

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 11 December 2024¹

KOSOVO

**ENERGY EFFICIENCY IN PUBLIC BUILDINGS
PROGRAMME**

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

TABLE OF CONTENTS

	Page
TABLE OF CONTENTS	2
ABBREVIATIONS / CURRENCY CONVERSIONS	3
PRESIDENT’S RECOMMENDATION	4
BOARD DECISION SHEET	5
ADDITIONAL SUMMARY TERMS FACTSHEET	6
1. STRATEGIC FIT AND KEY ISSUES	8
1.1 STRATEGIC CONTEXT	8
1.2 TRANSITION IMPACT	9
1.3 ADDITIONALITY	9
1.4 SOUND BANKING - KEY RISKS	11
2. MEASURING / MONITORING SUCCESS	11
3. KEY PARTIES	12
3.1 BORROWER	12
3.2 BENEFICIARY	12
4. MARKET CONTEXT	13
4.1 ENERGY STRATEGY AND DECARBONISATION	13
4.2 REGULATORY CONTEXT	13
4.3 ENERGY EFFICIENCY IN THE BUILDING SECTOR	13
5. FINANCIAL / ECONOMIC ANALYSIS	14
5.1 PROJECT FINANCIAL AND ECONOMIC ANALYSIS	14
5.2 MACROECONOMIC OUTLOOK	14
5.3 PROJECTED PROFITABILITY FOR THE BANK	15
6. OTHER KEY CONSIDERATIONS	15
6.1 ENVIRONMENT	15
6.2 INTEGRITY	16
6.3 OTHER CONSIDERATIONS	16
ANNEXES TO OPERATION REPORT	17
ANNEX 1 PROJECT DESCRIPTION	18
ANNEX 2 GREEN ASSESSMENTS	20
ANNEX 3 PROJECT IMPLEMENTATION	22
ANNEX 4 SSF TC FICHE	25

ABBREVIATIONS / CURRENCY CONVERSIONS

BCF	Blended Concessional Finance
CO ₂ e	Carbon dioxide equivalent
EA	Energy Audit
EE	Energy Efficiency
EHS	Environment, Health and Safety
EPC	Energy Performance Certificate
ESAP	Environmental and Social Action Plan
ESCO	Energy Service Company
ESDD	Environmental and Social Due Diligence
ESP	Environmental and Social Policy
EU	European Union
EUR	Euro
FIRR	Financial Internal Rate of Return
FS	Feasibility Study
GBVH	Gender Based Violence and Harassment
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Greenhouse Gases
GQ	Green Questionnaire
IFI	International Financial Institution
IMF	International Monetary Fund
IRR	Internal Rate of Return
KEEF	Kosovo Energy Efficiency Fund
MDB	Multilateral Development Bank
MoE	Ministry of Economy
MoF	Ministry of Finance
PIU	Project Implementation Unit
PP&R	EBRD Procurement Policies and Rules
PSD	Project Summary Document
RE	Renewable Energy
REEP	Regional Energy Efficiency Programme for the Western Balkans
SSF	Shareholder Special Fund
TC	Technical Cooperation
ToR	Terms of Reference
VAT	Value Added Tax
VET	Vocational Education and Training

PRESIDENT’S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the Republic of Kosovo (the “Borrower”) for the benefit of Kosovo Energy Efficiency Fund (the “Client”, “KEEF”) are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan to the Borrower in the amount of up to EUR 50 million, divided into two equal tranches in the amount of up to EUR 25 million each, to finance the implementation of energy efficiency (“EE”) and renovation measures in up to 400 public buildings across the country, including state owned enterprises, as well as administrative, education and healthcare facilities at both central and municipal levels (the “Project”). The operation will enable KEEF to improve the energy performance of public buildings reducing energy consumption and improving building performance.

[REDACTED]

The Project is expected to be co-financed with investment grants in the amount of up to EUR 20 million from the EU’s Regional Energy Efficiency Programme for the Western Balkans (“REEP”) and Danish Fund for Kosovo – Partnership for Green and Just Transition in Kosovo (“Danish Fund”).

The expected transition impact of the Project stems primarily from the *Green* transition quality under the Bank’s Green Economy Transition (“GET”) Approach as 100% of the use of proceeds will contribute to EE improvements in the public buildings, resulting in significant reduction of greenhouse gas (“GHG”) emissions. The Project is classified as Gender Additional, as it will promote employment and on-the-job training initiatives through the introduction of a gender and inclusion sensitive internship program as part of its implementation.

Technical cooperation support for project preparation in the amount of EUR 375,000 was provided by the Danish Fund. Post-signing TC support for project implementation in the amount of EUR 3.025 million is expected to be provided by the EBRD Shareholder Special Fund (“SSF”) or an international donor.

I am satisfied that the operation is consistent with the Bank’s Strategy for Kosovo 2022-2027, Municipal and Environmental Infrastructure Sector Strategy 2019-2024, Energy Sector Strategy 2024-2028, and the GET Approach 2021-2025; as well as Strategy for the Promotion of Gender Equality 2021-2025 and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

KOSOVO - ENERGY EFFICIENCY IN PUBLIC BUILDINGS PROGRAMME - DTM 55125	
Transaction / Board Decision	Board approval ² is sought for a sovereign loan in the amount of up to EUR 50 million divided into two equal tranches in the amount of up to EUR 25 million each in favour of the Republic of Kosovo (the “ Borrower ”), to finance energy efficiency (“ EE ”) and renovation measures in up to 400 public buildings across the country (the “ Project ”). [REDACTED] The Project will be co-financed with an investment grant of up to EUR 20 million, of which EUR 7 million from the Regional Energy Efficiency Programme (“ REEP ”) for the Western Balkans and EUR 3 million from the Danish Fund to complement Tranche 1; and EUR 10 million to be sought from REEP or another donor to complement Tranche 2.
Client	Borrower: Republic of Kosovo represented by the Ministry of Finance (“ MoF ”). Beneficiary: Kosovo Energy Efficiency Fund (“ KEEF ”), an independent public entity, responsible for implementation of EE investments in the country.
Main Elements of the Proposal	Transition Impact. Primary Quality – Green/GET Direct Track: The Project will introduce EE measures in selected buildings resulting in energy savings estimated up to 314,000 GJ/year (up to 47% savings, based on the conservative scenario) and up to 43,500 tonnes of reduced CO ₂ e annually (over 70% savings). Other benefits include non-energy structural improvements (e.g., moisture and roof protection, fire and electrical systems, accessibility) and enhanced user comfort. Additionality: Financing Structure: Long-term commercial financing for public infrastructure in Kosovo is unavailable, with banks nearing sovereign limits and limited access to international capital markets. Policy, sector, institutional, or regulatory change: The Project will propose solutions to address legal and technical barriers, enabling Energy Performance Contracting and paving the way for private energy service company (“ESCO”) structures. Standard setting: The Project includes energy audits (“EA”) and preparation of energy performance certificates (“EPCs”) for the renovated buildings. The procurement will be carried out in accordance with the EBRD Procurement Policies and Rules (“PP&Rs”). Knowledge, innovation, and capacity building: The Project plays a key role in strengthening KEEF's capacity [REDACTED]. The Bank's technical and financial support will help KEEF develop the expertise to manage such projects. Gender SMART: As part of the Project, a partnership with public and private education providers will be established, and an internship programme for young men and women during the construction/works phase will be provided. A gender-and inclusion-sensitive internship program will support employment and on-the-job training initiatives, classifying the Project as Gender Additional.
Key Risks	Political stability: The Project is strongly supported by the Government of Kosovo and is expected to continue to be supported in the future due to its widely recognised public benefit. Macroeconomic risk: Kosovo's economy showed resilience and grew by 3.3% in 2023 with further growth forecasted at 3.8% in 2024 and 4.0% in 2025, while its current account deficit declined to 7.75% in 2023, further reductions projected. The country maintains low public debt (17.5% of GDP) and has a strong, well-capitalized banking sector. Implementation risk is mitigated by the appointment of an international consultant and additional individual implementation support consultants acceptable to the Bank (TC funded), to assist the Client with project preparation, design, procurement, implementation, and works supervision.
Strategic Fit Summary	The Project is consistent with the Bank's Strategy for Kosovo 2022-2027, Municipal and Environmental Infrastructure Sector Strategy 2019-2024, Energy Sector Strategy 2024-2028, and the GET Approach 2021-2025, which identifies green buildings as a key theme to accelerate decarbonisation and reduce energy consumption in the building sector; as well as Strategy for the Promotion of Gender Equality 2021-2025.

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	Up to EUR 50 million sovereign loan to Kosovo, divided into two tranches of EUR 25 million each, for the benefit of KEEF to finance EE, and renovation measures in public buildings across the country.
Existing Exposure	As of end-September 2024, EBRD's total sovereign exposure to Kosovo stood at EUR 127.8MM [REDACTED]. No direct exposure to KEEF.
Maturity / Repayment	Tenor of 12 years [REDACTED]
Potential AMI eligible financing	None.
Use of Proceeds - Description	<p>The loan and grant proceeds will finance the implementation of EE and renovation measures in up to 400 publicly owned buildings, including state owned enterprises, as well as administrative, education and healthcare facilities at both central and municipal levels.</p> <p>The EE measures will include among others, thermal insulation of buildings, improvement and replacement of heating, lighting and electrical systems, replacement of windows and doors, and other structural and comfort measures on a needs basis. These measures are expected to lead to an average energy savings of 30%-50% in the renovated buildings, and respectively will result in substantial reduction of GHG emissions, extended life of buildings, and additional benefits like lower maintenance cost and improved property value. The KEEF will recover these investments by collecting repayments from the project beneficiaries through the implementation of some type of energy performance contracting arrangements.</p>
Investment Plan	Reconstruction, rehabilitation, or refurbishment of public buildings to improve their EE and structural condition. [REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	<ul style="list-style-type: none"> • Ministry of Finance, Labour, and Transfers of Kosovo • Ministry of Economy of Kosovo • Kosovo Energy Efficiency Fund
Conditions precedent to effectiveness	[REDACTED]
Conditions precedent to disbursement under Tranche 1	[REDACTED]
Conditions precedent to disbursement under Tranche 2	[REDACTED]
Key Covenants (for the KEEF)	[REDACTED]
Security / Guarantees	Sovereign loan.
Other material agreements	<ul style="list-style-type: none"> • Project Support Agreement between the Bank and the KEEF. • REEP Grant Agreement, and/or the Grant Agreement from another donor, as applicable.
Associated Donor Funded TC and Blended Concessional Finance	<p>A. Technical Cooperation (TC)</p> <p><i>Pre-signing</i></p> <ul style="list-style-type: none"> • TC1: Feasibility Study – The cost of the assignment is EUR 300,000 and was funded by Denmark through the Danish Fund. <i>Completed.</i> • TC2: Environmental and Social Due Diligence – The cost of the assignment is EUR 75,000 and was funded by the Danish Fund. <i>Completed.</i> <p><i>Post-signing</i></p> <ul style="list-style-type: none"> • TC3: Advanced Procurement Support including preparation of procurement documents for the selection of the Project Implementation Support and Works Supervision consultant, procurement support and contracting support, estimated at

	<p>EUR 25,000 proposed to be financed by an international donor or the SSF. <i>Approved.</i></p> <ul style="list-style-type: none"> • TC4: Project Implementation Support and Works Supervision to support with engineering design, procurement, preparation and evaluation of tenders, contract award and administration, supervision of works, financial control, project management and reporting. This TC is estimated at EUR 2,600,000 proposed to be financed by an international donor or SSF. The TC will be divided into two parts of EUR 1.3 million each, dedicated to Tranche 1 and Tranche 2 of the investment, respectively. <i>Funding for Tranche 1 already approved.</i> • TC5: Individual Consultants to support the PIU³: The individual consultants (four to six) will be engaged to provide additional support to the PIU, extending beyond the PIU and supervision support consultant's scope of work, ensuring comprehensive coverage of Project's needs. This TC is estimated at EUR 400,000 proposed to be financed by an international donor or SSF. The TC will be divided into two parts of EUR 200,000 each, dedicated to Tranche 1 and Tranche 2 of the investment, respectively. <i>Funding for Tranche 1 already approved.</i> <p>B. Blended Concessional Finance ("BCF")</p> <ol style="list-style-type: none"> 1. Type of BCF: Investment Grant. 2. The use of BCF is needed to co-finance the EE improvement in the public buildings. 3. Funding source: REEP Plus Replenishment II and the Partnership for Green and Just Energy Transition in Kosovo. 4. Amount/currency and funding status: REEP Plus Replenishment II: EUR 7 million (Tranche 1) – <i>Funding confirmed and available.</i> Danish Fund: EUR 3 million – <i>Formal approval in progress.</i> <p>Client contributions: The above TC assignments are non-reimbursable transactional TCs, with a total cost of up to EUR 3.4 million, required to structure the Project and achieve the Project's objectives. The Borrower/Client will be responsible for paying any VAT (18% in Kosovo) and other indirect taxes that are applied to the post-signing TC assignments as a parallel contribution to the Project.</p>
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[REDACTED]

³ This TC was initially approved under TC4 and was carved out as a separate TC5 following closer consultation with PPAD. GRU approval is in progress and will be obtained prior to Board.

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

The building sector accounts for over one-third of the EU's emissions, making it Europe's largest energy consumer. Renovating public and private buildings is crucial for enhancing EE and meeting climate goals. Highlighted in the European Green Deal, building renovations are a central initiative to drive sector-wide energy improvements. To expedite renovations across the EU, the European Commission launched the Renovation Wave Strategy in October 2020, aiming to double renovation rates within ten years and boost energy and resource efficiency. In the Western Balkans, this strategy is prioritized in the Economic Investment Plan ("EIP") 2021-2027, with the European Green Deal identified as one of its six key priorities. This alignment demonstrates the region's dedication to sustainable development and supports the EU's broader environmental and energy objectives.

As a signatory of the Energy Community Treaty and the Stabilization Association Agreement ("SAA"), Kosovo is committed to transposing and implementing the EU energy *acquis*, including EE directives and regulations. In 2020, Kosovo adopted the EU Energy Performance of Buildings Directive (EPBD) and is currently in the process of amending primary legislation, while finalizing the adoption of secondary regulations. Given that buildings account for approximately 40% of the nation's annual energy consumption, reducing energy use in the building sector is a critical focus.

Kosovo's 2023 Energy Strategy aims to significantly increase EE and transition to a sustainable energy system by reducing energy consumption in the building sector. In the public sector, decades of underinvestment in public buildings have led to their considerable deterioration, negatively impacting EE and thermal comfort. Addressing these challenges is crucial for Kosovo to enhance energy performance, achieve sustainability targets, and align with EU climate initiatives.

To support Kosovo's EE goals, in 2022, the Bank provided two loans to the Kosovan government to support investments in EE of public buildings in the municipalities of Pristina and Prizren. Recognizing the broader need and potential for scaling up, the Bank is aiming to expand these efforts to finance EE upgrades in up to 400 public buildings across Kosovo. The Project will improve the energy performance and environmental sustainability of the renovated buildings, rehabilitate damaged structures and improve comfort levels, critical for buildings of this nature.

The Project's feasibility study has identified the most effective energy and resource efficiency measures and outlined prioritized investments. The Project is expected to reach approximately 50% primary energy savings compared to baseline energy consumption (up to 314,000 GJ/year) and 43,500 tonnes of avoided CO₂e emissions annually. Additionally, as these public sector buildings serve large number of users, the Project is expected to have a strong demonstration effect across the country and the region, showcasing the potential for lowering operating costs and other advantages within the public sector.

The proposed measures are compliant with relevant national regulations and with the targeted EE improvements will satisfy REEP eligibility and the Bank's GET methodology

for buildings. Notably, the savings achieved are significantly higher than necessary to meet the criteria for REEP eligibility and the Bank's GET criteria for buildings.

Moreover, the Project directly contributes to fulfilling Kosovo's EU Reform and Growth Facility ("RGF") conditionalities under the Green and Digital Transition pillar, in particular conditionalities that target renovation of public buildings and overall improvements in energy performance. Furthermore, the Project contributes to the energy sector's sustainability by reducing demand for fossil fuel generated energy.

The Project is in line with the Bank's Country Strategy for Kosovo 2022-2027, which prioritizes increasing energy and resource efficiency to support Kosovo's transition away from fossil fuels, improve energy security, and reduce greenhouse gas emissions. The Project is fully consistent with the Municipal and Environmental Infrastructure Sector Strategy, by supporting energy efficiency in buildings. It also supports the Energy Sector Strategy 2024-2028, which emphasizes enhancing EE across sectors, particularly in public buildings, to meet both domestic energy needs and international climate goals. Furthermore, the Project aligns with the GET Approach 2021-2025, by introducing energy-efficient and suggesting the options for renewable energy technologies in public buildings, thereby lowering the demand for carbon-intensive electricity and fossil fuels and reducing overall GHG emissions. In addition, the Project supports the Strategy for the Promotion of Gender Equality 2021-2025, by fostering sustainable development through inclusive practices.

1.2 TRANSITION IMPACT

The table below sets out the TI Objectives and details of the Project.

Primary Quality: Green/GET Direct Track

Obj. No.	Objective	Details
1.1	<i>The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance exceeds 60% [Sustainable infrastructure or Financial Institutions projects]</i>	The Project will promote EE measures by introducing new technologies in 400 public buildings, which is expected to have a strong demonstration effect in the country. The Project is expected to lead to approx. 50% primary energy savings compared to baseline energy consumption (314,000 GJ/year based on the conservative scenario) and 43,500 tonnes (over 70%) of avoided CO ₂ e emissions annually. The percentage of EBRD proceeds qualifying as GET is 100%.

[REDACTED]

1.3 ADDITIONALITY

Identified triggers	
No triggers identified.	
Additionality sources	
Financing Structure: <ul style="list-style-type: none"> - EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions, e.g. a longer grace period. Such financing is necessary to structure the project. - EBRD offers a tenor, which is longer than available to the client in the market on reasonable terms and conditions. 	<p>The Bank will provide necessary long-term financing for EE measures in public buildings. The loan tenor of 10 years [REDACTED] is above the market average, which is an appropriate structure for the Project.</p> <p>Commercial long-term financing for public infrastructure investments is not yet available in Kosovo. Moreover, Kosovo does not have access to international capital markets for funding. The domestic commercial market has</p>

<ul style="list-style-type: none"> - Public sector: EBRD investment is needed to close the funding gap. At the same time, EBRD does not crowd out other sources, such as from IFIs, government, commercial banks and/or complements them. 	<p>limited capacity to absorb higher government debt. Kosovo's borrowing potential is limited to IFIs/MDBs.</p>
<p>Policy, sector, institutional, or regulatory change</p> <ul style="list-style-type: none"> - EBRD's involvement in a project is considered additional when it is designed to trigger a change in the policy, sector, institutional or regulatory framework, or enhance practices at the sector or country level (e.g., an introduction of cost-reflective pricing of energy, water etc.). 	<p>A comprehensive review of relevant legal framework for Energy Performance Contracting will be carried out as part of the TC 1. This review will include suggestion of measures to overcome identified legal and technical barriers to facilitate Energy Performance Contracting for Energy Efficiency Investments, as a first requirement for the introduction of private ESCO structures. This foundational work is essential before any private sector involvement can be expected, providing clear additionality of the Project in terms of creating enabling market conditions. By working closely with the KEEF and gradually building the capacity and enabling environment, private ESCOs can be encouraged to become active in the future.</p>
<p>Standard-setting: helping projects and clients achieve higher standards</p> <ul style="list-style-type: none"> - Client seeks/makes use of EBRD expertise over energy and resource efficiency and climate resilience financing via provision of energy and climate audits, minimum performance standards of technologies, climate-related strategies and policies, monitoring, reporting and verification (MRV) systems etc. - Client seeks/makes use of EBRD expertise on best international procurement standards. 	<p>A project implementation support and works supervision consultant will be appointed to assist the Client, including engineering design, procurement, preparation and evaluation of tenders, contract award, financial control, monitoring and verification of energy performance requirements, including energy audit and EPCs for all the renovated buildings, project management and reporting.</p> <p>Procurement under the Project will be carried out in accordance with PP&R.</p>
<p>Knowledge, innovation, and capacity building</p> <ul style="list-style-type: none"> - EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives, including support to strengthen the capacity of the client. 	<p>The Project has a critical role in enhancing KEEF's organization capacity, [REDACTED]. By providing technical and financial assistance, the Bank helps KEEF build the expertise necessary to manage and execute complex large-scale projects.</p> <p>This not only ensures the successful implementation of the Project but also facilitates the scaling up of EE investments and the development of a more robust EE market. Moreover, this support directly contributes to the achievement of national strategic priorities in the energy sector by alleviating energy stability challenges (particularly in winter months when the energy demand is at peak), reducing energy and carbon intensity of the economy, while supporting economic growth, sustainable development, and jobs creation. Further, public buildings represent a significant portion of energy consumption, and improvements in the public building sector will showcase savings potential, which private actors alone might not prioritize due to perceived risks or unclear returns.</p>
<p>Standard-setting: helping projects and clients achieve higher standards:</p> <ul style="list-style-type: none"> - Gender SMART: Client seeks/makes use of EBRD expertise for the adoption of gender standards and/or equal opportunities action plans (e.g. improving women's access to safe transport and/or women-led businesses participation in the client supply chain). 	<p>As part of the Project, partnerships with education and training ("VET") providers will be established to launch a gender-sensitive internship programme for young men and women during the construction/works phase of the Project. The Client and the contractor(s) will engage in these new partnerships with education and training institutions, as well as online job mediation platforms and higher education institutions to attract both current students and recent graduates. A gender-responsive internship program that takes into consideration the different resources, roles,</p>

	expectations, challenges, needs and situations of men and women will be designed and implemented, ensuring participants have equal opportunity to actively participate and benefit. Based on the above, the Project classifies as Gender Additional.
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1.4 SOUND BANKING - KEY RISKS

Risks	Comments
Fiscal/Macro-economic risk	Kosovo's economy has shown resilience and has grown robustly over the last decade. Output expanded at a rate of 3.3% in 2023, while it is expected to continue growing at 3.8% and 4.0% in 2024 and 2025, respectively. Kosovo's current account deficit has historically been large due to structural factors. Lower energy and food import prices and strong service exports lowered the current account deficit from 10.25% in 2022 to 7.75% in 2023. IMF project the current account deficit to decline gradually over the medium-term, dropping to 5.6% by 2029. Kosovo's large trade deficit is primarily funded by diaspora related inflows, but also from borrowings from IFIs and donor investments in public infrastructure. The banking sector is well capitalised (Capital Adequacy Ratio: 15.9% as of Jul-2024), liquid and profitable (ROAA: 2.5% as of Jul-2024). NPLs also remain low at 2.1% as of July 2024.
Implementation risk	KEEF has some experience in implementing similar projects albeit on smaller scale – currently two are ongoing with financing from the World Bank and EU. KEEF will establish a PIU which will be supported during the Project's procurement and implementation by experienced consultants under the Advanced Procurement and Project Implementation Support and Works Supervision TCs. In addition, KEEF will be supported during various stages of the Project by technical individual experts. The Project is envisaged to be implemented under design and build contract(s) by internationally reputable companies.
Cost overrun risk	The Project's costs have been estimated following the Feasibility Study (FS) conducted by international consultants. To mitigate this risk, the total Project's cost also includes 10% of physical and financial contingencies, which is considered sufficient.
Political risk	[REDACTED] The importance of the Project for the Government and the overall public, the Bank's strong presence in Kosovo and the country's ultimate EU accession objective are key mitigants for the associated political risk.

2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators

Primary Quality: Green/GET Direct Track

Ob. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	CO2e emissions reduced (tonnes/year)	Reduction of CO2 emissions by implementing EE measures in comparison to established baseline by energy audits (<i>due date to commence from loan signing</i>)	0	42,000 ⁴	[REDACTED]
1.2	Primary energy savings (GJ/year)	Reduction of energy consumption by implementing EE measures in comparison to established baseline by energy audits (<i>due date to commence from loan signing</i>)	0	314,000	[REDACTED]

⁴ While the expected total CO2e reduction is 43,500 t/year, the target is set on the basis of expected Scope 1 and Scope 2 reduction. See also Annex 2 Green Assessments.

Ob. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.3	Improved energy management standards (including building / goods certifications)	Energy Audits and preparation of EPCs for renovated public buildings. The EPCs for each building after the implementation will be at least 2 classes above the current level (<i>due date to commence from loan signing</i>)	No	Yes	[REDACTED]

Additional Indicators

Indicator type	Monitoring indicator	Details	Baseline	Target	Due date
Gender SMART	Practices of the relevant stakeholder improved (skills development)	The Contractor(s) to establish partnership with education providers. The Client commits to request the Contractor(s) to have at least 10 percentage points higher participation of women interns compared to their current workforce representation.	No	Yes	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

The Borrower is the Republic of Kosovo represented by the Ministry of Finance, Labour and Transfers of Kosovo.

3.2 BENEFICIARY

The Client and the Beneficiary of the Project is KEEF, an independent, autonomous, and sustainable entity established in 2019 under the Law on Energy Efficiency (No. 06/L-079) in Kosovo, to enable the achievement of the Government's objectives in the field of EE through the promotion, support and/or implementation of EE measures as well as attracting and managing financial resources to finance and implement investment projects in the field of EE in a sustainable manner.

KEEF's primary objectives are to support Kosovo in meeting its EE goals, promote and implement EE measures, and manage financial resources to fund investment projects within this sector. With full operational and administrative autonomy, KEEF functions independently of the governmental and Civil Service structures in Kosovo.

KEEF is governed by a seven-member Board of Directors, which includes five voting members appointed from key institutions: the Ministry of Economic Development, Ministry of Finance, Ministry of Public Administration, the Association of Kosovo Municipalities, and KEEF's Managing Director. Additionally, two non-voting members are appointed by the Fund's principal donors.

To date, KEEF has primarily focused its investments on the public sector, specifically in municipally owned buildings, successfully completing the renovation of 84 buildings across 22 municipalities in Kosovo. KEEF utilizes a revolving financing mechanism to ensure the sustainability of its operations, by reinvesting the savings generated from EE projects back into the Fund. KEEF has already invested approximately EUR 15 million in the renovation of public buildings at the municipal level. In 2023, KEEF expanded its scope to the residential sector as part of an emergency package aimed at addressing the energy crisis. This initiative, supported by a EUR 20 million investment, includes the implementation of EE measures in both individual homes and multi-residential social buildings.

As of October 2024, KEEF had a total of 26 employees. The Operations Department includes two key Project Implementation Units focused on implementation of public, residential and private sector projects. These units are staffed with architects, engineers, and specialists in environmental & social (“E&S”) and monitoring & evaluation (“M&E”), providing some level of technical expertise and oversight needed for effective project implementation.

[REDACTED]

4. MARKET CONTEXT

4.1 ENERGY STRATEGY AND DECARBONISATION

In March 2023, Kosovo adopted the ambitious Energy Strategy 2022-2031, aiming for decarbonization and a path of more energy efficient energy consumption, resulting in a less intensive economy in terms of energy use. The Strategy is focused on two specific objectives covering energy efficiency in buildings and the promotion of cogeneration and efficient district heating systems. the overall objective for energy efficiency is to limit final energy consumption to the level of 1877 ktoe in 2031.

As a contracting party of the European Energy Community, Kosovo is committed to comprehensive energy and climate reforms, including its National Energy and Climate Plan (“NECP”) aimed at achieving carbon neutrality by 2050. This commitment necessitates improving energy performance in the building sector, particularly in government buildings over 250 m². Starting in 2024, Kosovo must renovate at least 3% of the total floor area of public buildings annually. However, despite legislative efforts, energy performance in buildings remains below EU standards, with renovation rates significantly lagging behind the EU average.

4.2 REGULATORY CONTEXT

Kosovo has already adopted the EU Energy Performance of Buildings Directive (“EPBD”) and is actively transposing the EU energy efficiency acquis. A new Law on Energy Efficiency, including secondary legislation, regulating the EE field, transposing Directive 2012/27/EU of October 25, 2012, on EE, amended by Directive (EU) 2018/ 2002 is underway (planned approval in 2025). There are ongoing efforts in enhancing energy performance calculation software for precise assessments and regulatory compliance of EPCs. Draft Building Renovation Strategy has been prepared and is aligned with the new Energy Strategy and other key policies. Kosovo has also drafted Energy Labelling and Eco-design Regulations. Additionally, the National Plan for Nearly Zero Energy Buildings (“NZEB”) and the National Action Plan for Energy Efficiency (“NAPEE”) for 2022–2025 have been adopted. These initiatives aim to significantly reduce energy consumption in buildings through advanced technologies, sustainable construction methods, and extensive renovation programs.

4.3 ENERGY EFFICIENCY IN THE BUILDING SECTOR

Buildings account for over 50% of Kosovo's final energy consumption (mainly used for space heating), with an EE potential of approximately 40-60%. The public buildings stock is older than the residential, since most of the central and municipal buildings were built between 1951 and 1980. Therefore, public buildings exhibit the highest savings potential, ranging from 40-50% in municipal buildings to up to 50% in central government buildings.

Achieving these savings could result in substantial budgetary savings for the Government of Kosovo and enable other essential economic investments.

The Project will stimulate the EE market in Kosovo by improving access to public and donor funds. On the supply side, this includes providing EE goods and services such as the installation of efficient heating and cooling systems, thermal insulation of walls, roofs, and floors, and double-glazed windows. The Project will help promote private sector participation in energy-saving projects.

Investing in EE in public buildings can save the public budget millions of euros annually, enhance energy security by reducing seasonal energy imports, create local jobs, reduce pollution locally and globally, and help Kosovo meet its commitments under the EU's Energy Community Treaty.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 PROJECT FINANCIAL AND ECONOMIC ANALYSIS

[REDACTED]

5.2 MACROECONOMIC OUTLOOK

Kosovo's economy grew robustly over the last years, averaging 4% annually, and it continues to perform well despite a challenging environment. Output expanded at a rate of 3.3% in 2023, amid subdued external demand, and is projected to accelerate to 3.8% in 2024, driven by domestic demand. Inflation has decelerated sharply, reaching 2% year-over-year in the first quarter of 2024. The banking system remains liquid, well capitalized, and profitable, with a low level of non-performing loans and ample coverage of provisions.

Fiscal policy is expected to remain moderate in the medium-term. Following the end of IMF programme in August 2017, the Government has stuck to a prudent fiscal path during previous years, staying within the fiscal deficit ceiling of 2% (rule excludes IFI financed projects). Fiscal policies have remained prudent, with an overall fiscal deficit of 0.2% of GDP in 2023 reflecting strong tax collections and IMF projects that it will remain under 2% of GDP through the medium-term.

In 2023, Kosovo reached an agreement with IMF on economic policies to be supported by a 24-month stand-by arrangement of around EUR 100 million, and an arrangement under the resilience and sustainability facility of about EUR 78 million. These agreements include elements on fiscal governance, financial stability as well as structural challenges and are meant to mitigate downside risks and support Kosovo's efforts to strengthen capacity to preserve macroeconomic stability, close policy gaps, and deliver greener growth.

Kosovo has relatively low public debt levels and has moderate capacity to increase sovereign borrowing. While sovereign debt levels increased during and after the pandemic, the public debt as percentage of GDP has decreased to 17.5% as of end-2023. A moderate increase over the medium to long term is projected, reflecting the assumption of an increase in absorption capacity of IFI financing for new capital investments.

Debt figures do not include any implicit contingent liabilities related to potential legal obligations of the Privatisation Agency of Kosovo for reimbursement of claims related to

privatisation (1.5% of GDP), POEs debt (estimated at around 2-3% of GDP), or debt contracted under former Yugoslavia (estimated at around 2.4% of GDP at end-2019, but declining over time as Serbia continues to service it).

Gross financing needs are projected to remain below the sustainability threshold at an average of 4.5% of GDP over the period 2024-29. The table below shows that public debt as percentage of GDP is expected to increase gradually from 17.5% in 2023 to 24.3% by 2029.

Table 1. Public debt sustainability framework

	2021	2022	2023	2024	2025	2026	2027	2028	2029
Public debt (% of GDP)	21.6	20.1	17.5	18.8	20.0	21.3	22.3	23.4	24.3
Real GDP growth (%)	10.7	4.3	3.3	3.8	4.0	4.0	3.9	3.9	3.8
Inflation (GDP deflator rate, in%)	6.1	7.2	5.0	2.8	2.5	2.8	2.7	2.5	2.1
Primary Balance (% of GDP)	-0.9	-0.4	0.2	-1.1	-1.2	-1.1	-1.1	-1.0	-1.0

Source: IMF, June 2024

Kosovo's current account deficit has historically been large due to structural factors. Lower energy and food import prices and strong service exports lowered the current account deficit from 10.25% in 2022 to 7.75% in 2023. The large trade deficit in goods is mainly financed by diaspora-related inflows in tourism, remittances, FDI in real estate, and other unaccounted diaspora-related flows reflected in relatively large errors and omissions. Other investments in Kosovo usually include government investments partly through borrowings from IFIs as well as treasury borrowings from domestic banks and donor investments in public infrastructure.

Continued compliance with the fiscal rule remains the key anchor to preserve fiscal sustainability in the medium term. Extending the maturity of debt and diversifying the sources of financing remain key policy priorities to contain financing risks.

5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (2019 ESP). The Project is expected to have significant E&S benefits related to improved EE and reduced emissions in public buildings in Kosovo and enhanced public health and safety. ESDD was comprised of an audit carried out by an independent consultant and included an assessment of and site visits to a representative sample of the 32 buildings to be financed by the Project.

The ESDD confirmed that KEEF has in place an environmental and social management framework, which includes some policies and procedures to ensure that their projects comply with national environmental standards and regulations. The ESDD identified some gaps and additional mitigation, and improvement measures were suggested in the Environmental and Social Action Plan ("ESAP") to structure the project to meet the Bank's Performance Requirements ("PRs"). Additional requirements to enhance management practices were included into the ESAP to develop a number of specific policies to effectively integrate environmental and social requirements into their environment, health and safety ("EHS") management system, define clear lines of responsibility and authority within KEEF employees; develop Contractor Management Plan ("CMP") and to include all relevant PR

E&S provisions in tender documents for contractors. Each sub-project will require a site-specific environmental and social management plan to be developed by the contractor to address the site-specific E&S requirements and issues.

The ESDD identified issues related to the water, heating supply, waste management and overall poor housekeeping practices related to the management of the buildings at most of the surveyed buildings. Therefore, additional structural measures have been added to the project scope related to improvement of damaged structures, sewage/drainage systems, waterproofing, asbestos removal, sanitary rooms, etc.

Occupational Health & Safety (“OHS”) practices and standards need improvements and corrective actions have been provided in the ESAP. Specific requirements include to conduct an intrusive asbestos survey and, where asbestos has been identified, to implement necessary measures to reduce the risks of exposure to asbestos fibres. Asbestos surveys will be conducted together with the energy audits in each Project building, and the implementation of an asbestos management plan will be covenanted. The thermal insulation of walls and roofs will be suitably fire-rated by the Contractor as prescribed in national standards.

The ESAP requires that the design engineer submit a fire safety report to the KEEF, and that operational health and safety (“H&S”) issues are addressed after the end of the works (fire extinguishers, fire safety doors, etc.).

The KEEF’s human resources policies and practices are generally aligned with Kosovo's labour laws and EBRD PR2. However, the ESAP will include measures to develop worker grievance mechanism and take steps to address risks related to gender-based violence and harassment (“GBVH”) in the Project sites. Community health and safety issues will be managed through construction site organisation, preparation of traffic management plan in line with national requirements, as well as through implementation of the contractor community health and safety plan in line with PR4.

There are no land or economic displacement impacts, yet some titles to sites are disputed and need to be confirmed prior to any works taking place. Impacts on cultural heritage are not applicable to sites reviewed in the ESDD and KEEF will maintain a screening process for the identification of such risks in the future. A Stakeholder Engagement Plan (“SEP”) which includes an external grievance mechanism, has been developed during the ESDD. The Bank will monitor the Project through annual environmental and social reports provided by the Client, and site visits if necessary.

6.2 INTEGRITY

In conjunction with OCCO, an integrity review was performed on the KEEF, its directors, senior management and other relevant counterparties including the MoE and MoF.

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project and the Project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the Project.

6.3 OTHER CONSIDERATIONS

[REDACTED]

ANNEXES TO OPERATION REPORT

- ANNEX 1** Project Description
- ANNEX 2** Green Assessments
- ANNEX 3** Project Implementation
- ANNEX 4** SSF TC Fiche

ANNEX 1 PROJECT DESCRIPTION

The Bank is considering financing a comprehensive EE refurbishment project for public buildings in Kosovo, focusing on enhancing the energy performance of up to 400 buildings across various municipalities. Kosovo's public building stock, which includes administrative, healthcare, and educational buildings, dates predominantly from the pre-1990 period and is characterized by outdated thermal insulation and inefficient heating systems. The reliance on energy-intensive systems results in significant energy consumption, with the current energy use in buildings ranging from approximately 120 to 500 kWh/m² for central government buildings and 70 to 605 kWh/m² for municipal buildings. By improving the EE of these buildings, the project aims to achieve a reduction in primary energy consumption of up to 47% and GHG emission reductions of up to 70%, depending on the type of building and measures undertaken.

The implementation of EE measures in public buildings brings substantial benefits, including lower energy consumption and subsequent energy cost savings. The project will also enhance heating and lighting standards, improving indoor comfort and functionality for building users, many of whom belong to sensitive groups, such as children, hospital patients, and the elderly. Furthermore, the reduction in energy use from polluting sources will help decrease pollution levels, leading to improved air quality across the country.

This initiative is part of Kosovo's broader effort to address energy inefficiencies and contribute to its sustainable development goals. The Kosovo Energy Efficiency Fund (KEEF), established in 2019, will act as the primary entity overseeing the project. KEEF's mandate aligns with Kosovo's Energy Strategy and Energy Efficiency Action Plan, and the project will receive support through a loan from the Bank, totalling 86.0MM (including VAT), to implement EE measures. Renewable energy ("RE") measures were analysed and suggested by the consultant but will not be a part of the Bank's investment.

The consultant engaged for the Project performed detailed energy audits on a representative sample of 32 public buildings and used the findings to scale up the EE refurbishment investment plan to cover up to 400 public buildings. Additionally, the Project will include non-EE structural and safety measures to be defined during the walk-through audits. These measures may include accessibility improvements, such as the introduction of ramps, drainage systems, hydro insulation, safety enhancements through the full renovation of electrical systems, fire alarm system upgrades, and ACM. Structural strengthening will also address minor issues and enhance critical building elements. These comprehensive improvements aim not only to reduce energy consumption but also to enhance comfort levels, improve indoor air quality, and ensure the safety and structural integrity of the buildings.

The EE measures proposed for the public buildings focus on a variety of interventions aimed to reduce energy consumption and improve building performance. Key measures include thermal insulation of exterior walls, roof insulation, and the replacement of windows and doors to reduce heat loss. Upgrades to heating systems are also a priority, such as the modernization of boilers, changing the fuel, installation of thermostatic valves, and improvements to district heating connections. In addition, measures targeting the reduction of electrical energy consumption include the installation of energy-efficient lighting systems and the upgrading of electrical systems. Renewable energy sources (RES) such as solar thermal systems and biomass boilers are being considered in cases where high hot water consumption or inefficient heating systems make their implementation feasible. These

measures, when combined, are expected to significantly reduce energy use, lower greenhouse gas emissions, and improve overall indoor comfort.

[REDACTED]

ANNEX 2 GREEN ASSESSMENTS

SUMMARY

- The Project is an up to EUR 50 million sovereign loan to Kosovo for the benefit of Kosovo Energy Efficiency Fund (“KEEF”) to finance EE and renovation measures in up to 400 public buildings across the country.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 100% **GET.**
- Climate-related financial risks have been assessed [REDACTED]

PARIS ALIGNMENT ASSESSMENT

For Direct finance projects

Alignment with the mitigation goals of Paris Agreement - General screening

The Project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank’s Paris alignment approach for direct finance.

- The Project’s activity is included in the 'MDBs’ aligned list' under the category Buildings (education, healthcare, housing, offices, retail etc)
- The Project is consistent with the substantial contribution criteria of the EU Taxonomy as the expected reduction in primary energy demand is more than 30%.
- There are no activities included in the 'non-aligned list'.
- Applicable additional or specific conditions associated with the ‘aligned project/economic activity have been met (the project substantially improves the buildings energy performance delivering material primary energy savings and GHG emissions reduction, and the design complies with the relevant national regulatory framework).

Alignment with the adaptation goals of Paris Agreement

The Project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. All material physical climate risks have been addressed through both design and operational measures.

GET ATTRIBUTION

The Project is attributed 100% GET for climate change mitigation and environment finance. Also, 15% GET climate change adaptation finance is claimed, as the Project is classified as an adapted activity. This is in line with the following chapters in the GET Handbook:

- Annex 5.2 GET finance for building developments
- Annex 2 Positive list of climate change mitigation activities, Table 9 Buildings, Activity 9.1 Energy efficiency, renewable energy, CO₂e emission reduction and carbon sinks in buildings
- Annex 3 Other environmental activities: 3. Pollution prevention and management, 3.2. Air pollution management; and 1. Sustainable use and protection of water and marine resources, 1.1. Improvement of water supply and demand efficiencies, including leak prevention, water supply from alternative and sustainable water sources, and performance optimisation
- Annex 4 Approach to climate change adaptation activities

The Project will finance the EE renovation of public buildings across Kosovo and is expected to achieve significant CO₂e emission reductions via energy savings, as well as considerable reduction of air pollutants (NO_x, SO₂, VOC and PM) and water consumption. The use of proceeds includes EE measures such as improvements of the building envelope (e.g. thermal insulation, replacement of windows and doors) and fuel shift wherever technically feasible (largely through deployment of heat pumps, which are prioritised, and biomass systems using sustainably certified biomass).

The FS includes a detailed energy audit of 32 representative buildings, out of a total of 400 targeted buildings. The GET impact reported is estimated by scaling up the results of the detailed energy audits to a portfolio of 400 buildings, taking into account different building uses and sizes.

The expected impacts of the transaction, based on the most conservative scenario considered in the energy audits, are:

- GHG reduction of 43.5 ktCO₂e/year (over 70%) (42 ktCO₂e/year when excluding Scope 3)
- 314,000 GJ/year of primary energy saved (47%)
- Air pollutants reduction: NO_x 25 t/year, PM 51 t/year, SO₂ 5 t/year, VOC 40 t/year (with savings ranging between 79% and 86%)
- Water savings of over 380,000 m³/year
- Adaptation benefits include increased water availability from water savings technologies, as well as improvements in human health and productivity due to better thermal comfort in buildings used for hospitals and schools with vulnerable occupants.

The Project also includes the installation of additional renewable energy capacity through new biomass boiler systems using sustainably certified biomass. At the time of submission of this memorandum, the capacity is not defined yet and hence not reported.

GREEN PROJECT MONITORING PLAN

[REDACTED]

ANNEX 3 PROJECT IMPLEMENTATION

Procurement classification – *Public sovereign*

[REDACTED]

Since this is a new Client for the Bank, a client capacity assessment was conducted. The Client has some experience working with IFIs and is familiar with different sets of procurement procedures and international procurement standards. It has successfully procured and implemented services and works contracts under international projects.

[REDACTED]

To mitigate these risks, a number of experienced individual consultants, already engaged by KEEF under previous EE projects financed by other IFIs, will be hired under this Project under the Bank's PP&R. Additionally, the Project will benefit from grant funded procurement TC, which will help the Client in building capacity and scaling up his knowledge of procedures under the PP&R, and a project implementation support and works supervision consultant, which will facilitate smooth project implementation.

Contracts risk assessment – *Moderate*

The contract proposed to be co-financed from the Bank's loan and EU REEP investment grant is detailed in the attached Procurement Plan. The support of an experienced Project Implementation Support and Supervision consultant responsible for conducting the energy audits and detailed designs, will ensure that technical specifications, employer's requirements and procurement documents are suitable for open tendering and in accordance to the Bank's PP&R. Additionally, any procurement and contractual issues that may arise will be addressed in a professional and timely manner.

The nature of the works contract is generally considered of low complexity and has a moderate degree of implementation risk. This risk will be mitigated through the appointment of an international consultant who will conduct the required energy audits of the selected buildings and develop the necessary technical specifications and employer's requirements for the works. In addition, the consultant will support the client through the entire supervision, control and monitoring of the project along the entire project cycle.

Project implementation arrangements:

KEEF will be responsible for the implementation of the project, including carrying out the procurement process and contracting. KEEF is well managed, agile and efficient and employs a team of capable experienced professionals dedicated to previous international projects. The PIU will be strengthened by a group of independent consultants retained from the previous projects, who will provide the required expertise and support throughout the duration of the Project.

In terms of implementation risks, the greatest challenge lies in managing the potentially high number of buildings to be rehabilitated simultaneously, which may strain the capacity of the PIU. To mitigate this risk, the PIU capacity will be assisted by two donor-funded experienced consultants along the entire Project: (i) Advanced Procurement Support consultant; and (ii) Project Implementation Support and Works Supervision consultant + Individual Consultant for PIU. The consultants will assist the KEEF in all aspects of

procurement and implementation of the Project in accordance with the Bank's policies and support the PIU in meeting requirements of various financing documents. Additionally, the Project Implementation Support and Supervision consultant will assist the client with the preparation and completion of the required Energy Efficiency certificates.

Procurement arrangements:

The Project includes one works contract for reconstruction, rehabilitation or refurbishment of public buildings in Kosovo to improve their EE performance. Given the potential number of buildings involved in the Project, it is expected that the works contract will be divided into lots based on geographical proximity. The contract will be co-financed by the proceeds of the Bank's loan and EU REEP investment grant. It will be procured following open tendering procedures in accordance with the requirements of the Bank's PP&R for public sector operations and will be subject to prior review by the Bank. It is envisaged that the procurement documents for the procurement of works will be based on the latest version of the Bank's standard procurement documents for procurement of works.

The Project also envisages three technical cooperation assignments. A procurement expert will assist the PIU with the procurement and contracting of the project implementation support and works supervision consultant. The second technical cooperation assignment will involve the contracting of the implementation and supervisions consultant to support the PIU with the energy audits and detailed designs, employer's requirements for preparation of the procurement documents, supervision services and preparation and completion of the energy efficiency certificates for each building. In addition, the individual consultants (four to six) will be engaged to provide additional support to the PIU, extending beyond the PIU and supervision support consultant's mandate, ensuring comprehensive coverage of project needs, subject to TORs and qualification satisfactory to the Bank. All consultancy contracts will be procured in line with the provisions of the Bank's PP&R.

The contracts will be tendered via the EBRD Client e-Procurement Portal (ECEPP).

[REDACTED]

ANNEX 4 SSF TC FICHE

[REDACTED]

BOARD DECISION SHEET

Shareholder Special Fund Fiche: Kosovo, Energy Efficiency in Public Buildings Programme DTM55125 Sector: Sustainable Infrastructure	
Transaction / Board Decision	Board approval on non-objection basis is sought for utilisation of funds under the current Shareholder Special Fund Work Plan in the amount of EUR 750,000 in favour of Kosovo Energy Efficiency in Public Buildings Programme to support the Client with technical assistance for project implementation, supervision, and additional individual consultants to support the PIU as required.
Client	The Borrower is the Republic of Kosovo represented by the Ministry of Finance, Labour and Transfers of Kosovo. The Client and the Beneficiary of the Project is Kosovo Energy Efficiency Fund (“KEEF”) , an independent public entity, responsible for implementation of EE investments in the country.
Main Elements of the Proposal	Up to EUR 50 million sovereign loan to Kosovo, divided into two tranches of EUR 25 million each, for the benefit of KEEF to finance EE, and renovation measures in public buildings across the country across various municipalities in Kosovo. The request for SSF funding relates to an implementation support and works supervision. support the PIU as required for Tranche 1 of the Project, in the total amount of EUR 1.5 million. Transition Impact. Primary Quality – Green/GET Direct Track: The Project will introduce Energy Efficiency (EE) measures in selected buildings resulting in energy savings estimated up to 314,000 GJ/year (up to 47% savings, based on the conservative scenario) and up to 43,500 tonnes of reduced CO2e annually (over 70% savings). Other benefits include non-energy structural improvements (e.g., moisture and roof protection, fire and electrical systems, accessibility) and enhanced user comfort. Additionality: Financing Structure: Long-term commercial financing for public infrastructure in Kosovo is unavailable, with banks nearing sovereign limits and limited access to international capital markets. Policy, sector, institutional, or regulatory change: The Project will propose solutions to address legal and technical barriers, enabling Energy Performance Contracting and paving the way for private energy service company (“ESCO”) structures. Standard setting: The Project includes energy audits (“EA”) and preparation of energy performance certificates (“EPCs”) for the renovated buildings. The procurement will be carried out in accordance with the EBRD Procurement Policies and Rules (“PP&Rs”). Knowledge, innovation, and capacity building: The Project plays a key role in strengthening KEEF's capacity, [REDACTED]. The Bank's technical and financial support will help KEEF develop the expertise to manage such projects. Gender SMART: As part of the Project, a partnership with public and private education providers will be established, and an internship programme for young men and women during the construction/works phase will be provided. A gender-and inclusion-sensitive internship program will support employment and on-the-job training initiatives, classifying the Project as Gender Additional.
Key Risks	Political stability: The Project is strongly supported by the Government of Kosovo and is expected to continue to be supported in the future due to its widely recognised public benefit. Macroeconomic risk: Kosovo's economy showed resilience and grew by 3.3% in 2023 with further growth forecasted at 3.8% in 2024 and 4.0% in 2025, while its current account deficit declined to 7.75% in 2023, further reductions projected. The country maintains low public debt (17.5% of GDP) and has a strong, well-capitalized banking sector. Implementation risk is mitigated by the appointment of an international consultant and additional individual implementation support consultants acceptable to the Bank (TC funded), to assist the Client with project preparation, design, procurement, implementation, and works supervision.
Strategic Fit Summary	The Project is consistent with the Bank's Strategy for Kosovo 2022-2027, Municipal and Environmental Infrastructure Sector Strategy 2019-2024, Energy Sector Strategy 2024-2028, and the GET Approach 2021-2025, which identifies green buildings as a key theme to accelerate decarbonisation and reduce energy consumption in the building sector; as well as Strategy for the Promotion of Gender Equality 2021-2025.

[REDACTED]