activities. For reporting purposes, the financial statements, where applicable, of each budget organization shall include a special column “Treasury’s account” to report cash receipts and payments made through the STA.

#### 8.14.3 *Withdrawal Applications*

Applications must be provided to the Bank in such form and include such information as the Bank may reasonably request. Application forms are available online from the Client Connection Web site at <http://clientconnection.worldbank.org> or from the Bank upon request.

For withdrawal from the Loan Account for advances, the borrower should provide an original signed application for withdrawal. For withdrawal from the Loan Account for reimbursements and direct payments, the borrower should provide an original signed application for withdrawal together with one copy of supporting documents. For a special commitment from the Loan Account, the borrower should provide an original signed application for a special commitment together with one copy of the letter of credit. The Bank reserves the right not to accept or review duplicate copies of Applications and supporting documents and may at its discretion return or destroy the duplicates.

Application for reimbursement will be prepared for a defined period coinciding with the project reporting period for which project financial reports are prepared: monthly or quarterly. The minimum reporting frequency is on quarterly basis.

#### 8.14.4 *Electronic Delivery*

The Bank may authorize the borrower to use electronic means, in a manner and on terms and conditions specified by the Bank, to deliver Applications and supporting documentation to the Bank. Detailed guidelines for electronic delivery will be provided by the World Bank upon effectiveness of the Financial Agreement.

#### 8.14.5 *Minimum Value Of Applications*

The Bank establishes a minimum value for Applications for reimbursement, direct payment and special commitment. The Bank reserves the right not to accept Applications that are below such minimum value.

The Minimum Value of Applications is EUR 100,000. .

#### 8.14.6 *Authorized Signatures*

Before loan proceeds may be withdrawn or committed from the Loan Account, the authorized representative of the borrower (as designated in the Financing Agreement) must furnish to the Bank (a) the name(s) of the official(s) authorized to sign applications for withdrawal and applications for a special commitment (collectively, “Applications”), and (b) the authenticated specimen signature(s) of the official(s). The borrower must indicate clearly if more than one signature is required on Applications and must notify the Bank promptly of any changes in signature authority.

Representatives with the authority to sign documents to withdraw funds from the Loan will be defined jointly by the MFE and MoED.

#### 8.14.7 *Disbursement Conditions*

***Not applicable.***

#### 8.14.8 *Ineligible Expenditures*

If the Bank determines that any amount of the loan was used to pay for an expenditure that is not eligible pursuant to the Financing Agreement (“ineligible expenditure”), the Bank may, at its discretion, require the borrower to take one of the two actions listed below. Upon notification by the Bank, the borrower must promptly take the action requested:

- a) Refund an equivalent amount to the Bank; or
- b) Exceptionally, provide substitute documentation evidencing other eligible expenditures

#### 8.14.9 *Reimbursement*

Bank funds disbursed using the reimbursement method will be documented

- a) List of payments against contracts that are subject to the Bank’s prior review
- b) either copies of the original documents evidencing eligible expenditures (“Records”). Records include such documents as invoices and receipts. or
- c) summary reports of expenditure (“Summary Reports”) in such form and substance as the Bank may specify. A Summary Report is a statement of expenditure summarizing eligible expenditures paid during a stated period (“Statement of Expenditure”).

For templates and forms of the above please ref to the Disbursement Letter.

The Application for Withdrawal, Form e2380, along with supporting documents evidencing the amounts due, is submitted electronically in the client connection system by Project FMS. After submission of all required documents for the contract payment, the Application (form e2380) will be reviewed and authorized by authorized signatures.

#### 8.14.10 *Statement of Expenditure*

Statement of Expenditures, will be used for payment for works against contract valued less than EUR 5 million, for contracts valued at less than EUR 1 million for goods, less than EUR 200,000 for consulting firms, and less than EUR 100,000 for individual consultants and training, and incremental operating costs. Payments above these limits will be fully documented. Supporting documentation will be required to be submitted to the Bank when requesting funds from the Loan Account under the referenced disbursement methods. Certified statements of expenditure shall be prepared by the FMS and reviewed by the CFO. SOE forms shall be certified and signed by the CFO and Project Director

#### 8.14.11 *Direct Payments*

Usually the STA is used to make payments to contractors. But under certain circumstances the PAD and the Disbursement Letter allow the country to make Direct Payments. Such payments to a contractor/Specialist can be effected directly from the IDA Account. The procedure for direct

payment is similar to a Reimbursement Application.

The MoED is able to pay by direct payment from World Bank project account the sum not less than “minimum” amount of the Application outlined in the Disbursement Letter, for the contracts signed between MoED and international companies.

The Application for Withdrawal, Form e2380, along with supporting documents evidencing the amounts due, is submitted electronically in the client connection system by Project FMS. After submission of all required documents for the contract payment, the Application (form e2380) will be reviewed and authorized by authorized signatures.

Once the IDA statement evidencing the direct payment is obtained via the Internet, the accounting entry is posted in Financial Management Information System. The original Payment Order must be filed in the disbursement folder when received.

#### 8.14.12 *Letter of Credit (LC)*

LC should be opened in accordance with the terms and conditions of the contract signed. A Letter of Credit will specify:

- a) goods,
- b) shipment parity from/to destinations,
- c) payment terms including advance payment and payment after delivery and other contract terms fulfillment specified in L/C,
- d) L/C expiring date,
- e) documentation requested for payment according to the contract, and f)  
any other documents as required by any particular contract.

#### 8.14.13 *Loan Disbursement Period, Disbursement Deadline Date*

The Bank processes Applications only after the Loan Agreement has been declared effective in accordance with the terms of the Loan Agreement. The expenditures for which the Applications are made must be:

- (a) paid** for (i) on or after the date of the Loan Agreement, or (ii) in the case of operations that permit retroactive financing, on or after the earlier date specified in the Loan Agreement for that purpose; and
- (b) incurred** on or before the closing date specified or referred to in the Loan Agreement (“Closing Date”), except as otherwise specifically agreed with the Bank.

Based on the FA, retroactive financing is permitted for withdrawals up to an aggregate amount not to exceed €250,000 equivalent and may be made for payments made on or after March 1, 2014 for Eligible Expenditures. However, retroactive financing is only eligible for expenditures incurred within 12 months of project effectiveness.

The loan disbursing period ends on the final date established by the Bank for receipt by the Bank of applications for withdrawal and supporting documentation (the “Disbursement Deadline Date”). The Disbursement Deadline Date is four months after the Closing Date. Normally, to support orderly project completion and closure of the Loan Account, the Bank does not accept applications for withdrawal or supporting documentation received after the Disbursement Deadline Date. The implementing agency should promptly inform the Bank of any expected implementation delays or exceptional administrative

issues before these dates. The Bank notifies the borrower of any exception that the Bank may make to the Disbursement Deadline Date.

#### *8.14.14 Reconciliation of Sources of Funds*

On a monthly basis, the project financial records will be reconciled with IDA's Monthly Disbursement Summary statement on a monthly basis by the FMS and DBF.

#### *8.14.15 Contract Management*

This section provides brief outline of contract management process by types of contracts.

Adherence to the Guidelines and Procedures, certain actions regarding the contract performance and monitoring shall be mandatory, if uniformity, efficiency and control are to be ensured.

The Project Director with the assistance of Project Coordinator is mainly responsible to identify and address possible mistakes or insufficient control, which could lead to delays in the progress of projects, sometimes significant, costs.

#### *8.14.16 Internal Audit*

Internal audit in Kosovo is at an early stage of development. In 2000, the role of the internal audit in the PFM process was recognized, and an Internal Audit Department (IAD) was created in the MFE. Its task was to catalyze internal audit in the Budget Institutions. Additionally, the Law on Public Financial Management and Accountability provides the legal basis for the internal audit. The internal auditors report directly to their top management. A manual reflecting the approach promoted through the application of the International Standards for the Professional Practice of Internal Audit has been developed and its use is mandatory for all Internal Audit Units. Nevertheless, most auditors are not sufficiently experienced at this stage to carry out full system audits.

MoED internal audit unit would audit the project activities as a normal part of their work. Internal auditors are appointed and they will submit regular reports to the MoED management. The PIU will officially request the MoED internal auditors to include the project activities in their audit plan and submit a separate report for these after effectiveness. Internal audit reports would be shared with the Bank supporting the project and follow-up actions would be monitored as part of the overall monitoring of the project.

The Institute of Internal Auditors (IIA) definition of internal auditing is as follows:

Internal auditing is an independent, objective assurance, and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The primary role of internal auditors is to independently and objectively review and evaluate an Organization's activities to maintain or improve the efficiency and effectiveness of risk management, internal controls, and corporate governance.

They do this by:

- Evaluating the reliability, adequacy, and effectiveness of accounting, operating, and administrative controls,
- Ensuring that internal controls result in prompt and accurate recording of transactions and proper safeguarding of assets,
- Determining whether the Organization complies with laws and regulations and adheres to established Government policies,
- Determining whether management is taking appropriate steps to address current and prior control deficiencies and audit report recommendations.

Internal auditors must understand the Organization's strategic direction, objectives, products, services, and processes to conduct these activities. The auditors then communicate findings to its audit committee and senior management.

The internal function within MoED is with Internal Audit Division. The latter is responsible for:

- Implementing an internal financial control in the Budget Organization which provides efficient and effective operations, protecting resources against loss due to waste, abuse, mismanagement, errors, fraud and other irregularities and is consistent with the Law on Public Financial management and the current financial rules.
- Ensuring transparency, by implementing the information systems, including regularly reporting to Minister and CAO (MoED) on the financial and managerial performance of the Budget Organization and providing the Minister with any financial and management reports necessary for undertaking budget planning and assessing budget execution.
- Ensuring a properly resourced, independently operating internal audit function in accordance with relevant Law, Administrative Instructions.
- Conducting selection processes for the position of Certifying Officer and Internal Auditor on the basis of merit and ensuring:
  - o That a properly qualified and independent individual is appointed, and
  - o That the function is free from political or other external interference.
- To take all necessary steps to act upon the advice of Certifying Officer and Internal Auditors in relation to financial management of the Budget Organization.
- To take all necessary steps to report illegal activities to appropriate law enforcement authorities.
- Develop and implementing systems for effectively managing the risks that may affect the budget organization's operations.
- To implement the recommendations of external audit regarding, for example, the financial management, performance, compliance and internal controls structures of the Budget Organization.
- Managing the budget organization's revenue efficiently and effectively, including, for example, by developing and implementing systems for managing the budget organization's revenue.

#### 8.14.17 *External Audit*

Eligible audit firm will audit KEEREP under a WB block audit arrangement. The audit of KEEREP will, therefore, be conducted (i) by independent auditors and on terms of reference acceptable to the World Bank, and (ii) according to the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC).

The terms of reference to be used for the Project audit will be prepared by the KEEA/PIU (See

ANNEX 7: TERMS OF REFERENCE FOR EXTERNAL AUDIT) and cleared by the Bank, and submitted to the Committee for Investments before contracting the auditor, under the block audit arrangement.

**EXTERNAL AUDIT OBJECTIVES**

Independent auditors issue their independent opinions on the financial position of the project at the fiscal year ends, on the disbursement and payment, expenditures from funding sources, opinions on expenditure statements, implementation report as well as report on project designated accounts;

The annual financial statement audits are to check and verify the reliability and fairness of financial statements in a year in terms of financial management, and asset management to ensure that they respond to the commitments between the World Bank and the GoK;

The audits are also to certify that project resources are used by the project owner in line with the procedure, regulations, financial and accounting regimes which are agreed upon between the GoK and the World Bank within the scope of the project;

The audits are also to identify areas where attention is required to address financial management and procurement problems and improve procedures.

**SCOPE OF EXTERNAL AUDIT**

The external audit will cover project financial statements including the project accounts at central level, performance capitation payments, and supporting documentation. An independent firm of auditors acceptable to the World Bank will carry out the external audits. The audit contracts will be financed 100% by IDA funds. The external audit will cover some following issues:

- If financial statements are prepared in accordance with current accounting standards in order to meet reporting requirements from the World Bank and if they are applied consistently.
- If funds are used in accordance with agreed-upon commitments with reasonable regards to economical, efficient aspects and to project objectives.
- If goods and services are purchased in accordance with related commitments
- If all required documents and records are maintained in good conditions and show clear relationship with reports submitted to the World Bank.

**TIMING REQUIREMENTS FOR EXTERNAL AUDIT REPORTS**

The annual audited project financial statements will be provided to the World Bank within six months of the end of each fiscal year and also at the closing of the Project. In accordance with the World Bank’s Access to Information Policy audited project financial statements shall be made publicly available. Upon receipt of the audited financial management statements, the Bank would also make them publicly available. The cost of the audit will be financed from the proceeds of the IDA credit. The Table 10 below shows the audit reports that will be required to be submitted by the Project implementation agency, and the due date for submission of the audit reports.

Table 1: Audit report submission requirements and due dates

| Audit Report   | Due Date  |
|--|---|
| <i>Continuing Entity financial statements (MoED)</i>   | N/A   |
| <i>Project financial statements (PFS).</i><br><br>The PFS include Project Balance Sheet, Sources and Uses of Funds, Uses of Funds by Project Activity, and Notes to the financial statements, and Reconciliation Statement | Within six months of the end of each fiscal year and also at the closing of the Project |

## **ANNEX 1. MEMORANDUM OF UNDERSTANDING (MOU)**

Kosovo Energy Efficiency and Renewable Energy Project  
Memorandum of understanding with (Line Ministry )

### **Introduction**

The Ministry of Economic Development (MED), acting on behalf of the Republic of Kosovo, has received a credit from the World Bank, to implement the Kosovo Energy Efficiency and Renewable Energy Project (KEEREP). As requested by the Government, a grant has been allocated to contribute to the improving of energy efficiency in selected public municipal buildings. The Project consists three components that include: (i) EE and RE investments in public buildings; (ii) RE and EE policy and regulatory support, as well as related RE resource assessments; and (iii) project implementation support.

Under the project the interests of the MED will be represented by Kosovo Energy Efficiency Agency (KEEA), which will play a role of so-called Project Implementation Unit (PIU). It means that whole performing of the Project will be entrusted to the KEEA by the MED.

Using an open, competitive process, KEEA will call for proposals (applications) from municipalities across the country and select candidates to participate in the program.

The program would provide financing for a EE projects (“subprojects”) in public facilities (e.g., schools, kindergartens, hospitals, street lighting) with demonstrable energy savings and social co-benefits.).

In Year 1 these investments will be fully grant financed. In subsequent years it is supposed that modest co-financing will be considered as an additional eligibility criterion.

This document serves as the Memorandum of Understanding (MoU) between the selected municipality and the MED. It lays out the various roles and responsibilities of the two parties in performing the KEEREP.

### **Functions of MED**

- Overall project coordination and oversight
- Ensuring of sound management as well as transparent performing of the KEEREP

### **Functions of KEEA**

- Explain the program process and procedures to the municipality and participating institutions.
- Visit the facilities to be retrofitted to verify basic data, assess buildings’ structural status, and verify participating institutions’ commitment to the program.
- Complete all procurement, following World Bank procurement guidelines, for a licensed and qualified firm to conduct a detailed energy audit, develop a project design, and bidding documents.
- Ensure receipt of all required permits and approvals for the project to be undertaken, as well as acceptance from the municipality and participating institution of the final project design before the construction bidding takes place.
- Complete all procurement, following World Bank procurement guidelines, for a licensed and qualified firm to purchase the goods and materials, construct the project and arrange for a post-project commissioning.
- As appropriate, arrange for construction supervision.
- Verify delivery of the project per the agreed design and assess actual energy savings impacts from the retrofitted measures.

- Obtain a final approval from the municipality and participating institution of the final project commissioning report.
- Providing of technical assistance to the representatives of the LPA on the issue of preparation, implementation and sustainability maintenance of the implemented subprojects,
- Providing of technical assistance to the representatives of the LPA on the process of pre-planning organization and elaboration of energy audits for selected buildings,
- Mentoring and facilitation of the implementation of the energy saving plans elaborated with KEEREP support,
- Continuous maintenance of an exchange of experience between the beneficiaries by making visits and allowing access to already implemented subprojects,
- Providing of financial support in implementation of the subprojects/ grant applications submitted by Line Ministry administration, according to KEEREP procedures,
- Monitoring of financial sources management performed by LPA, SPs, NGOs, ESCOs under submitted subprojects.

**Functions of the Line Ministry:**

- Organization of the Project promotion process at the level of district and communities,
- Monitoring of the beneficiaries on the issue of time delays for subproject proposals/grant application submission, the procedures during the subprojects appraisal and implementation stages,
- Nomination of 1 person from beneficiary institution to participate in the PTC session.
- Providing of necessary assistance in preparation and approval of necessary documents for the subprojects implementation, free of charge and within optimal periods of time,
- Creation of necessary conditions for the organization of trainings and competitions for performing beneficiaries,
- Assistance of the beneficiaries in the process of contribution collection,
- Mediation of the KEEREP subprojects implementation in the respective area/district,
- Assistance of the beneficiaries in the process of subprojects preliminary and final handover,
- Assurance of an exchange of experience in energy efficiency development among the localities from the district and promotion of positive practices replication,
- Contribution to the renovated objects sustainability maintenance and their further development.
- Participate as requested in pre- and post-project surveys to document impacts of project.

**MED's representative**

[signature]

**OA executive**

[signature]



**ANNEX 2. Environmental Screening Checklist**

**Part 1 - to be completed by PIU**

|   |  |     |    |
|---|--|-----|----|
| 1. Project Name:                                      |  |     |    |
| 2. Brief Description of Sub-project                   |  |     |    |
|   | Nature of the project,   |     |    |
|   | Project cost   |     |    |
|   | Physical size [m <sup>3</sup> ]  |     |    |
|   | Site area [m <sup>2</sup> ]  |     |    |
|   | Location (Street Name, Plot No., City)   |     |    |
| 3. Proposed rehabilitation activities / EE activities |  | Yes | No |
|   | Insulation of walls, basements and attics  |     |    |
|   | Repair/replacement of external doors and windows, window   |     |    |
|   | Boiler upgrade/replacement   |     |    |
|   | Fuel switching   |     |    |
|   | Reflective surfacing of walls behind radiators   |     |    |
|   | Control systems  |     |    |
|   | Pipe insulation  |     |    |
|   | Chiller/AC replacement   |     |    |
|   | Heat pumps   |     |    |
|   | Heat pumps with deep (> 25 m drilling)   |     |    |
|   | Compact fluorescent lamps, high pressure sodium vapor  |     |    |
|   | Light emitting diodes  |     |    |
|   | Pumps and fans   |     |    |
|   | Solar water heating  |     |    |
|   | EE works involving generation of comparatively large waste quantities (e.g. replacement of floor, exchange of ventilation, replacement of doors)   |     |    |
|   | Replacement of the asbestos roofs;   |     |    |
|   | Major refurbishing activities involving removal / reconstruction of walls (especially when containing Asbestos isolations or sheets);  |     |    |
|   | EE activities involving potentially hazardous materials like residues from paints, asbestos, solvents, enamels, and the replacement of larger quantities (several 10s) of windows and doors; |     |    |

**Part 2 - to be completed by the PIU based on the findings of the environmental screening and scoping process**

|  |   |  |
|--|---|--|
|  | Project Environmental Category (B or C)                           |  |
|  | EMP Checklist is required (yes or no)                             |  |
|  | What are the specific issues to be addressed in the EMP Checklist |  |

Environmental Screener:.....

Date:.....

**Format for an EMP Checklist for Energy Efficiency subprojects**

| <b>PART 1: INSTITUTIONAL &amp; ADMINISTRATIVE</b>                              |   |                                |                                     |  |
|--|---|--------------------------------|-------------------------------------|--|
| Country  |   |                                |                                     |  |
| Project title  |   |                                |                                     |  |
| Scope of project and activity  |   |                                |                                     |  |
| Institutional arrangements (Name and contacts)                                 | WB (Project Team Leader):   | Project Management:            | Local Counterpart and/or Recipient: |  |
| Implementation arrangements (Name and contacts)                                | Safeguard Supervision:  | Local Counterpart Supervision: | Local Inspectorate Supervision:     | Contractor:  |
| <b>SITE DESCRIPTION</b>  |   |                                |                                     |  |
| Name of Site   |   |                                |                                     |  |
| Describe Site Location   |   |                                |                                     | Attachment 1: Site Map <input type="checkbox"/> Y <input type="checkbox"/> N |
| Who owns the land?   |   |                                |                                     |  |
| Geographic description   |   |                                |                                     |  |
| <b>LEGISLATION</b>   |   |                                |                                     |  |
| Identify national & local legislation & permits that apply to project activity |   |                                |                                     |  |
| <b>PUBLIC CONSULTATION</b>   |   |                                |                                     |  |
| Identify when /where the public consultation took place                        |   |                                |                                     |  |
| <b>INSTITUTIONAL CAPACITY BUILDING</b>   |   |                                |                                     |  |
| Will there be any capacity building?   | <input type="checkbox"/> No <input type="checkbox"/> Yes, Attachment 2 includes the capacity building program |                                |                                     |  |

| PART 2: ENVIRONMENTAL / SOCIAL SCREENING                     |  |   |                              |
|--|--|---|------------------------------|
| Will the site activity include involve any of the following: | <b>Activity</b>  | <b>Status</b>   | <b>Additional references</b> |
|  | Building rehabilitation                                  | <input type="checkbox"/> Yes <input type="checkbox"/> No  | See Section B below          |
|  | New construction   | <input type="checkbox"/> Yes <input type="checkbox"/> No  | See Section B below          |
|  | Individual wastewater treatment system                   | <input type="checkbox"/> Yes <input type="checkbox"/> No  | See Section C below          |
|  | Historic building(s) and districts                       | <input type="checkbox"/> Yes <input type="checkbox"/> No  | See Section D below          |
|  | Acquisition of land <sup>3</sup>                         | <input type="checkbox"/> Yes <input type="checkbox"/> No  | See Section E below          |
|  | Hazardous or toxic materials <sup>4</sup>                | <input type="checkbox"/> Yes <input type="checkbox"/> No  | See Section F below          |
|  | Impacts on forests and/or protected areas                | <input type="checkbox"/> Yes <input type="checkbox"/> No  | See Section G below          |
| Handling / management of medical waste                       | <input type="checkbox"/> Yes <input type="checkbox"/> No | See Section H below   |                              |
| ACTIVITY   | PARAMETER  | MITIGATION MEASURES CHECKLIST   |                              |
| A. General Conditions  | Notification and Worker Safety                           | <ul style="list-style-type: none"> <li>• The local construction and environment inspectorates and communities have been notified of upcoming activities</li> <li>• The public has been notified of the works through appropriate notification in the media and/or at publicly accessible sites (including the site of the works)</li> <li>• All legally required permits have been acquired for construction and/or rehabilitation</li> <li>• All work will be carried out in a safe and disciplined manner designed to minimize impacts on neighboring residents and environment.</li> <li>• Workers' PPE will comply with international good practice (always hardhats, as needed masks and safety glasses, harnesses and safety boots)</li> <li>• <u>Appropriate signposting of the sites will inform workers of key rules and regulations to follow.</u></li> </ul> |                              |

<sup>3</sup> Land acquisitions include displacement of people, change of livelihood encroachment on private property. This regards to land that is purchased/transferred and affects people who are living and/or squatters and /or operate a business (kiosks) on land that is being acquired.

<sup>4</sup> Toxic / hazardous material includes and is not limited to asbestos, toxic paints, removal of lead paint, etc.

| ACTIVITY   | PARAMETER        | MITIGATION MEASURES CHECKLIST  |
|--|------------------|--|
| B. General Rehabilitation and/or Construction Activities | Air Quality      | <ul style="list-style-type: none"> <li>• During interior demolition use debris-chutes above the first floor</li> <li>• Keep demolition debris in controlled area and spray with water mist to reduce debris dust</li> <li>• Suppress dust during pneumatic drilling/wall destruction by ongoing water spraying and/or installing dust screen enclosures at site</li> <li>• Keep surrounding environment (sidewalks, roads) free of debris to minimize dust</li> <li>• There will be no open burning of construction or waste material at the site</li> </ul>   |
|  | Noise            | <ul style="list-style-type: none"> <li>• Construction noise will be limited to restricted times agreed to in the permit</li> <li>• During Operations the engine covers of generators, air compressors and other powered mechanical equipment should be closed, and equipment placed as far from residential areas as</li> </ul>  |
|  | Water Quality    | <ul style="list-style-type: none"> <li>• The site will establish appropriate erosion and sediment control measures such as e.g. hay bales and silt fences to prevent sediment from moving offsite and causing excessive turbidity in nearby streams and rivers.</li> </ul>   |
|  | Waste management | <ul style="list-style-type: none"> <li>• Waste collection and disposal pathways and sites will be identified for all major waste types expected from demolition and construction activities.</li> <li>• Mineral construction and demolition wastes will be separated from general refuse, organic, liquid and chemical wastes by on-site sorting and stored in appropriate containers.</li> <li>• Construction waste will be collected and disposed properly by licensed collectors</li> <li>• The records of waste disposal will be maintained as proof for proper management as designed.</li> <li>• Whenever feasible the contractor will reuse and recycle appropriate and viable materials (except asbestos)</li> </ul> |
|  |                  |  |

| ACTIVITY                                  | PARAMETER                        | MITIGATION MEASURES CHECKLIST   |
|---|----------------------------------|---|
| C. Individual wastewater treatment system | Water Quality                    | <ul style="list-style-type: none"> <li>• The approach to handling sanitary wastes and wastewater from building sites (installation or reconstruction)</li> <li>• must be approved by the local authorities</li> <li>• Before being discharged into receiving waters, effluents from individual wastewater systems must be treated in order to meet the minimal quality criteria set out by national guidelines on effluent quality and wastewater treatment</li> </ul>  |
| D. Historic building(s)                   | Cultural Heritage                | <ul style="list-style-type: none"> <li>• If the building is a designated historic structure, very close to such a structure, or located in a designated historic</li> <li>• district, notify and obtain approval/permits from local authorities and address all construction activities in line with local and national legislation</li> <li>• Ensure that provisions are put in place so that artifacts or other possible "chance finds" encountered</li> </ul>  |
| E. Acquisition of land                    | Land Acquisition Plan/Framework  | <ul style="list-style-type: none"> <li>• If expropriation of land was not expected and is required, or if loss of access to income of legal or illegal users of land was not expected but may occur, that the bank task Team Leader is consulted.</li> <li>• The approved Land Acquisition Plan/Framework (if required by the project) will be implemented</li> </ul>   |
| F. Toxic Materials                        | Asbestos management              | <ul style="list-style-type: none"> <li>• If asbestos is located on the project site, mark clearly as hazardous material</li> <li>• When possible the asbestos will be appropriately contained and sealed to minimize exposure</li> <li>• The asbestos prior to removal (if removal is necessary) will be treated with a wetting agent to minimize asbestos dust</li> <li>• Asbestos will be handled and disposed by skilled &amp; experienced professionals</li> <li>• If asbestos material is to be stored temporarily, the wastes should be securely enclosed inside closed containments and marked appropriately.</li> <li>• The removed asbestos will not be reused.</li> </ul> |
|   | Toxic/hazardous waste management | <ul style="list-style-type: none"> <li>• Temporarily storage on site of all hazardous or toxic substances will be in safe containers labeled with details of</li> <li>• composition, properties and handling information</li> <li>• The containers of hazardous substances should be placed in an leak-proof container to prevent spillage and leaching</li> <li>• The wastes are transported by specially licensed carriers and disposed in a licensed</li> </ul>  |

| ACTIVITY                                  | PARAMETER                                   | MITIGATION MEASURES CHECKLIST  |
|---|---|--|
| G. Affects forests and/or protected areas | Protection                                  | <ul style="list-style-type: none"> <li>• All recognized natural habitats and protected areas in the immediate vicinity of the activity will not be damaged</li> <li>• or exploited, all staff will be strictly prohibited from hunting, foraging, logging or other damaging activities.</li> <li>• For large trees in the vicinity of the activity, mark and cordon off with a fence large trees and protect root system and avoid any damage to the trees</li> <li>• Adjacent wetlands and streams will be protected, from construction site run-off, with appropriate erosion and</li> <li>• sediment control feature to include by not limited to hay bales, silt fences</li> <li>• There will be no unlicensed borrow pits, quarries or waste dumps in adjacent areas, especially not in protected areas.</li> </ul> |
| H. Disposal of medical waste              | Infrastructure for medical waste management | <ul style="list-style-type: none"> <li>• In compliance with national regulations the contractor will insure that newly constructed and/or rehabilitated</li> <li>• health care facilities include sufficient infrastructure for medical waste handling and disposal; this includes and not limited to:</li> <li>• Special facilities for segregated healthcare waste (including soiled instruments "sharps", and human tissue or fluids) from other waste disposal; and</li> <li>• Appropriate storage facilities for medical waste are in place; and</li> <li>• If the activity includes facility-based treatment, appropriate disposal option are in place and operational</li> </ul>  |

**PART 3: MONITORING PLAN**

| Phase                          | What<br>(Is the parameter to be monitored?) | Where<br>(Is the parameter to be monitored?) | How<br>(Is the parameter to be monitored?) | When (Define the frequency / or continuously) | Why<br>(Is the parameter being monitored?) | Cost<br>(if not included in project budget) | Who<br>(Is responsible for monitoring?) |
|--------------------------------|---|--|--|---|--|---|---|
| During activity implementation |   |  |  |   |  |   |   |
|                                |   |  |  |   |  |   |   |
| During activity supervision    |   |  |  |   |  |   |   |

### ANNEX 3. DRAFT PROCUREMENT PLAN

|  |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       | 1.37                       |                    |  |  |                                     |                                  |  |   |                                 |                                       |                       |                          |                           |  |
|--|-------------|---|------------------|--------------------|-----------------------------|-------------------------------------|------------------------------------|------------------------|------------------|-----------------------|-----------------------|----------------------------|--------------------|--|--|-------------------------------------|----------------------------------|--|---|---------------------------------|---------------------------------------|-----------------------|--------------------------|---------------------------|--|
| Project Name: Kosovo Energy Efficiency & Ren   |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            |                    |  |  |                                     |                                  |  |   |                                 |                                       |                       |                          |                           |  |
| Project ID Number: P143055   |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       | Credit No: IDA- 55080-XK.  |                    | Closing date: June 31, 2020                        |  |                                     |                                  |  |   |                                 |                                       |                       |                          |                           |  |
| Original:  |             | May 14, 2014                                      |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            |                    |  |  |                                     |                                  |  |   |                                 |                                       |                       |                          |                           |  |
| Update date:   |             | December 24, 2014                                 |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            |                    |  |  |                                     |                                  |  |   |                                 |                                       |                       |                          |                           |  |
| No.  | Package Nr. | Description of Contract Package                   | Procurement Type | Procurement method | Bank's review (Prior/ Post) | Estimated cost of the Project, Euro | Estimated cost of the Project, USD | Actual Contract Amount | Disbursed Amount | Physical Progress (%) | Payment to Vendor (%) | Retroactive Financing Euro | Procurement Status | Bid Document/RF P/TOR and SP/NEOI sent to the Bank | Bank's NO objection to Bid Document /RFP | Issue date of the Bid Document/ RFP | Bid opening/ Proposal Submission | Bid evaluation report sent to the Bank | Bank's NO to the Bid Evaluation Report/ Technical Evaluation Report | Draft Contract sent to the Bank | Bank's no objection to Contract award | Contract signing date | Contract completion date | Supplier/ Contractor name |  |
| Component 1: Energy Efficiency and Renewable Energy Investments in Public Buildings - Pilot EE Investment Program for Municipalities |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            |                    |  |  |                                     |                                  |  |   |                                 |                                       |                       |                          |                           |  |
| Sub-component 1A: EE Investments in Central Government Buildings & Renewable Energy  |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            |                    |  |  |                                     |                                  |  |   |                                 |                                       |                       |                          |                           |  |
| 1  | 1A.1        | Renovation of Building - 1 (EE & RE) (Year 2014)  | W                | NCB                | Prior                       | 2,206,000                           | 2,711,406                          |                        |                  |                       |                       |                            | Planned            | 20-Aug-2014  | 08/25/14                                 | 08/28/14                            | 09/27/14                         | 10/04/14                               | 10/08/14  | -                               | -                                     | 11/20/14              | 01/20/15                 |                           |  |
|  |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            | Revised            | 6-Feb-2015   | 02/11/15                                 | 02/14/15                            | 03/16/15                         | 03/23/15                               | 03/27/15  | -                               | -                                     | 05/09/15              | 07/23/15                 |                           |  |
| 2  | 1A.2        | Renovation of Building - 2 (EE & RE) (Year 2015)  | W                | NCB                | Prior                       | 1,414,646                           | 1,738,749                          |                        |                  |                       |                       |                            | Planned            | 20-Aug-2015  | 08/25/15                                 | 08/28/15                            | 09/28/15                         | 10/05/15                               | 10/09/15  | -                               | -                                     | 10/14/15              | 12/20/15                 |                           |  |
|  |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            | Revised            | 20-Feb-2016  | 02/25/16                                 | 02/28/16                            | 03/30/16                         | 04/06/16                               | 04/10/16  | -                               | -                                     | 04/15/16              | 06/15/16                 |                           |  |
| 3  | 1A.3        | Renovation of Building - 3 (EE & RE) (Year 2016)  | W                | NCB                | Post                        | 1,414,646                           | 1,738,749                          |                        |                  |                       |                       |                            | Planned            | 10-Aug-2016  | 08/15/16                                 | 08/18/16                            | 09/18/16                         | 09/25/16                               | 09/29/16  | -                               | -                                     | 10/05/16              | 12/20/16                 |                           |  |
|  |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            | Revised            | 10-Feb-2017  | 02/15/17                                 | 02/18/17                            | 03/21/17                         | 03/28/17                               | 04/01/17  | -                               | -                                     | 04/07/17              | 06/07/17                 |                           |  |
| 4  | 1A.4        | Renovation of Building - 4 (EE & RE) (Year 2016)  | W                | NCB                | Post                        | 1,414,646                           | 1,738,749                          |                        |                  |                       |                       |                            | Planned            | 10-Aug-2016  | 08/15/16                                 | 08/18/16                            | 09/18/16                         | 09/25/16                               | 09/29/16  | -                               | -                                     | 10/04/16              | 01/15/17                 |                           |  |
|  |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            | Revised            | 10-Feb-2017  | 02/15/17                                 | 02/18/17                            | 03/21/17                         | 03/28/17                               | 04/01/17  | -                               | -                                     | 04/06/17              | 07/06/17                 |                           |  |
| 5  | 1A.5        | Renovation of Building - 5 (EE & RE) (Year 2017)  | W                | NCB                | Post                        | 2,208,395                           | 2,714,350                          |                        |                  |                       |                       |                            | Planned            | 1-Oct-2017   | 10/06/17                                 | 10/10/17                            | 11/10/17                         | 11/16/17                               | 11/20/17  | -                               | -                                     | 11/25/17              | 01/31/18                 |                           |  |
|  |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            | Revised            | 1-Mar-2018   | 03/06/18                                 | 03/10/18                            | 04/10/18                         | 04/16/18                               | 04/20/18  | -                               | -                                     | 04/25/18              | 06/25/18                 |                           |  |
| 6  | 1A.6        | Renovation of Building - 6 (EE & RE) (Year 2017)  | W                | NCB                | Post                        | 2,208,395                           | 2,714,350                          |                        |                  |                       |                       |                            | Planned            | 1-Oct-2017   | 10/06/17                                 | 10/10/17                            | 11/07/17                         | 11/13/17                               | 11/17/17  | -                               | -                                     | 11/24/17              | 01/31/18                 |                           |  |
|  |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            | Revised            | 1-Mar-2018   | 03/06/18                                 | 03/10/18                            | 04/07/18                         | 04/13/18                               | 04/17/18  | -                               | -                                     | 04/24/18              | 06/25/18                 |                           |  |
| 7  | 1A.7        | Renovation of Building - 7 (EE & RE) (Year 2018)  | W                | NCB                | Post                        | 2,208,395                           | 2,714,350                          |                        |                  |                       |                       |                            | Planned            | 10-Aug-2018  | 08/15/18                                 | 08/19/18                            | 09/19/18                         | 09/25/18                               | 09/29/18  | -                               | -                                     | 10/04/18              | 12/20/18                 |                           |  |
|  |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            | Revised            | 10-Feb-2019  | 02/15/19                                 | 02/19/19                            | 03/22/19                         | 03/28/19                               | 04/01/19  | -                               | -                                     | 04/06/19              | 06/06/19                 |                           |  |
| 8  | 1A.8        | Renovation of Building - 8 (EE & RE) (Year 2018)  | W                | NCB                | Post                        | 2,208,395                           | 2,714,350                          |                        |                  |                       |                       |                            | Planned            | 10-Aug-2018  | 08/15/18                                 | 08/19/18                            | 09/19/18                         | 09/25/18                               | 09/29/18  | -                               | -                                     | 10/04/18              | 12/20/18                 |                           |  |
|  |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            | Revised            | 10-Feb-2019  | 02/15/19                                 | 02/19/19                            | 03/22/19                         | 03/28/19                               | 04/01/19  | -                               | -                                     | 04/06/19              | 06/06/19                 |                           |  |
| 9  | 1A.9        | Renovation of Building - 9 (EE & RE) (Year 2019)  | W                | NCB                | Post                        | 1,640,169                           | 2,015,940                          |                        |                  |                       |                       |                            | Planned            | 15-Jan-2019  | 01/20/19                                 | 01/24/19                            | 02/24/19                         | 03/02/19                               | 03/06/19  | -                               | -                                     | 03/11/19              | 05/31/19                 |                           |  |
|  |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            | Revised            | 15-Jul-2019  | 07/20/19                                 | 07/24/19                            | 08/24/19                         | 08/30/19                               | 09/03/19  | -                               | -                                     | 09/08/19              | 11/08/19                 |                           |  |
| 10   | 1A.10       | Renovation of Building - 10 (EE & RE) (Year 2020) | W                | NCB                | Post                        | 981,509                             | 1,206,378                          |                        |                  |                       |                       |                            | Planned            | 15-Jun-2019  | 06/20/19                                 | 06/24/19                            | 07/25/19                         | 07/31/19                               | 08/04/19  | -                               | -                                     | 08/09/19              | 05/31/20                 |                           |  |
|  |             |   |                  |                    |                             |                                     |                                    |                        |                  |                       |                       |                            | Revised            | 15-Dec-2019  | 12/20/19                                 | 12/24/19                            | 01/24/20                         | 01/30/20                               | 02/03/20  | -                               | -                                     | 02/08/20              | 05/31/20                 |                           |  |





## ANNEX 4. DRAFT TOR FOR PIU KEY POSITIONS

### TERMS OF REFERENCE

#### Project Manager

**1. Background:** The World Bank's Country Partnership Strategy (CPS) for Kosovo (FY12-FY15), approved in May 2012, provides comprehensive support to the implementation of the Government's (i) economic growth and employment generation strategy and (ii) improvements in environmental management. The CPS is divided into two pillars. Pillar I aims at accelerating broad-based and sustained growth in six main areas, one of which is strengthening infrastructure, particularly that of energy. Security of energy supply is crucial to achieve accelerated growth and job creation, improved quality of life, an improved business environment, better governance and investments in agriculture and human capital. Pillar II seeks to support the Government in increasing energy efficiency (EE) and the use of renewable energy (RE), reducing environmental hazards, enhancing water supply, and moving toward harmonization with EU environmental standards.

The largest component under Pillar II is the US\$31 million Energy Efficiency and Renewable Energy Project (the Project). The Project will reduce energy consumption in central government-owned and select municipal buildings, and enhance the policy and regulatory environment for EE and RE development. A US\$31 million IDA credit will support these goals by providing financing for four components (i) EE investments in public buildings (central and municipal); (ii) RE investments in public buildings; (iii) RE and EE policy and regulatory support, as well as related RE resource assessments; and (iv) project implementation support. The proposed indicative financing plan (in US\$ million) is as follows:

|  |                      |
|--|----------------------|
| <b>Component 1 – EE and RE investments in public buildings</b>               | <b>US\$ 29.56</b>    |
| <b>mil</b>   |                      |
| <i>Subcomponent a: EE and RE investments in central government buildings</i> | US\$ 22.0 mil        |
| <i>Subcomponent b: Pilot EE investment program for municipalities</i>        | US\$ 6.0 mil         |
| <i>Subcomponent c: Technical studies and supervision</i>                     | US\$ 1.36 mil        |
| <i>Subcomponent c: Training of firms</i>                                     | US\$ 0.20 mil        |
| <b>Component 2 – Policy and regulatory support for RE/EE</b>                 | <b>US\$ 2.30 mil</b> |
| <i>Subcomponent a: Support to ERO for RE and EE development</i>              | US\$ 1.6 mil         |
| <i>Subcomponent b: Support to MED for EE secondary legislation</i>           | US\$ 0.7 mil         |
| <b>Component 3 – Project implementation support</b>                          | <b>US\$ 0.64 mil</b> |

The Kosovo Energy Efficiency Agency (KEEA) under the Ministry for Economic Development (MED) has been delegated to assume overall responsibility for the project. This will include completion of the necessary activities to support project preparation as well as implementation for the five-year project period. In parallel, grant funding in the amount of €700,000 has been mobilized from the Western Balkans Investment Framework (WBIF) to help analyze the investment needs and potential of the central government buildings. Specific outputs would include an update to the national public building stock inventory and completion of 200 baseline energy assessments in government buildings (for investments in Years 1-3).

Project preparation activities. As part of project preparatory work, KEEA would be required to prepare the overall project implementation plan. This would principally involve creation of a project Operations Manual (OM), which would outline the tasks to be performed under the Project in order to achieve its objectives, project components and budgets, stakeholders with their responsibilities, detailed operational and administrative procedures for project implementation (subproject applications, approvals, financing, supervision, etc.). The OM should include preliminary TORs for the main technical assistance activities to be undertaken and an environmental management framework (EMF) which lists potential adverse environmental impacts associated with the project investments (e.g., asbestos, leaded paint, mercury from lighting) and remedial measure to be taken. KEEA would also need to undertake some procurement of Consultants, hire a firm to prepare detailed budding documents for the first year, provide data to the World Bank team to allow it to complete its analysis (e.g., economic and financial analyses), provide information to assist with government approvals, coordinate with other ministries and donors, help prepare for World Bank visits.

Project implementation activities. Once the project is approved by the World Bank Board and government (estimated in late July 2014), KEEA will then has primary responsibility to manage the project. This will include building selection, procurement of technical design and construction, construction supervision and commissioning, hiring of all consultants and approving their deliverables, reporting on project progress to the government and World Bank, coordinating with other donors, tracking of key project indicators, and other tasks as requested by the World Bank, MED or other project stakeholders.

It is thus proposed that KEEA hire a Consultant to assist with project preparation activities and, should performance be satisfactory, be requested to continue to serve in the Project Implementation Unit (PIU) through project implementation.

### **Scope of Services**

A Consultant is being sought to assist KEEA with overall management, coordination and support for preparatory and implementation work. During the first phase of project preparation, the Consultant shall support the overall project preparatory work for the World Bank project, assisting KEEA in both the preparation and design of the Project. Key tasks are expected to include:

- Facilitate MED/KEEA coordination with World Bank missions, as well as supervise and coordinate the work of other PIU staff.
- Take the lead to prepare the OM. The structure of the OM shall be discussed and approved by KEEA and the World Bank team. The World Bank team will share similar OMs from other projects. Typically, OMs include: (a) project objectives, components and budgets; (b) detailed procedures for subproject selection (including eligibility criteria), application and approval guidelines, financing and implementation, flow of funds, construction supervision, etc. (c) detailed institutional arrangements, including the roles and responsibilities of the concerned entities (KEEA, MED, Project Steering Committee, related ministries, etc.); (d) financial, disbursement and procurement arrangements and plans; (e) social and environmental aspects of subprojects; (f) monitoring and evaluation arrangements, including reporting of progress and key project performance indicators; (g) organizational structure of PIU, staffing and PIU TORs; and (h) key technical assistance activities to be undertaken in the project. If the project requires any template documents (e.g., applications, memorandums of understanding, commissioning reports, etc.), these should also be part of the OM.
- Help to organize and participate in World Bank visits and help coordinate meetings, collection of required information and data, arrange for translation of key documents, etc.

- Help ensure that the project is ready for implementation, which will include review and finalization of the bidding documents for the first year's building renovations in central government buildings (about 50), finalization of TORs for key technical assistance activities to be initiated in the first year, recruitment of additional PIU staff, etc.
- Perform other tasks as requested by KEEA to support preparatory work.

If KEEA is satisfied with the Consultant performance, the Consultant contract will be approved for support of the second phase of project implementation. Specific tasks required to support KEEA with project implementation will include:

- Assume role as project coordinator on behalf of KEEA. This will include management of PIU staff, development of implementation schedules, review of budgeting and project expenses, ensure adherence to the OM on related project procedures, requesting of approvals from the government and World Bank, review of Consultants deliverables, etc.
- Facilitate World Bank supervision missions and information requested by the World Bank and government in order to facilitate project oversight.
- Ensure energy audits, design documents, construction procurement, construction supervision and commissioning are properly completed.
- Highlighting any project implementation issues or delays, and recommending actions to be taken by KEEA, MED or other entity to resolve them in a timely manner.
- Ensure timely approvals by the government to maintain the project schedule.
- Prepare progress reports, on a format to be agreed, to KEEA for submission to MED and the World Bank.
- Other related tasks as requested by KEEA.

### **Qualifications**

- University degree (bachelors or masters) in a related field (e.g. energy, economics, energy and environment, public policy, finance, engineering)
- At least 5 years working in the energy field, preferably with some experience in energy efficiency. The Consultant must have at least 3 years of experience related to energy efficiency.
- Excellent interpersonal skills, demonstrated ability to communicate effectively and strong writing skills. The Consultant must have experience working as part of a team, preferably in a leadership position, and have demonstrated ability to deliver complex tasks and resolve challenges that may arise.
- Should be proficient in key computer applications, e.g., Word, Excel, PowerPoint, have a strong client orientation,
- Excellent written and verbal communication skills in English and Albanian.

## TERMS OF REFERENCE

### Environmental Specialist

**1. Background:** The World Bank's Country Partnership Strategy (CPS) for Kosovo (FY12-FY15), approved in May 2012, provides comprehensive support to the implementation of the Government's (i) economic growth and employment generation strategy and (ii) improvements in environmental management. The CPS is divided into two pillars. Pillar I aims at accelerating broad-based and sustained growth in six main areas, one of which is strengthening infrastructure, particularly that of energy. Security of energy supply is crucial to achieve accelerated growth and job creation, improved quality of life, an improved business environment, better governance and investments in agriculture and human capital. Pillar II seeks to support the Government in increasing energy efficiency (EE) and the use of renewable energy (RE), reducing environmental hazards, enhancing water supply, and moving toward harmonization with EU environmental standards.

The largest component under Pillar II is the US\$31 million Energy Efficiency and Renewable Energy Project (the Project). The Project will reduce energy consumption in central government-owned and select municipal buildings, and enhance the policy and regulatory environment for EE and RE development. A US\$31 million IDA credit will support these goals by providing financing for four components (i) EE investments in public buildings (central and municipal); (ii) RE investments in public buildings; (iii) RE and EE policy and regulatory support, as well as related RE resource assessments; and (iv) project implementation support. The proposed indicative financing plan (in US\$ million) is as follows:

|  |                      |
|--|----------------------|
| <b>Component 1 – EE and RE investments in public buildings<br/>mil</b>       | <b>US\$ 29.56</b>    |
| <i>Subcomponent a: EE and RE investments in central government buildings</i> | US\$ 22.0 mil        |
| <i>Subcomponent b: Pilot EE investment program for municipalities</i>        | US\$ 6.0 mil         |
| <i>Subcomponent c: Technical studies and supervision</i>                     | US\$ 1.36 mil        |
| <i>Subcomponent c: Training of firms</i>                                     | US\$ 0.20 mil        |
| <b>Component 2 – Policy and regulatory support for RE/EE</b>                 | <b>US\$ 2.30 mil</b> |
| <i>Subcomponent a: Support to ERO for RE and EE development</i>              | US\$ 1.6 mil         |
| <i>Subcomponent b: Support to MED for EE secondary legislation</i>           | US\$ 0.7 mil         |
| <b>Component 3 – Project implementation support</b>                          | <b>US\$ 0.64 mil</b> |

The Kosovo Energy Efficiency Agency (KEEA) under the Ministry for Economic Development (MED) has been delegated to assume overall responsibility for the project. This will include completion of the necessary activities to support project preparation as well as implementation for the five-year project period. In parallel, grant funding in the amount of €700,000 has been mobilized from the Western Balkans Investment Framework (WBIF) to help analyze the investment needs and potential of the central government buildings. Specific outputs would include an update to the national public building stock inventory and completion of 200 baseline energy assessments in government buildings (for investments in Years 1-3).

Project preparation activities. As part of project preparatory work, KEEA would be required to prepare the overall project implementation plan. This would principally involve creation of a project Operations Manual (OM), which would outline the tasks to be performed under the Project in order to achieve its objectives, project components and budgets, stakeholders with their responsibilities,

detailed operational and administrative procedures for project implementation (subproject applications, approvals, financing, supervision, etc.). The OM should include preliminary TORs for the main technical assistance activities to be undertaken and an environmental management framework (EMF) which lists potential adverse environmental impacts associated with the project investments (e.g., asbestos, lead paint, mercury from lighting) and remedial measure to be taken. KEEA would also need to undertake some procurement of consultants, hire a firm to prepare detailed bidding documents for the first year, provide data to the World Bank team to allow it to complete its analysis (e.g., economic and financial analyses), provide information to assist with government approvals, coordinate with other ministries and donors, help prepare for World Bank visits, and help manage the WBIF consultants.

Project implementation activities. Once the project is approved by the World Bank Board and government (estimated in late July 2014), KEEA will then have primary responsibility to manage the project. This will include building selection, procurement of design and construction consultants, construction supervision and commissioning, hiring of all technical assistance consultants and approving their deliverables, reporting on project progress to the government and World Bank, coordinating with other donors, tracking of key project indicators, and other tasks as requested by the World Bank, MED or other project stakeholder.

It is thus proposed that KEEA hire several consultants to assist with project preparation activities and, should performance be satisfactory, some may be requested to continue to serve in the Project Implementation Unit (PIU) through project implementation.

## **2. Scope of Services**

The services of the Environmental Specialists will include but not be limited to the following tasks:

- Preparation of the Environmental Management Framework for the three components under the proposed Project: Component 1: Energy efficiency (EE) investments in public buildings (central government buildings and pilot program for municipal buildings); Component 2: Renewable energy investments; and Component 3: Policy and regulatory support for RE/EE. An Environmental Management Checklist will be developed for the EE component on the basis of similar checklists for other Projects in the region. The Environmental Management Framework will define the key environmental issues, mitigation and monitoring measures and budget indication and institutional responsibilities.
- Technical Assistance and Environmental Support to the Consultants who will be hired under the WBIF related to the key environmental issues expected to arise from the EE investments for the public buildings, most notably in the field of asbestos presence in the buildings, mercury containing fluorescent lamps and potential for presence of lead-based paints in the buildings
- Liaising with the Ministry of Environment and Spatial Planning regarding laws, regulations and options for a permanent or interim storage facility in Kosovo which could accept and properly store fluorescent lamps or service points where they can be brought to and disposal options for hazardous waste, in particular asbestos. This also includes licensing requirements for handling of asbestos in Kosovo.
- Support and Technical Assistance for the Project Implementation Unit to include environmental and monitoring requirements in the bidding documents for the EE investment measures.
- Other related tasks as requested by KEEA.

## TERMS OF REFERENCE

### Procurement Specialist

**1. Background:** The World Bank's Country Partnership Strategy (CPS) for Kosovo (FY12-FY15), approved in May 2012, provides comprehensive support to the implementation of the Government's (i) economic growth and employment generation strategy and (ii) improvements in environmental management. The CPS is divided into two pillars. Pillar I aims at accelerating broad-based and sustained growth in six main areas, one of which is strengthening infrastructure, particularly that of energy. Security of energy supply is crucial to achieve accelerated growth and job creation, improved quality of life, an improved business environment, better governance and investments in agriculture and human capital. Pillar II seeks to support the Government in increasing energy efficiency (EE) and the use of renewable energy (RE), reducing environmental hazards, enhancing water supply, and moving toward harmonization with EU environmental standards.

The largest component under Pillar II is the US\$31 million Energy Efficiency and Renewable Energy Project (the Project). The Project will reduce energy consumption in central government-owned and select municipal buildings, and enhance the policy and regulatory environment for EE and RE development. A US\$31 million IDA credit will support these goals by providing financing for four components (i) EE investments in public buildings (central and municipal); (ii) RE investments in public buildings; (iii) RE and EE policy and regulatory support, as well as related RE resource assessments; and (iv) project implementation support. The proposed indicative financing plan (in US\$ million) is as follows:

|  |                       |
|--|-----------------------|
| <b>Component 1 – EE and RE investments in public buildings</b>               | <b>US\$ 29.56 mil</b> |
| <i>Subcomponent a: EE and RE investments in central government buildings</i> | US\$ 22.0 mil         |
| <i>Subcomponent b: Pilot EE investment program for municipalities</i>        | US\$ 6.0 mil          |
| <i>Subcomponent c: Technical studies and supervision</i>                     | US\$ 1.36 mil         |
| <i>Subcomponent c: Training of firms</i>                                     | US\$ 0.20 mil         |
| <b>Component 2 – Policy and regulatory support for RE/EE</b>                 | <b>US\$ 2.30 mil</b>  |
| <i>Subcomponent a: Support to ERO for RE and EE development</i>              | US\$ 1.6 mil          |
| <i>Subcomponent b: Support to MED for EE secondary legislation</i>           | US\$ 0.7 mil          |
| <b>Component 3 – Project implementation support</b>                          | <b>US\$ 0.64 mil</b>  |

The Kosovo Energy Efficiency Agency (KEEA) under the Ministry for Economic Development (MED) has been delegated to assume overall responsibility for the project. This will include completion of the necessary activities to support project preparation as well as implementation for the five-year project period. In parallel, grant funding in the amount of €700,000 has been mobilized from the Western Balkans Investment Framework (WBIF) to help analyze the investment needs and potential of the central government buildings. Specific outputs would include an update to the national public building stock inventory and completion of 200 baseline energy assessments in government buildings (for investments in Years 1-3).

### 2. Objective

It is thus proposed that KEEA hire a Procurement Specialist to assist with the project preparation activities and should performance be satisfactory, be requested to serve in the Project Implementation Unit (PIU) through project implementation.

The main objective of this assignment is to hire an experienced procurement specialist to assist the Client in the project preparation and implementation activities as follows-

Project preparation activities: As part of project preparatory work, KEEA would be required to prepare the overall project implementation plan. This would principally involve creation of a project Operations Manual (OM), which would outline the tasks to be performed under the Project in order to achieve its objectives, project components and budgets, stakeholders with their responsibilities, detailed operational and administrative procedures for project implementation (subproject applications, approvals, financing, supervision, etc.). The OM should include preliminary TORs for the main technical assistance activities to be undertaken and an environmental management framework (EMF) which lists potential adverse environmental impacts associated with the project investments (e.g., asbestos, leaded paint, mercury from lighting) and remedial measure to be taken. KEEA would also need to undertake some procurement of Experts, hire a firm to prepare detailed bidding documents for the first year of the project, provide data to the World Bank team to allow it to complete its analysis (e.g., economic and financial analyses), provide information to assist with government approvals, coordinate with other ministries and donors, help prepare for World Bank visits, and help manage Experts.

Project implementation activities: Once the project is approved by the World Bank Board and government (estimated in late June 2014), KEEA will then have the primary responsibility to manage the project per the OM. This will include building selection, procurement of design and construction Experts, construction supervision and commissioning, hiring of all technical assistance Experts and approving their deliverables, reporting on project progress to the government and World Bank, coordinating with other donors, tracking of key project indicators, and other tasks as requested by the World Bank, MED or other project stakeholder.

It is thus proposed that KEEA hire several Procurement Specialist to assist with project preparation activities and should performance be satisfactory, some may be requested to continue to serve in the Project Implementation Unit (PIU) through project implementation.

### **3. Scope of Services**

The services of a Procurement Specialist are required to assist KEEA with project preparation and implementation in accordance with the World Bank's Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers dated January 2011, and Selection and Employment of Procurement Experts under IBRD Loans and IDA Credits & Grants by World Bank Borrowers dated January 2011. The services of the Procurement Specialist will include, but are not limited, to the following:

Planning, preparation, implementation and monitoring of procurement actions under the project. He/she will report to the Project Manager (PM) and KEEA CEO. Principal functions of the Procurement Specialist will include the following:

#### First phase (Project Preparation)

- Work with the PM, KEEA/PIU staff and appropriate people within MED/World Bank to develop a procurement plan for project implementation and support KEEA/the PIU with procurement related to the project preparatory work, which will include hiring individuals, firms and manage the incremental operating costs (e.g., office equipment, PIU travel).
- Preparation of procurement notices, requests for proposals for consultancy services, review of bidding documents for civil works (to be prepared under a separate consultancy) and support through contracting based on World Bank standard forms and guidelines.

- Help prepare the procurement-related inputs to the project Operations Manual (OM), which will include the procurement section for the full US\$31 million project. The procurement plan should include a list of all expected contracts, methods, estimated contract values, milestone dates, and contract durations.
- Prepare bidding documents and Request for Proposals prior to project Negotiations for the first year of project implementation.
- Maintain all procurement-related information for KEEA/PIU monitoring and tracking.

#### Second phase (Project Implementation)

- Develop a strategy for guiding and supporting purchases made by KEEA and the PIU under the project.
- Updating of the project procurement plan and monitoring of the plan, World Bank approvals, and milestones.
- Preparation of procurement notices, contract awards notices, requests for proposals for consultancy services, bidding documents for civil works and procurement documents for procurement of goods based on World Bank guidelines.
- Assist KEEA/PIU staff with selection of firms and individual Experts for procurement of consultancy services/goods/civil works, including preparation of bid evaluation reports and carrying out the bidding process, including bid administration and public bid openings—evaluations, contract negotiations, awards of contracts, contract administration and amendments, etc.
- Implement a reporting system which tracks all procurement actions and reports potential delays and issues, along with recommendations to resolve them.
- Maintain an information system on procurement services, technology services, suppliers of equipment, disbursement guidelines, standard and model bidding documents, and other resources needed by participants. Since similar services are expected to be procured each year of the project (energy audits, designs, building renovation works, construction supervision, etc.) the information system will be critical to help project future project expenditures and bid pricing.
- Conduct on-the-job training for MED/KEEA/PIU specialists on procurement in accordance with the World Bank guidelines, standard bidding documents and reporting responsibilities. This training will enable regular procurement staff of MED/KEEA to assume full responsibilities for procurement for the World Bank project over time.
- Update the OM as required streamlining and improving the procurement related aspects.

#### **4. Qualification Requirements**

- University degree in either economics, engineering, finance, law, procurement field or equivalent;
- Must have 3 years of experience related to public procurement preferably to the World Bank or other IFI projects.
- Must have excellent interpersonal skills, demonstrated ability to communicate effectively and strong writing skills.
- Must have experience working as part of a team, and have demonstrated ability to deliver complex tasks and resolve challenges that may arise.
- Proficient in key computer applications, e.g., Word, Excel, PowerPoint, have a strong client orientation,
- Excellent written and verbal communication skills in English and Albanian

## TERMS OF REFERENCE

### Construction Engineer

#### I. BACKGROUND:

The World Bank's Country Partnership Strategy (CPS) for Kosovo (FY12-FY15) provides comprehensive support to the implementation of the Government's (i) economic growth and employment generation strategy and (ii) improvements in environmental management. The CPS is divided into two pillars. Pillar I aims at accelerating broad-based and sustained growth in six main areas, one of which is strengthening infrastructure, particularly that of energy. Security of energy supply is crucial to achieve accelerated growth and job creation, improved quality of life, an improved business environment, better governance and investments in agriculture and human capital. Pillar II seeks to support the Government in increasing energy efficiency (EE) and the use of renewable energy (RE), reducing environmental hazards, enhancing water supply, and moving toward harmonization with EU environmental standards.

The largest component under Pillar II is the US\$31 million Energy Efficiency and Renewable Energy Project (the Project), approved by the Bank's Board in June 2014. The Project will reduce energy consumption in central government-owned and select municipal buildings, and enhance the policy and regulatory environment for EE and RE development. A US\$31 million IDA credit will support these goals by providing financing for four components (i) EE investments in public buildings (central and municipal); (ii) RE investments in public buildings; (iii) RE and EE policy and regulatory support, as well as related RE resource assessments; and (iv) project implementation support. The financing plan (in US\$ million) is as follows:

|  |                       |
|--|-----------------------|
| <b>Component 1 – EE and RE investments in public buildings</b>               | <b>US\$ 29.56 mil</b> |
| <i>Subcomponent a: EE and RE investments in central government buildings</i> | US\$ 22.0 mil         |
| <i>Subcomponent b: Pilot EE investment program for municipalities</i>        | US\$ 6.0 mil          |
| <i>Subcomponent c: Technical studies and supervision</i>                     | US\$ 1.36 mil         |
| <i>Subcomponent c: Training of firms</i>                                     | US\$ 0.20 mil         |
| <br>   |                       |
| <b>Component 2 – Policy and regulatory support for RE/EE</b>                 | <b>US\$ 2.30 mil</b>  |
| <i>Subcomponent a: Support to ERO for RE and EE development</i>              | US\$ 1.6 mil          |
| <i>Subcomponent b: Support to MED for EE secondary legislation</i>           | US\$ 0.7 mil          |
| <br>   |                       |
| <b>Component 3 – Project implementation support</b>                          | <b>US\$ 0.64 mil</b>  |

The Kosovo Energy Efficiency Agency (KEEA) under the Ministry for Economic Development (MED) has been delegated to assume overall responsibility for the project, including implementation for the five-year project period. In parallel, grant funding in the amount of €700,000 has been mobilized from the Western Balkans Investment Framework (WBIF) to help analyze the investment needs and potential of the central government buildings. Specific outputs would include an update to the national public building stock inventory and completion of about 200 baseline energy assessments in government buildings (for investments in Years 1-5).

KEEA has primary responsibility to manage the project. This includes building selection, procurement of design and construction consultants, construction supervision and commissioning, hiring of all technical assistance consultants and approving their deliverables, reporting on project progress to the government and World Bank, coordinating with other donors, tracking of key project indicators, and other tasks as requested by the World Bank, MED or other project stakeholder. KEEA has agreed to hire several consultants to assist with project preparation activities and, should performance be satisfactory, some may be requested to continue to serve in the Project Implementation Unit (PIU) through project implementation.

## **II. SCOPE OF SERVICES**

The construction engineer will act on behalf of KEEA in works supervision and acceptance. He/she will closely collaborate with the World Bank team, line ministries and beneficiaries to ensure high overall quality control on the technical aspects of the project.

The construction engineer will review and analyze the energy audit reports and ensure that they comply with national and international energy auditing standards and best practices. This review should include review of the technical and economic data, EE measures, energy savings, investment costs, payback times and profitability, environmental benefits, implementation plan, operation and maintenance, and energy monitoring. Oversight of the detailed technical designs, renovation works and commissioning will also be the responsibility of the construction engineer.

## **III. KEY RESPONSIBILITY**

- Supervise the work of the technical consultants: energy auditors, project designers, construction companies and commissioning consultants. The energy audits are being conducted by an Austrian firm with support from a WBIF grant and managed by the World Bank. Therefore, the World Bank will assume responsibility for supervising the energy auditors. However, the engineer will be required to review the audit report and provide comments on behalf of KEEA and the PIU.
- Based on early project experiences and inputs from the design firms, develop/propose technical standards and norms to be used in all future bidding documents to ensure a high and consistent quality;
- Update and further refine the methodology for determining the energy savings for each project for reporting purposes. The engineer will oversee the preparation of the project commissioning report, which documents the completion of works per the agreed design, operational performance, energy savings, and reasons for any variations between the audit energy savings estimates and actual savings (variance reports).

- Identify training needs for the auditor/design/construction firms based on early implementation experiences, audit/design/construction deficiencies, variation reports, etc. and managing the development and implementation of suitable training modules.
- Participate in bid evaluations for the detailed design and renovation works to ensure that bids conform to the technical specifications in the bidding documents.
- Coordinating the monitoring of results indicators including the achieved energy savings.
- Assume responsibility for the environmental management checklist once the Environmental Specialist's assignment in the PIU has ended in 2016.
- Request as needed support from the International Technical Advisor to ensure that the overall technical issues are appropriately managed.
- Ensuring that all local licenses, permits, standards, etc. are fully complied with throughout the building renovations.
- Carry out other technical studies and assignments as requested by KEEA and the PIU PM.

#### **IV. QUALIFICATION REQUIREMENTS**

- At least university bachelor's degree in Engineering preferably mechanical, electrical, civil or architecture; Master's degree in this field shall be considered a plus.
- At least 5 years of professional experience in the energy sector and/or construction, prior experience on energy auditing of buildings and preparation of detailed project designs. Should be certificated energy auditor.
- Excellent interpersonal skills, demonstrated ability to communicate effectively and strong writing skills. The Consultant must have experience working as part of a team, preferably in a leadership position, and have demonstrated ability to deliver complex tasks and resolve challenges that may arise.
- Should be proficient in key computer applications, e.g., Word, Excel, PowerPoint, have a strong client orientation.
- Excellent written and verbal communication skills in English and Albanian.

#### **V. REPORTING**

The consultant will report to PIU's Project Manager and to the CEO KEEA for the duration of this assignment. Notwithstanding the schedule for submission of deliverables beneath the Consultant shall bi-weekly report on work completed.

#### **6. TIME FRAME FOR ASSIGNMENT**

The assignment will be full-time for the full 6-year project period, subject to adequate performance.

## TERMS OF REFERENCE

### Financial Management Specialist

#### I. Background

The World Bank's Country Partnership Strategy (CPS) for Kosovo (FY12-FY15), approved in May 2012, provides comprehensive support to the implementation of the Government's (i) economic growth and employment generation strategy and (ii) improvements in environmental management. The CPS is divided into two pillars. Pillar I aims at accelerating broad-based and sustained growth in six main areas, one of which is strengthening infrastructure, particularly that of energy. Security of energy supply is crucial to achieve accelerated growth and job creation, improved quality of life, an improved business environment, better governance and investments in agriculture and human capital. Pillar II seeks to support the Government in increasing energy efficiency (EE) and the use of renewable energy (RE), reducing environmental hazards, enhancing water supply, and moving toward harmonization with EU environmental standards.

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| <i>Subcomponent c: Technical studies and supervision</i>                     | US\$ 1.36 mil        |
| <i>Subcomponent d: Training of firms</i>                                     | US\$ 0.20 mil        |
| <b>Component 2 – Policy and regulatory support for RE/EE</b>                 | <b>US\$ 2.30 mil</b> |
| <i>Subcomponent a: Support to ERO for RE and EE development</i>              | US\$ 1.6 mil         |
| <i>Subcomponent b: Support to MED for EE secondary legislation</i>           | US\$ 0.7 mil         |
| <b>Component 3 – Project implementation support</b>                          | <b>US\$ 0.64 mil</b> |

The Kosovo Energy Efficiency Agency (KEEA) under the Ministry for Economic Development (MED) has been delegated to assume overall responsibility for the project. This will include completion of the necessary activities to support project preparation as well as implementation for the five-year project period. In parallel, grant funding in the amount of €700,000 has been mobilized from the Western Balkans Investment Framework (WBIF) to help analyze the investment needs and potential of the central government buildings. Specific outputs would include an update to the national public building stock inventory and completion of 200 baseline energy assessments in government buildings (for investments in Years 1-3).

#### II. SCOPE OF WORK AND ACTIVITIES OF THE FINANCIAL MANAGEMENT SPECIALIST

The key objective of this assignment is required to assist KEEA/PIU and MED line departments responsible for each priority in carrying out financial management responsibilities in accordance with provisions stipulated in Financing Agreement signed between Republic of Kosovo and International Development Association (World Bank) and procedures described in the OM.

The Financial Management Specialist will be responsible for the following tasks:

- In cooperation with MED Budget and Finance Department, establish and maintain the financial management systems as required in the Credit Agreement.
- Execute all necessary work related to accounting, disbursements, payments, cash registry in coordination with MED and the Ministry of Economy and Finance (MEF).

In general, the specific tasks to be undertaken by the consultant will include but not be limited to practical assistance in:

- Advise the Project Manager and Finance Department of MED on all financial management aspects of the Project, with an emphasis on strategic issues, financial reporting, planning and budgeting, and flow of funds to meet overall Project objective.
- Preparation of interim financial management reports to the Bank to relevant government agencies and ministries including the narrative part of the report.
- Preparation of payment documents for payment of project expenditures financed from IDA Credit.
- Ensuring timely execution of payments to suppliers, contractors and consultants in accordance with contract conditions.
- Ensure that accurate project accounting records are maintained in the Free Balance Treasury system.
- Preparation of the quarterly Interim Un-audited Financial Reports and submission of these reports to the World Bank on a timely basis.
- In cooperation with Procurement specialist preparation of the quarterly Financial Management Report as part of the Procurement Status Report and submission of this report on a timely basis.
- In cooperation with Manager and Procurement specialist preparation of the quarterly Project Disbursement Report and Project Disbursement Plan as part of the regular Project Progress Reporting and submission of these reports on a timely basis.
- Prepare Withdrawal Applications and supporting documentation to secure funds from the IDA Credit for financing of project expenditures. Coordinate closely with the MED/PIU and Ministry of Finance (MF) in securing authorizations and processing payments. Payments to finance project expenditures are made through the Finance Department of MED, and through the Single Treasury Account.
- Prepare and submit Commitment and Payment Orders (CPO) to ensure authorization of payments and posting of activities into the Single Treasury Account.
- Prepare periodic reports required by Donors, the Government and related agencies. The Bank requires submission of Interim Financial Reports (IFRs) no later than 45 days after end of each quarter as per the Financing Agreement.
- Ensure safe keeping of project assets, financial documentation, records and reports for review by Bank missions and external Auditors.

- Maintain complete project records and files. These documents should be made available to Bank missions and auditors.
- Develop and maintains regular contacts with the MF and Project line ministries for the issues of interest to all parties, in particular issues relating to overall financial management arrangements to minimize delays in project implementation.
- Monitor payment terms and conditions of contracts, and monitors contract commitments.
- Ensure Bank disbursements, financial management and auditing guidelines are followed.
- Coordinate with the Internal Audit Department in implementing the internal financial control function, and implementing any recommendations made in the internal audit report.
- Coordinate with the Supreme Audit Institute on the external audit in the line ministries as budgetary organizations, and ensure all recommendations of the auditors are fully implemented.
- Coordinate with the MED, MF in the selection and contracting of auditors for the audit of the KEEREP. The project is audited under 'global' audit arrangements for all Bank financed projects in Kosovo.

### **III. REPORTING RELATIONS AND OBLIGATIONS**

The Financial Management Specialist for KEEREP will report to KEEA director and KEEREP Project Manager. He/She will deliver: a) quarterly Interim Un-audited Financial Reports b) monthly progress reports; c) Financial Management Report as part of the Procurement Status Report; d) Project Disbursement Report; e) Project Disbursement Plan; f) final annual report; in coordination with the Project Manager. The reports shall be in ENGLISH.

### **IV. QUALIFICATIONS**

- University/higher education in economics of finance;
- At least 5 years of experience in finances and financial management. Working experience in independent operation organizations.
- Experience in international organizations is an advantage. Experience with World Bank projects is an advantage;
- Previous experience in Free Balance Treasury system is an advantage;
- Demonstrated skills in keeping accounts and making financial transactions, in preparing various financial monitoring reports in a timely manner;
- Computer literate. Good knowledge of MS Office applications. Other software is an advantage;
- Be fluent in Albanian and English;
- Be able to travel throughout Kosovo;
- Excellent communication and team working skills.

### **V. SCHEDULE**

The assignment is expected to begin in April 2015 and last until August 2020 engaged as part time basis, subject to adequate performance.

## **VI. SELECTION**

The Selection of the Financial Management Specialist in the PIU will be carried out in accordance with the World Bank's "Guidelines: Selection and Employment of Consultants by World Bank Borrowers". The applicable method for selection of the consultant will be Selection of Individual Consultants, Part V of the Consultants' Guidelines.

## ANNEX 5. TERMS OF REFERENCE FOR INTERNATIONAL TECHNICAL ADVISOR

### 1 BACKGROUND:

The World Bank's Country Partnership Strategy (CPS) for Kosovo (FY12-FY15) provides comprehensive support to the implementation of the Government's (i) economic growth and employment generation strategy and (ii) improvements in environmental management. The CPS is divided into two pillars. Pillar I aims at accelerating broad-based and sustained growth in six main areas, one of which is strengthening infrastructure, particularly that of energy. Security of energy supply is crucial to achieve accelerated growth and job creation, improved quality of life, an improved business environment, better governance and investments in agriculture and human capital. Pillar II seeks to support the Government in increasing energy efficiency (EE) and the use of renewable energy (RE), reducing environmental hazards, enhancing water supply, and moving toward harmonization with EU environmental standards.

The largest component under Pillar II is the US\$31 million Energy Efficiency and Renewable Energy Project (the Project), approved by the Bank's Board in June 2014. The Project will reduce energy consumption in central government-owned and select municipal buildings, and enhance the policy and regulatory environment for EE and RE development. A US\$31 million IDA credit will support these goals by providing financing for four components (i) EE investments in public buildings (central and municipal); (ii) RE investments in public buildings; (iii) RE and EE policy and regulatory support, as well as related RE resource assessments; and (iv) project implementation support. The financing plan (in US\$ million) is as follows:

|  |                       |
|--|-----------------------|
| <b>Component 1 – EE and RE investments in public buildings</b>               | <b>US\$ 29.56 mil</b> |
| <i>Subcomponent a: EE and RE investments in central government buildings</i> | US\$ 22.0 mil         |
| <i>Subcomponent b: Pilot EE investment program for municipalities</i>        | US\$ 6.0 mil          |
| <i>Subcomponent c: Technical studies and supervision</i>                     | US\$ 1.36 mil         |
| <i>Subcomponent c: Training of firms</i>                                     | US\$ 0.20 mil         |
| <b>Component 2 – Policy and regulatory support for RE/EE</b>                 | <b>US\$ 2.30 mil</b>  |
| <i>Subcomponent a: Support to ERO for RE and EE development</i>              | US\$ 1.6 mil          |
| <i>Subcomponent b: Support to MED for EE secondary legislation</i>           | US\$ 0.7 mil          |
| <b>Component 3 – Project implementation support</b>                          | <b>US\$ 0.64 mil</b>  |

The Kosovo Energy Efficiency Agency (KEEA) under the Ministry for Economic Development (MED) has been delegated to assume overall responsibility for the project, including implementation for the five-year project period. In parallel, grant funding in the amount of €700,000 has been mobilized from the Western Balkans Investment Framework (WBIF) to help analyze the investment needs and potential of the central government buildings. Specific outputs would include an update to the national public building stock inventory and completion of about 200 baseline energy assessments in government buildings (for investments in Years 1-5).

KEEA has primary responsibility to manage the project. This includes building selection, procurement of design and construction consultants, construction supervision and commissioning, hiring of all technical assistance consultants and approving their deliverables, reporting on project progress to the government and World Bank, coordinating with other donors, tracking of key project

indicators, and other tasks as requested by the World Bank, MED or other project stakeholder. KEEA has agreed to hire several consultants to assist with project preparation activities and, should performance be satisfactory, some may be requested to continue to serve in the Project Implementation Unit (PIU) through project implementation.

The International Technical Advisor shall provide technical support to the PIU/KEEA in order to ensure high overall quality control on the technical aspects of the project and sustainability of the PIU activities.

## **2 SCOPE OF WORK AND ACTIVITIES OF THE INTERNATIONAL TECHNICAL ADVISOR**

The main tasks and responsibilities of the International Technical Advisor shall consist in:

- Support to the PIU in the review and evaluation of energy audits, project designs, technical specifications and other documents prepared by consultants hired by the MED for the implementation of energy efficiency retrofit measures;
- Support to the PIU in the preparation of bidding documents, as well as providing technical support and advice during the implementation of energy efficiency retrofit measures, ensuring strong overall technical quality and consistency of the documents, and participating as needed in pre-bidding conferences to help clarify any contract provisions;
- Support to the PIU to Update and further refine the methodology for determining the energy savings for each project for reporting purposes.
- Provide assistance to the PIU and other consultants hired by the MED in project commissioning, post-project reporting on energy savings, and designing basic models for energy performance contracting;
- Support the PIU on other aspects of energy efficiency in public buildings as requested, including preparing briefing documents to the Government, mentoring the technical staff of the PIU, etc.

## **3 QUALIFICATIONS**

- Master's degree or higher in engineering (preferably mechanical, electrical, civil), architecture or other equivalent field;
- At least 10 years operational experience in the Balkans region in the field of energy efficiency, particularly energy efficiency in buildings;
- Previous experience in similar assignment-related contracts;
- Familiarity with the World Bank's operational procedures;
- Previous experience from working with international development organizations;
- Excellent understanding of reading, writing and speaking in English, and/or other relevant local languages.

## **4 SCHEDULE**

The assignment is expected to begin in September 2014 and last until September 2020, subject to adequate performance.

## **5 SELECTION**

The Selection of the International Technical Advisor in the PIU will be carried out in accordance with the World Bank's "Guidelines: Selection and Employment of Consultants by World Bank Borrowers". The applicable method for selection of the consultant will be Selection of Individual Consultants, Part V of the Consultants' Guidelines.

## **ANNEX 6. TOR FOR DETAILED DESIGNS AND TECHNICAL SPECIFICATIONS INCLUDING SUPERVISION AND COMMISSIONING**

### **I. Introduction**

The World Bank's Country Partnership Strategy (CPS) for Kosovo (FY12-FY15), approved in May 2012, provides comprehensive support to the implementation of the Government's (i) economic growth and employment generation strategy and (ii) improvements in environmental management. The CPS is divided into two pillars. Pillar I aims at accelerating broad-based and sustained growth in six main areas, one of which is strengthening infrastructure, particularly that of energy. Security of energy supply is crucial to achieve accelerated growth and job creation, improved quality of life, an improved business environment, better governance and investments in agriculture and human capital. Pillar II seeks to support the Government in increasing energy efficiency (EE) and the use of renewable energy (RE), reducing environmental hazards, enhancing water supply, and moving toward harmonization with EU environmental standards.

The largest component under Pillar II is the US\$32.5 million Energy Efficiency and Renewable Energy Project (the Project). The Project will reduce energy consumption in central government-owned and select municipal buildings, and enhance the policy and regulatory environment for EE and RE development. A US\$32.5 million IDA credit will support these goals by providing financing for four components (i) EE investments in public buildings (central and municipal); (ii) RE investments in public buildings; (iii) RE and EE policy and regulatory support, as well as related RE resource assessments; and (iv) project implementation support. The proposed indicative financing plan (in US\$ million) is as follows:

The Kosovo Energy Efficiency Agency (KEEA) under the Ministry for Economic Development (MED) has been delegated to assume overall responsibility for the project. This will include completion of the necessary activities to support project preparation as well as implementation for the five-year project period. In parallel, grant funding in the amount of €700,000 has been mobilized from the Western Balkans Investment Framework (WBIF) to help analyze the investment needs and potential of the central government buildings. Specific outputs would include an update to the national public building stock inventory and completion of 150 baseline energy assessments in government buildings (for investments in Years 1-3).

### **II. Scope of Services**

A consulting firm, hereafter referred to as the Consultant, is required to prepare the tender documents for the first year's project investments. Under the project, the World Bank will provide financing through KEEA for about 150 central government buildings, with about 50 to be completed in the first year. The WBIF grant will support detailed energy audits for all of these buildings, with the first 5 buildings which are located in Pristina and to be completed by around end of April. The Consultant will be required to convert these detailed audit reports into tender documents by developing detailed designs, drawings and technical specifications. The Consultant will also advise KEEA on capacities and potential deficiencies with local construction firms to assist in the determination of appropriate package and lot sizes, license requirements, etc. Buildings are: Technical Faculty, Faculty of Chemistry, Pulmology and Dermatology Clinic, Ministry of Culture and Kosovo Agency of Statistics.

All buildings are located in Pristina.

### **III. Key tasks are expected to include:**

- Prepare any required supplemental drawings of audited facilities, where drawings do

not otherwise exist. The Consultant will make site visits and prepare project plans (drawings) for selected buildings including actual measures of windows, entrance doors, building envelope, and unheated areas – building roof and basement; description of windows, doors, external walls, and materials of which buildings are made.

- Prepare detailed technical specifications and basic renovation designs. Following KEEA and World Bank approval of the audit reports and agreement from KEEA and the beneficiaries on the EE measures to be included, the Consultant will prepare detailed technical specifications for works to be tendered and implemented in the selected public buildings. The technical specifications should include description of individual actions and unit's measures (bill of quantities and costs estimates). This design will also include the investigation and quantification of presences of the amount of hazardous materials, specifically asbestos and mercury containing light-bulbs, including specifications and bill of quantities for removal, packaging, transport and disposal/interim storage of these hazardous materials, personal safety equipment and monitoring requirements (the Environmental Mitigation and Monitoring Measures based on the Environmental Management Framework) and estimate of costs for the measures. This will also include the location where the asbestos can be disposed and the interim storage location for the mercury containing light-bulbs as per EMF and Kosovo legislation. They shall be included in the Basic Renovation Designs that shall be prepared by the Consultant. The Basic Renovation Designs shall be certified by the Consultant according to relevant provisions in the Kosovo Law on Construction, Administrative Instruction No. 01/2012 on Energy Audits and Technical Regulation on Thermal Energy Saving and Thermal Protection in Buildings. The draft Basic Renovation Design must be submitted to the beneficiary for formal consent, and to any required third parties for review and certification. Any comments provided by the beneficiary, third party auditor or KEEA must be taken into account and revised, as appropriate, before the design is finalized.
- Hold upstream consultation with prospective bidders. In order to determine appropriate lot sizes and bid packages (i.e., number of buildings per lot or package), the Consultant will, together with KEEA, hold at least one upstream consultation with construction firms to gauge their capacity for building renovations – licenses, number of buildings one firm could renovate in a month, technical capabilities to meet technical specifications of subprojects, etc. This may also require select phone interviews with a broad cross-section of construction firms. A short, 5-10 page, note will be prepared summarizing the findings and recommendations on bidding.
- Prepare draft bidding documents for work for 1<sup>st</sup> 5 EE audits. Based on the World Bank template for Small Works Standard Bidding Document — to be provided from the Procurement Specialist hired by KEEA—the Consultant shall prepare bidding documents for renovation works on the selected buildings that shall include minimum technical qualifications, required legal documents and certificates of materials and equipment.
- Supervise a construction project, prepares the site reports and send a copy of material acceptance to professional consultants. Oversee all phases of project and contract and sign payment parts as specified on contract. Administer contracts; evaluate schedules; monitor progress of the contractors on projects; ensure that project deadlines are met. This will include the carrying out of environmental supervision regarding proper removal, packaging, transport and disposal/interim storage of the hazardous materials and use of personal safety equipment and monitoring in line with requirements of design and Environmental Mitigation and Monitoring Measures for each renovation based on the Environmental Management Framework. Evaluate on the completion and commissioning of the project, confirming its compliance with the investment plan. In case of deviation from those plans, justification of the differences and evaluation of

consequences in terms of compliance of the project with the eligibility criteria of the Facility.

- Assist the KEEA Evaluation Committee with technical advice on contractor selection. Following the bidding process and submission of proposals, the Consultant, shall assist the Evaluation Committee with technical evaluation of submitted proposals for renovation works of the 5 buildings or respond to any question raised by the Committee in terms of bidder compliance with the requirements, feasibility of any alternative technical solutions, etc.
- Assisting the evaluation committee in answering the question raised by bidders, site visits also in the debriefing meeting.
- All Documents need to be in English, Albanian and Serbian language.

In order to comply with local legal requirements, the firm should hold relevant licenses for preparation of design of works in public buildings and to carry out construction supervision, applicable with the Kosovo laws.

A consultant will be selected in accordance with the Consultant Qualification (CQS) according to the [Guidelines: Selection and Employment of Consultants by World Bank Borrowers](#), dated January 2011, setting forth the World Bank's policy on conflict of interest.

#### **IV. Experience and Qualifications of the Consultant**

The Consultant should be a consulting firm with relevant project experience. The work should be undertaken by a consulting team consisting of experts who have following skills and credentials:

#### **V. Key staff:**

- 1 Team leader / Civil Engineer with at least Master degree in Civil Engineering or related field with 10 year experience.
- 2 Mechanical Engineer with at least 5 years professional experience, preferable in energy efficiency and renewable energy; with at least Bachelor degree.
- 3 Electrical Engineer with at least 5 years professional experience, preferable in energy efficiency and renewable energy; with at least Bachelor degree.
- 4 Architect with at least 3 years professional experience; with at least Bachelor degree.
- 5 Environmental Engineer or equivalent with at least 3 years of experience in hazardous material inventories in buildings, in particular asbestos and experience with requirements and practice for proper asbestos and mercury containing CFLs removal, handling, transport and disposal/storage including monitoring and personal safety equipment requirements.

#### **VI. Consultants should have:**

- 6 Strong knowledge of local standards and norms.
- 7 Prior experience on energy auditing of buildings and preparation of detailed project designs
- 8 Engineer's authorizations for design preparation in public buildings in compliance with local legal requirements
- 9 Good communication, management, organization and reporting skills
- 10 Excellent knowledge of Albanian and English language.
- 11 Excellent communication, presentation and use of basic computer (Microsoft office) skills.

#### **VII. Timetable:**

- The detailed technical specifications and basic renovation designs shall be submitted 35 days following receipt of the energy audit reports from the WBIF consultants.
- The detailed supplemental drawings for facility renovation shall be submitted 30 days following receipt of the energy audit reports from the WBIF consultants.
- Detailed report on summarizing the findings and recommendations for bidder capabilities shall be submitted 12 days following upstream consultation with prospective bidders.
- The bidding documents shall be submitted 20 days after receiving inputs from KEEA/PIU on the submitted technical documentations.
- The site reports and material acceptance copy shall be submitted five working days after site visit and material acceptance signature
- Signed payment parts as specified on contract 3-5 working days after receiving from contractor and after confirming its compliance with the investment plan
- All requests for technical advice related to the contractor evaluations should be provided within 3-5 working days from the date requested by KEEA.
- Estimate start date for this assignment is June 16, 2014 till March 31, 2015.

## ANNEX 7. DRAFT TOR FOR PROJECT AUDIT

The standard Samples of TORs for audit of each project will be used. Before the auditor is engaged, the TORs usually are consulted with country FMS.

### TERMS OF REFERENCE (TOR) FOR THE AUDIT OF THE X Project THE YEAR ENDED BY \_\_\_\_\_

#### Background

The TOR should provide appropriate background information of the project, including:

- a brief description of the project including information on project sources of funding;
- a general description of implementation arrangements, including the organizational structure of all implementing entities (if there are more than one);
- list the source and total amount of funds for the period subject to audit under this TOR (Bank's loan/credit, trust funds, counterpart funds, etc.); and
- total disbursements / expenditures for the period subject to audit

#### Objective

The objective of the audit of the project financial statements (PFS) is to enable the auditor to express a professional opinion on the project's financial position as at the end of [AUDIT REFERENCE DATE] and of the income and expenditure for the accounting period ending on that date. The project's books of account provide the basis for preparation of the financial statements and are established to reflect the financial transactions in respect of the project.

#### Responsibility for preparation of financial statements

The responsibility for the preparation of financial statements including adequate disclosure is that of the project's management. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the project. As part of the audit process, the auditor will request from management written confirmation concerning representations made to us in connection with the audit.

#### Scope

The audit will be conducted in accordance with [International Standards on Auditing \(ISA\)](#) published by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC) [OR REFER TO RELEVANT NATIONAL STANDARDS OR PRACTICES]. Those Standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In complying with ISA, the auditor is expected to pay particular attention to the following matters, including special considerations for public sector entities:

- a) In planning and performing the audit to reduce audit risk to an acceptably low level, the auditor should consider the risks of material misstatements in the financial statements due to fraud as required by [International Standard on Auditing 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.](#)

- b) When designing and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognize that noncompliance by the entity with laws and regulations may materially affect the financial statements as required by [International Standard on Auditing 250: Consideration of Laws and Regulations in an Audit of Financial Statements](#).
- c) The auditor should communicate audit matters of governance interest arising from the audit of financial statements to those charged with governance of an entity as required by [International Standard on Auditing 260: Communication of Audit Matters with those Charged with Governance](#).
- d) The auditor should communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements as required by [International Standard on Auditing 265: Communicating Deficiencies in Internal Control to Those Charged with Governance and Management](#).
- e) In order to reduce audit risk to an acceptably low level, the auditor should determine overall responses to assessed risks at the financial statement level, and should design and perform further audit procedures to respond to assessed risks at the assertion level as required by [International Standard on Auditing 330: The Auditor's Procedures in Response to Assessed Risks](#).
- f) In instances where certain aspects of an entity's operations are performed by a third party service provider, the auditor is expected to include an understanding and assessment of the internal control environment of the service provider during the audit process as required by [International Standard on Auditing 402: Audit Considerations Relating to an Entity Using a Service Organization](#).
- g) As part of the audit process, the auditor is expected to obtain written representations from management and, where appropriate, those charged with governance as required by [International Standard on Auditing 580: Written Representations](#).

In evidencing compliance with agreed project financing arrangements the auditor is expected to carry out tests to confirm that:

- a) External funds have been used in accordance with the conditions of the relevant general conditions, relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant general conditions and financing agreements are **[CITE RELEVANT GENERAL CONDITIONS AND FINANCING AGREEMENTS]**;
- b) Counterpart funds have been provided and used in accordance with the relevant general conditions, relevant financing agreements, and only for the purposes for which they were provided;
- c) Goods and services financed have been procured in accordance with the relevant general conditions and relevant financing agreements<sup>5</sup>, including specific provisions of the World Bank Procurement Guidelines<sup>6</sup>;

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<sup>5</sup> Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement. In cases where such experts are involved, the auditor is expected to comply with provisions of [International Standard on Auditing 620: Using the Work of an Expert](#). Consideration to use of the work of experts should be brought to the early attention of the

borrower and the World Bank for mutual agreement and appropriate guidance.

- d) Necessary supporting documents, records, and accounts have been kept in respect of all Project ventures including expenditures reported via Summary Report or Statements of Expenditures (SOEs) (or Interim Un-audited Financial Reports (IFRs)) if used as the basis of disbursement), or Designated Accounts (DAs). The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account;
- e) Where Designated Accounts have been used, they have been maintained in accordance with the provisions of the relevant general conditions and relevant financing agreements;
- f) Review the compliance on each of the financial covenants in the [STATE SPECIFIC SECTION OF LOAN/FINANCING AGREEMENT and list, as necessary].

### **Project Financial Statements prepared under the Cash-basis**

The Project Financial Statements should include as a minimum the information required by the IPSAS "Financial Reporting Under The Cash Basis of Accounting". These would include

- a) A Summary of Funds received, showing the World Bank, Project funds from other donors, and counterpart funds separately.
- b) A Summary of Expenditures paid in cash, shown under the main project headings and by main categories of expenditures, both for the current fiscal year and accumulated to-date;
- c) Accounting policies and explanatory notes (including additional accounting policies and disclosures), covering
  - a Summary of Summary Reports or SOEs used as the basis for the submission of withdrawal applications in the notes, as appropriate;
  - a Statement of Designated Account in the notes, as appropriate;
  - a Statement of Financial Position showing Accumulated Funds of the Project, bank balances, other assets of the Project, and liabilities, if any; and
- d) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments.

### **Project Financial Statements based on other than Cash-basis IPSASs**

The Project Financial Statements should include

- a) A Summary of Funds received, showing the World Bank, Project funds from other donors, and counterpart funds separately.
- b) A Summary of Expenditures shown under the main project headings and by main categories of expenditures, both for the current fiscal year and accumulated to-date;
- c) A Summary of Summary Reports or SOEs used as the basis for the submission of withdrawal applications;
- d) A Statement of Designated Accounts; and
- e) A Balance Sheet showing Accumulated Funds of the Project, bank balances, other assets of the Project, and liabilities, if any.
- f) Notes, comprising a summary of significant accounting policies and other explanatory notes.

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<sup>6</sup> See [Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants - January 2011](#) and [Guidelines: Selection and Employment of Consultants](#)

[under IBRD Loans & IDA Credits & Grants by World Bank Borrowers - January 2011.](#)

OR

The auditor should verify that the financial statements have been prepared in accordance with [International Public Sector Accounting Standards](#) [OR REFER TO RELEVANT NATIONAL STANDARDS OR PRACTICES]. The financial statements should include:

- a) A statement of financial position;
- b) A statement of financial performance;
- c) A statement of changes in net assets/equity;
- d) A cash flow statement;
- e) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; and
- f) Notes, comprising a summary of significant accounting policies and other explanatory notes.

*[The explanatory notes should include reconciliation between the amounts shown as "received by the project from the World Bank" and that disbursed by the Bank and a summary of movements on the project's Designated Account.]*

### **Summary Reports or Statement of Expenditures**

[\(or IFRs if used as the basis of disbursement\)](#)

The auditor is required to audit all Summary Reports or SOEs and IFRs submitted to the World Bank in support of requests for periodic replenishment of the project designated account(s).

Expenditures should be examined for eligibility based on criteria defined in the terms of the financing agreement and detailed in the Project Appraisal Document. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, they should be separately reported.

The Project Financial Statements should include a schedule listing of individual Summary Reports or SOEs [\(or IFRs used as the basis of disbursement\)](#) withdrawal applications by specific reference number and amount.

The auditor should pay particular attention as to whether:

- a) the Summary Reports or SOEs [\(or IFRs\)](#) have been prepared in accordance with the provisions of the relevant financing agreement.
- b) expenditures have been made wholly and necessarily for the realization of project objectives.
- c) information and explanation necessary for the purpose of the audit have been obtained;
- d) supporting records and documents necessary for the purpose of the audit have been retained, and
- e) the Summary Reports or SOEs [\(or IFRS\)](#) can be relied upon to support the related withdrawal applications.

### **Designated Accounts**

During the audit of the project financial statements, the auditor is required to review the activities of the project's designated account(s). Activities to be examined will include deposits received, payments made, interest earned and reconciliation of period-end balances.

The auditor should pay particular attention as to the compliance with the Bank's procedures and the balances of the Designated Accounts at the end of the fiscal year [OR PERIOD] and the adequacy of internal controls for this type of disbursement mechanism.

### **Audit Reports**

The auditors will issue an audit opinion on the Project Financial Statements.

In addition to the audit opinion, the auditor will prepare a "management letter," in which the auditor will:

- a) provide comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
- b) identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
- c) report on instances of non-compliance with the terms of the financial agreement(s);
- d) quantify and report expenditures that are considered to be ineligible and either paid out of the designated account(s) or which have been claimed from the World Bank;
- e) communicate matters that have come to their attention during the audit which might have a significant impact on the implementation of the project;
- f) bring to the borrower's attention any other matters that the auditor considers pertinent; and
- g) include management's comments in the final management letter.

If none of the above applies, and a management letter is therefore not prepared, the auditor will issue a letter stating that during the audit nothing has come to their attention that the auditor considers pertinent to be brought to the attention of the borrower. The financial statements, including the audit opinion, and management letter should be received by the Project implementing agency, no later than six months after the end of the audited fiscal year. The Project's implementing agency should then promptly forward two copies of these to the World Bank.

### **Public Disclosure**

In accordance with "The World Bank (the Bank) Policy on Access to Information" dated July 1, 2010 for Bank-financed operations for which the invitation to negotiate is issued on or after July 1, 2010, the Bank requires that the borrower makes the audited financial statements publically available in a timely fashion and manner acceptable to the Bank. In addition, following the Bank's formal receipt of these financial statements from the borrower, the Bank makes them available to the public in accordance with this policy.

Management Letters, special audits (i.e. whose nature is not financial), and unaudited financial statements (e.g. Interim Financial Reports) are not considered to be the a part of the definition of the audited financial statements for the purposes of disclosure.

Only in exceptional cases the Bank may agree—i.e., when the audited financial statements contain proprietary or commercially sensitive information—that the borrower or designated project entity may be exempted from disclosing the full set of audited financial statements, but is still required to disclose an abridged version of them in a form acceptable to the Bank. Exceptions are approved by World Bank management.

### **General**

The responsibility for the preparation of financial statements including adequate disclosure is that of the management of the [PROJECT IMPLEMENTING AGENCY]. As part of the audit process, the auditor will request from management written confirmation concerning representations made to the auditor in connection with the audit.

The auditor is entitled to unlimited access to all information and explanations considered necessary to facilitate the audit including legal documents, project preparation and supervision reports, reports of reviews and investigations, correspondences, and credit account information. The auditor may also seek written confirmation of amounts disbursed and outstanding in the Bank records.

The auditor is encouraged to meet and discuss audit related matters including input to the audit plan with the World Bank project task team.

It is highly desirable that the auditor become familiar with the relevant World Bank guidelines, which explain the Bank's financial reporting and auditing requirements. These guidelines include:

- Reference Material to the Financial Management Manual for World Bank-Financed Investment Operations (March 2010): *RM 3 - Financial Reporting and Auditing*;
- [Disbursement Handbook for World Bank Clients](#), dated May 2006 (available on Client Connection web site);
- [Disbursement Guidelines for Projects](#), dated May 2006 (available on Client Connection web site).
- [Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants - January 2011](#).
- [Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers - January 2011](#).

This term of engagement will remain effective for future fiscal years unless it is terminated, amended or superseded.

The auditor should understand that working papers under World Bank project can be subject to the review by Client's and/or World Bank designated staff.

## **ANNEX 8      SEMI-ANNUAL PROGRESS REPORT**

### **Kosovo Energy Efficiency & Renewable Energy Project**

#### **IDA Credit [P143055]**

Reporting period:

Date of report:

1. Introduction and summary of activities and progress towards objectives during reporting period;
2. Activities and outputs during reporting period;
  - 2.1 Description of the completed buildings
  - 2.2 Description of the buildings under renovation
  - 2.3 Handling of hazardous materials
  - 2.4 Issues and Proposed resolution
3. Technical Assistance Activities
4. Disbursements and Financial management
  - a. Drawdowns on the IDA Credit
  - b. Sources and Uses of Funds Statement
  - c. Uses of Funds according to sub-components
  - d. Annex FM reporting templates
  - e. Planned or completed audits, summary
5. Procurement
  - a. Planned Procurements: brief summary and annex template included in the OM
  - b. Completed Procurements; annex template included in the OM
  - c. Procurement Capacity Assessments of the Beneficiaries; annex template included in the OM
6. Activities planned for next reporting period

Annexes:

- Updated results framework
- FM Reporting Templates
- Procurement annexes (planned, completed, beneficiary capacity assessments)
- Environmental Check List

**ANNEX 9: RESULTS FRAMEWORK AND MONITORING**

The Key performance indicators which will be monitored systematically by KEEA are as following:

**KOSOVO: Energy Efficiency and Renewable Energy Project (P143055)**

**Results Framework**

**Project Development Objectives**

PDO Statement

The PDOs are to: (i) reduce energy consumption and fossil fuel use in public buildings through energy efficiency and renewable energy investments; and (ii) enhance the policy and regulatory environment for renewable energy and energy efficiency.

These results are at

| Indicator Name                              | Core                                | Unit of Measure     | Project Development Objective Indicators |         |         |         |         |         |         | Frequency | Data Source/ Methodology                                     | Responsibility for Data Collection |
|---|-------------------------------------|---------------------|--|---------|---------|---------|---------|---------|---------|-----------|--|------------------------------------|
|   |                                     |                     | Baseline                                 | YR1     | YR2     | YR3     | YR4     | YR5     | YR6     |           |  |                                    |
| Projected lifetime energy savings           | <input checked="" type="checkbox"/> | Megawatt-hour (MWh) | 0  | 172,998 | 302,434 | 442,756 | 592,756 | 708,885 | 750,000 | Annually  | Pre-project energy audit, post project commissioning reports | KEEA                               |
| Capacity of approved RE regulatory licenses | <input type="checkbox"/>            | Megawatt            | 35.8                                     | 60      | 78      | 97      | 118     | 134     | 140     | Annually  | ERO  | ERO                                |

|   |                          |                   |   |     |     |     |       |       |       |          |                                      |      |
|---|--------------------------|-------------------|---|-----|-----|-----|-------|-------|-------|----------|--------------------------------------|------|
| Reduced fossil fuel use for heating in public buildings | <input type="checkbox"/> | Metric tons (toe) | 0 | 346 | 605 | 886 | 1,186 | 1,418 | 1,500 | Annually | Energy audits, commissioning reports | KEEA |
|---|--------------------------|-------------------|---|-----|-----|-----|-------|-------|-------|----------|--------------------------------------|------|

### Intermediate Results Indicators

| Indicator Name   | Core                                | Unit of Measure               | Baseline | Cumulative Target Values |             |             |             |             |             | Frequency | Data Source/ Methodology            | Responsibility for Data Collection |
|--|-------------------------------------|-------------------------------|----------|--------------------------|-------------|-------------|-------------|-------------|-------------|-----------|-------------------------------------|------------------------------------|
|  |                                     |                               |          | YR1                      | YR2         | YR3         | YR4         | YR5         | YR6         |           |                                     |                                    |
| CO <sub>2</sub> emission reductions in retrofitted public facilities         | <input type="checkbox"/>            | Metric ton (CO <sub>2</sub> ) | 0        | 202                      | 353         | 517         | 692         | 827         | 875         | Annually  | Energy audit, commissioning reports | KEEA                               |
| Amount of installed energy capacity for RE systems for heating under project | <input type="checkbox"/>            | Megawatts (MW)                | 0        | 1.2                      | 2.0         | 3.0         | 4.0         | 4.7         | 5.0         | Annually  | Energy audit, commissioning reports | KEEA                               |
| Annual energy costs savings  | <input type="checkbox"/>            | Amount (USD million)          | 0        | 3.9                      | 6.8         | 9.9         | 13.2        | 15.8        | 16.7        | Annually  | Commissioning reports               | KEEA                               |
| Number of subprojects commissioned in public facilities                      | <input type="checkbox"/>            | Number                        | 0        | 32                       | 56          | 83          | 111         | 132         | 140         | Annually  | KEEA/PIU                            | KEEA/PIU                           |
| Direct project beneficiaries, of which female                                | <input checked="" type="checkbox"/> | Number, %                     | 0<br>0   | 6920<br>33               | 12097<br>33 | 17710<br>33 | 23710<br>33 | 28355<br>33 | 30000<br>33 | Annually  | KEEA/Energy audit reports           | KEEA/PIU                           |

|   |   |                 |                      |    |  |                                  |                                 |     |     |          |                       |            |
|---|---|-----------------|----------------------|----|--|----------------------------------|---------------------------------|-----|-----|----------|-----------------------|------------|
| Development of suitable EE financing mechanism for the municipal sector |  | Text            | No                   |    | Financing option identified & analyzed | New financing mechanism selected | New financing mechanism adopted |     |     | Annually | MED                   | MED        |
| Enhanced policy/regulatory mechanisms developed/adopted to scale-up RE  |  | Composite score | Not yet <sup>7</sup> |    |  |                                  |                                 |     | TBD | Annually | RISE questionnaire    | World Bank |
| Number of people trained  |  | Number          | 0                    | 58 | 101                                    | 148                              | 198                             | 236 | 250 | Annually | KEEA progress reports | MED        |

### Project Development Objective Indicators

| Indicator Name  | Description (indicator definition etc.)  |
|---|--|
| Projected lifetime energy savings                             | This indicator projects lifetime energy savings directly attributable to the project, converted to MWh.  |
| Capacity of approved regulatory licenses for renewable energy | The total capacity (in MW) of power generation project licenses with a final approved by ERO generated by RE resources (e.g., small hydro, wind, solar, biomass)   |
| Reduced fossil fuel use for heating in public buildings       | This indicator measures the absolute reduction in fossil fuels (e.g., heavy fuel oil, light fuel oil, diesel, lignite, mazut) used for heating in public buildings from EE and RE measures implemented under the project (in metric tons of oil equivalent or toe) |

<sup>7</sup> RISE (Readiness for Investment in Sustainable Energy) is a new Bank initiative that seeks to measure and track country performance on sustainable energy development (energy access, RE, EE) similar to the Doing Business indicators which will be rolled out in all countries in 2015. Under the Project, RISE will develop a composite score for each country based on the following attributes: (i) appropriate subsidy level and period of support, (ii) sustainability of incremental cost recovery mechanism, (iii) certainty (i.e.; policy design includes elements that allow predictability in price changes or adjustments), and (iv) prioritized access to the grid.

| Intermediate Results Indicators  |  |
|--|--|
| Indicator Name   | Description (indicator definition etc.)  |
| CO <sub>2</sub> emission reductions in retrofitted public facilities         | The total lifetime avoided CO <sub>2</sub> emissions equivalent from EE and RE investments made under the project, using the grid emissions factor in Kosovo for electricity and carbon content for other fuels saved (e.g., Mazut, heavy fuel oil, lignite).  |
| Amount of installed energy capacity for RE Systems for heating under project | The total installed capacity (in MW) of energy generation potential by RE systems (e.g., solar water heaters, biomass heaters, geothermal heat pumps etc.) installed under the project.  |
| Annual energy costs savings  | This indicator projects lifetime energy cost savings (in USD) resulting from EE investments made under the project.  |
| Number of subprojects commissioned in public facilities                      | This indicator will measure the actual number of buildings renovated and commissioned under the project.   |
| Direct project beneficiaries, of which female                                | This indicator will measure the full number of project beneficiaries (building occupants) for the EE/RE investments made under the project, along with the percentage that are female.   |
| Development of suitable EE financing mechanism for the municipal sector      | Development of suitable, sustainable financing mechanism for EE investments in the municipal sector (e.g., municipal-owned public buildings, street lighting)  |
| Enhanced policy/regulatory mechanisms developed/adopted to scale-up RE       | Composite country score based on RISE assessment based on the following attributes: (i) appropriate subsidy level and period of support, (ii) sustainability of incremental cost recovery mechanism, (iii) certainty (i.e.; policy design includes elements that allow predictability in price changes or adjustments), and (iv) prioritized access to the grid. |
| Number of people trained   | Number of people trained in energy auditing, design, construction including PIU staff.   |

**ANNEX 10 INTERIM FINANCIAL REPORT**

**Kosovo ENERGY EFFICIENCY AND RENEWABLE ENERGY PROJECT**

**Project Sources and Uses of Funds**

As of: \_\_\_\_\_ Quarter 03/2014  
Year 2014

|  | Actual          |     |     | Planned         |     |     | Variance (Over) Under |     |     | Life of Project |
|--|-----------------|-----|-----|-----------------|-----|-----|-----------------------|-----|-----|-----------------|
|  | Current Quarter | YTD | CTD | Current Quarter | YTD | CTD | Current Quarter       | YTD | CTD |                 |
| <b>Sources of Funds (by financiers)</b>  |                 |     |     |                 |     |     |                       |     |     |                 |
| Government funds   | 13              | 13  | 13  |                 |     |     |                       |     |     |                 |
| Reimbursements (IDA Credit Nr. XXX)  |                 | 10  | 10  |                 |     |     |                       |     |     |                 |
| Direct payments (IDA Credit Nr. XXXX)  | 2               | 2   | 2   |                 |     |     |                       |     |     |                 |
| Other sources (to specify if any)  |                 |     |     |                 |     |     |                       |     |     |                 |
| <b>Total Sources</b>   | 15              | 25  | 25  | 0               | 0   | 0   | 0                     | 0   | 0   | 0               |
| <b>Uses of Funds (by expenditure category for each financier in accordance with Financing Agreement)</b> |                 |     |     |                 |     |     |                       |     |     |                 |
| Subprojects 1(a)   | 0               | 0   | 0   |                 |     |     |                       |     |     |                 |
| Subprojects 1(b)   | 0               | 0   | 0   |                 |     |     |                       |     |     |                 |
| Goods  | 0               | 0   | 0   |                 |     |     |                       |     |     |                 |
| Non consulting services  | 15              | 15  | 15  |                 |     |     |                       |     |     |                 |
| Training and consultant services   | 0               | 10  | 10  |                 |     |     |                       |     |     |                 |
| <b>Total category 3</b>  | 15              | 25  | 25  | 0               | 0   | 0   | 0                     | 0   | 0   |                 |
| Operating cost   | 0               | 0   | 0   |                 |     |     |                       |     |     |                 |
| <b>Total uses of funds</b>   | 15              | 25  | 25  | 0               | 0   | 0   | 0                     | 0   | 0   | 0               |
| <b>CTRL</b>  | 0               | 0   | 0   | 0               | 0   | 0   | 0                     | 0   | 0   | 0               |
| <b>Free balance</b>  | 15              | 25  | 25  |                 |     |     |                       |     |     |                 |
| <b>Difference</b>  | 0               | 0   | 0   |                 |     |     |                       |     |     |                 |
| <b>Reconciling items if any..... (list)</b>  | 0               | 0   | 0   |                 |     |     |                       |     |     |                 |

Signed by \_\_\_\_\_  
 date \_\_\_\_\_

**Kosovo ENERGY EFFICIENCY AND RENEWABLE ENERGY PROJECT**

**Uses of Funds by Project Component/Activity**

As of: \_\_\_\_\_ Quarter 03/2014  
 Year 2014

| Project Components/Activities  | Actual          |     |     | Planned         |     |     | Variance (Over) Under |     |     | Life of the Project |
|--|-----------------|-----|-----|-----------------|-----|-----|-----------------------|-----|-----|---------------------|
|  | Current Quarter | YTD | CTD | Current Quarter | YTD | CTD | Current Quarter       | YTD | CTD |                     |
| <b>Component 1. Improving financial protection and quality of care</b> | 15              | 15  | 15  | 0               | 0   | 0   | 0                     | 0   | 0   | 0                   |
| 1. (a) EE and RE investments in central government buildings           | 0               | 0   | 0   |                 |     |     |                       |     |     |                     |
| 1. (b) Pilot EE investment program for municipalities                  | 0               | 0   | 0   |                 |     |     |                       |     |     |                     |
| 1. (c) Technical studies and supervision                               | 15              | 15  | 15  |                 |     |     |                       |     |     |                     |
| 1. (d) Training of firms   | 0               | 0   | 0   |                 |     |     |                       |     |     |                     |
| <b>Component 2: Policy and regulatory support for RE/EE</b>            | 0               | 10  | 10  | 0               | 0   | 0   | 0                     | 0   | 0   | 0                   |
| 2. (a) Support to ERO for RE and EE development                        | 0               | 10  | 10  |                 |     |     |                       |     |     |                     |
| 2. (b) Support to MED for EE secondary                                 | 0               | 0   | 0   |                 |     |     |                       |     |     |                     |

legislation and  
implementation (

**Component 3: Project implementation  
support**

0      0      0

**Overall Total**

15      25      25      |      0      0      0      0      |      0      0      0      0      0      0      0

**CTRL**

Signed by \_\_\_\_\_

date \_\_\_\_\_

|    |    |    |  |   |   |   |   |  |   |   |   |   |   |   |   |
|----|----|----|--|---|---|---|---|--|---|---|---|---|---|---|---|
| 15 | 25 | 25 |  | 0 | 0 | 0 | 0 |  | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|----|----|----|--|---|---|---|---|--|---|---|---|---|---|---|---|

## ANNEX 11 REVIEW OF BACKGROUND INFORMATION AND UPDATE OF THE NATIONAL BUILDING STOCK STUDY

|                      | <i>Instructions</i>   |
|----------------------|---|
| Name of the building | <p>Please verify the data provided for your institution.</p> <ul style="list-style-type: none"> <li>• If eventually any of the buildings listed in this column is no longer under your competency, please remove it from the list.</li> <li>• At the same time, if meanwhile the number of buildings managed by your institution has increased, you are asked to name such building in this column.</li> <li>• For any new buildings, all data requested in this table/questionnaire should to be provided</li> </ul> |
| Address/location     | <p>You should complete/verify the provided data. Place or location and exact address of the building should be noted in this column.</p> <ul style="list-style-type: none"> <li>• For any eventual new buildings, you are asked to</li> </ul>   |

|   |   |
|---|---|
|   | complete this column by providing the address and location of such buildings.   |
| Purpose of the building   | You should precisely elaborate the destined use of the building (e.g. office space, warehouse, sports hall, etc.)<br>If the tables/questionnaires provide no information on the destined use, please complete this column. <ul style="list-style-type: none"> <li>For any eventual new buildings, please complete this column by providing data on the destined use of the said buildings.</li> </ul> |
| Surface (m <sup>2</sup> ) and number of floors                              | You should complete/verify data provided on the surface (m <sup>2</sup> ) and number of floors (P,P+1,P+2 ...) of the buildings <ul style="list-style-type: none"> <li>For any eventual new buildings, please complete this column by providing the surface and number of floors of such buildings.</li> </ul>  |
| <b>Energy sources and energy consumption in 2013:</b>                       |   |
| <ul style="list-style-type: none"> <li>Electricity (kWh)</li> </ul>         | Tables/questionnaires should be completed by providing data on electricity consumption in 2013, namely data on: <ul style="list-style-type: none"> <li>kWh/year</li> </ul> In the event information on kWh/year is not available for any individual building, please provide data on: <ul style="list-style-type: none"> <li>euro/year</li> </ul>   |
| <ul style="list-style-type: none"> <li>GLN(tons)</li> </ul>                 | Tables/questionnaires should be completed by providing data on petroleum consumption in 2013, namely data on: <ul style="list-style-type: none"> <li>L/year</li> </ul> In the event information on L/year is not available for any individual building, please provide data on: <ul style="list-style-type: none"> <li>euro/year</li> </ul>   |
| <ul style="list-style-type: none"> <li>Fire wood (m<sup>3</sup>)</li> </ul> | Tables/questionnaires should be completed by providing data on logwood consumption in 2013, namely data on: <ul style="list-style-type: none"> <li>m<sup>3</sup>/year</li> </ul> In the event information on m <sup>3</sup> /year is not available for any individual building, please provide data on: <ul style="list-style-type: none"> <li>euro/year</li> </ul>                                   |
| <ul style="list-style-type: none"> <li>Coal (tons)</li> </ul>               | Tables/questionnaires should be completed by providing data on electricity consumption in 2013, namely data on: <ul style="list-style-type: none"> <li>t/year</li> </ul> In the event information on L/year is not available for any individual building, please provide data on:   |

|  |  |
|--|--|
|  | <ul style="list-style-type: none"> <li>euro/year</li> </ul>  |
| <ul style="list-style-type: none"> <li>Thermal energy (kWh)</li> </ul> | <p><b>I. In the event central district heating is provided for your building:</b></p> <p>Tables/questionnaires should be completed by providing data on district heating provided during 2013, namely data on:</p> <ul style="list-style-type: none"> <li>kWh/year</li> </ul> <p>In the event information on kWh/year is not available for any individual building, please provide data on:</p> <p>euro/year</p>   |
| <ul style="list-style-type: none"> <li>Year of construction</li> </ul> | <p>Please complete/verify data provided on the year of construction (year of commissioning of the building)</p> <ul style="list-style-type: none"> <li>For any eventual new buildings, please complete this column by providing the year of construction (year of commissioning) of such buildings.</li> </ul>   |
| <ul style="list-style-type: none"> <li>Comments</li> </ul>             | <p>In this column please provide additional notes on the building, for instance:</p> <ul style="list-style-type: none"> <li>Building is municipal/institutional property</li> <li>Building is private property rented from institutions</li> <li>Institution is planning to give up the building and to migrate to another location</li> <li>Building rehabilitation is finished: <ul style="list-style-type: none"> <li>please provide a year of rehabilitation</li> <li>please provide financing institution</li> </ul> </li> <li>building is under rehabilitation <ul style="list-style-type: none"> <li>please provide financing institution</li> </ul> </li> <li>Building is not in use <ul style="list-style-type: none"> <li>please provide year</li> </ul> </li> <li>Building is inaccessible</li> <li>Description of any problems related to electricity metering (common metering, lack of meters, etc.)</li> <li>Other information considered relevant</li> </ul> |

