Financing Agreement

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

between

REPUBLIC OF KOSOVO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated MAY 15, 2013
FINANCING AGREEMENT

Agreement dated MAY 15, 2013, entered into between the REPUBLIC OF KOSOVO ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the ESCLR Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I—GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II—FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to two million eight hundred thousand Special Drawing Rights (SDR 2,800,000) ("Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are January 15 and July 15 in each year.

2.07. The Payment Currency is Euro.
ARTICLE III—PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MESP and KEK, in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV—REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by KEK of its obligations under the Project Agreement.

(b) KEK has failed to perform any obligation under the Project Agreement.

(c) The Association has suspended disbursements under the Grant Agreement between the Recipient and the Association dated January 10, 2013 or any of the previous Financing Agreements between the Recipient and the Association for the ESCLR Project.

(d) The Association has declared KEK ineligible to receive proceeds of any financing made by the Association, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association (including as administrator of funds provided by another financier), as a result of: (i) a determination by the Association that KEK has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association; and/or (ii) a declaration by another financier that KEK is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that KEK has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.
ARTICLE V—EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consists of the following:

(a) The Recipient has provided to the Association evidence satisfactory to the Association that the MESP Project Management Unit has been established with a composition, resources and terms of reference satisfactory to the Association; and

(b) The Subsidiary Agreement has been executed on behalf of the Recipient and KEK, satisfactory to the Association.

5.02. The Additional Legal Matters consist of the following: that the Subsidiary Agreement and the Project Agreement have been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient and KEK, respectively, and is legally binding upon the Recipient and KEK in accordance with its terms.

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

5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI—REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister of Finance.

6.02. The Recipient’s Address is:

Ministry of Finance
Mother Teresa Street
10000 Pristina
Republic of Kosovo

Facsimile:
+38 138 213 113
6.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C.20433
United States of America

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.

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

REPUBLIC OF KOSOVO
By
Authorized Representative
Name: RAMADAN AVDIU
Title: ACTING MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION
By
Authorized Representative
Name: ELLEN GOLDSTEIN
Title: COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objectives of the Project are: (i) to address environmental legacy issues related to the open dumping of ashes on land from KEK’s Kosovo A thermal power plant; (ii) to enable KEK to free land for community development purposes currently taken by overburden material and to enable KEK to remediate the Kosovo A ash dump; (iii) to support KEK and MESP to implement continued clean-up operations and environmental good practices in the mining and energy sector.

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

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

Part B: Environmental Remediation of Kosovo A Ash Dumps

The existing dump site with ashes from Kosovo A and overburden materials from existing lignite mines will be remediated to mitigate environmental impacts, in particular dust emissions, and take away geotechnical instabilities of disposed materials that create risks for nearby houses, through the provision of technical assistance, equipment and works.

Part C: Reclamation of Overburden Dump Areas

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

Part D: Project Management

Provision of technical assistance to KEK and MESP for the purposes of Project implementation, including the financing of Training and Incremental Operating Costs such as Project management, short-term experts, office equipment for MESP and audits.
**Part E: Hazardous Chemicals Clean-up at the Kosovo A Gasification Site**

(i) Removal and disposal of tar deposits and tar sludge from the Kosovo A gasification site;

(ii) Monitoring the implementation of tar deposits and tar sludge removal and disposal from the Kosovo A gasification site.

**Part F: Environmental Monitoring and Management by MESP**

Improving the review and monitoring function of MESP in relation to the environmental and social implications of large power plant projects, through the provision of goods, works and technical assistance, including:

(i) air monitoring equipment to measure baseline air quality data;

(ii) soil and water monitoring to collect data on current pollution baseline data;

(iii) preparation of an Environmental and Social Impact Assessment ("ESIA") for the proposed Kosovo Power Project;

(iv) monitoring of implementation of the existing RAP;

(v) panels of experts established to advise the Recipient on preparation of the ESIA and implementation of the RAP; and

(vi) preparation of a low carbon growth energy strategy.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall carry out Part F of the Project through the MESP PMU and shall ensure that KEK carries out Parts C and E of the Project. The Recipient shall carry out project management activities under Part D of the Project: project management activities for Part F will be carried out through MESP and project management activities for Parts C and E will be carried out by KEK.

2. At all times during Project implementation, the Recipient shall maintain the MESP PMU with adequate funds, facilities, services and other resources, and with suitably qualified staff in sufficient numbers.

3. By no later than October 31, 2013, the Recipient, through the MESP PMU, shall establish the panels of experts, with a composition and terms of reference satisfactory to the Association, for carrying out activities under Part F of the Project.

4. By no later than October 31, 2013, the Recipient shall establish and maintain during Project execution a stakeholder review and monitoring committee to oversee the progress and results of Component F of the Project. The committee will be chaired by a representative of MESP and consist of representatives of the Ministry of Economic Development, the Ministry of Finance, KEK and the municipality of Obiliq.

5. By no later than October 31, 2013, the Recipient, through MESP, shall ensure that a public information center is established in the municipality of Obiliq for purposes of disclosing the ESIA and other relevant project documents to the public.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall enter into a Subsidiary Agreement with KEK, under terms and conditions satisfactory to the Association, pursuant to which the Recipient shall agree to on-grant the relevant proceeds of the Financing to KEK.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to
accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

3. Through the Subsidiary Agreement, the Recipient shall ensure that KEK's Board of Directors meets at least once in each calendar quarter during Project implementation, or more frequently as may be required:

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

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

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

4. Through the Subsidiary Agreement, the Recipient shall ensure that the KEK PMU:

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

(b) reports to KEK's Board of Directors, through KEK Corporate Services on a complete, regular, and timely basis, including, without limitation, through the delivery of quarterly Project progress reports;

(c) is responsible for day-to-day Project implementation and management of Parts C and E, as well as project management activities for Parts C and E carried out under Part D, including, without limitation, environmental and social safeguards management, financial management, procurement, and monitoring and evaluation as well as progress and financial reporting, drafts term of reference for consultant assignments financed under the Project and reviews consultants' reports and monitors the performance of such consultants, and arranges public consultations as required;

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

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

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

D. **Safeguards**

1. The Recipient shall, and shall ensure, through the Subsidiary Agreement, that KEK, through the KEK PMU, implements the activities under Parts C and E in compliance with the Environmental Management Plans and the Operations Manual in accordance with their respective terms, and applies and implements, as the case may be, the policies, procedures and arrangements therein respectively set forth.

2. The Recipient shall, and shall ensure, through the Subsidiary Agreement, that KEK, through the KEK PMU, does not amend, suspend, abrogate, terminate or waive, or permit to be amended, suspended, abrogated, terminated or waived, the Environmental Management Plans or the Operations Manual, or any provision of any one thereof, except with the prior written approval of the Association.

3. Without the Association's prior written consent, the Recipient shall not, and shall ensure that KEK does not:

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

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

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

4. The Recipient, through MESP, shall be responsible for implementation of the Resettlement Action Plan and shall ensure that resettlement undertaken in connection with LPTAP for the Shala neighborhood of Hade village is undertaken in accordance with the provisions and procedures contained in the RAP and shall ensure that all relevant information is adequately provided to all affected persons, and potentially affected persons, in a timely and adequate manner.

5. The Recipient shall not amend, suspend, abrogate, terminate or waive, or permit to be amended, suspended, abrogated, terminated or waived, the RAP or any provision thereof, except with the prior written approval of the Association.
6. The Recipient, through MESP, shall (a) prepare an Environmental and Social Impact Assessment of the proposed KPP in form and substance satisfactory to the Association; and (b) disclose the ESIA in a manner satisfactory to the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate, and shall ensure that KEK monitors and evaluates, the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar quarter and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association. The Recipient shall ensure that the KEK PMU submits the consolidated project financial statements until activities related to removal of all hazardous chemicals from the gasification site have been completed and reported after which time the consolidated project financial statements will be submitted by the MESP PMU.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds
of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

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

**B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the provisions contained in the Annex to this Schedule 2</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

**C. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least-Cost Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants' Qualifications</td>
</tr>
<tr>
<td>(c) Single-Source Selection</td>
</tr>
<tr>
<td>(d) Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

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

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services and consultants’ services for Parts C(iii) and E of the Project</td>
<td>1,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services and consultants’ services for Part F of the Project</td>
<td>1,521,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, works, non-consulting services, consultants’ services and Incremental Operating Costs for Part D of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) KEK</td>
<td>15,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) MESP</td>
<td>64,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>2,800,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed five hundred sixty thousand Special Drawing Rights (SDR 560,000) may be made for payments made prior to this date but on or after June 1, 2012, for Eligible Expenditures.

2. The Closing Date is December 31, 2014.
ANNEX
TO
SCHEDULE 2
NATIONAL COMPETITIVE BIDDING - MODIFICATIONS

1. The procurement procedure to be followed for National Competitive Bidding shall be the Open Tendering Procedure set forth in the Kosovo Public Procurement Law No. 04/L-042 dated August 29, 2011 (the “PPL”), provided, however, that such procedures shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” (January 2011) (the “Procurement Guidelines”) and the following additional provisions:

Eligibility

2. Eligibility to participate in a procurement process for and to be awarded an Association-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines.

Registration of Contractors and Suppliers

3. Registration shall not be used to assess bidders’ qualifications.

4. A foreign economic operator shall not be required to register as a condition for submitting its bid, and a foreign bidder recommended for contract award shall be given a reasonable opportunity to register, with the reasonable cooperation of the Borrower, prior to contract signing.

Bidding Documents

5. Bidding documents acceptable to the Association shall be used, and shall be prepared so as to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines.

Qualification

6. Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a “pass or fail” basis, and merit points shall not be used. Such assessment shall be based entirely
up the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (iii) capability of construction and/or manufacturing facilities.

7. Prequalification procedures and documents acceptable to the Association shall be used for large, complex, and/or specialized works. The verification of the information upon which a bidder was prequalified, including current commitments, shall be carried out at the time of contract award, along with the bidder’s capability with respect to personnel and equipment.

8. In the procurement of goods and works where pre-qualification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying the qualification criteria stated in the bidding documents.

Cost Estimate

9. The detailed cost estimates shall be confidential and shall not be disclosed to prospective bidders. No bids shall be rejected on the basis of comparison with the cost estimates without the Association’s prior written concurrence.

Bid Submission and Bid Opening

10. Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids shall be opened in public, immediately after the deadline for submission of bids. Bids received after the deadline for bid submission shall be rejected and returned to bidders unopened. A copy of the bid’s opening minutes shall be promptly provided to all bidders who submitted bids, and to the Association with respect to contracts subject to the Association’s prior review.

Bid Evaluation

11. Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation.

12. No domestic preference shall be granted in bid evaluation on the basis of bidder nationality, origin of goods or services, and/or preferential programs. Contracts
shall be awarded to the qualified bidder whose bid has been determined: (i) to be substantially responsive to the bidding documents, and (ii) to offer the lowest-evaluated cost. No negotiations shall be permitted. A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted. A bidder shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

Rejection of All Bids and Re-bidding

13. All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association’s prior written concurrence.

Bid Validity

14. The bid validity period required by the bidding documents shall be sufficient to account for any period that may be required for the approval and registration of the contract as contemplated in the PPL. If justified by exceptional circumstances, an extension of bid validity may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation, award a contract, and/or complete the registration process; a corresponding extension of any bid guarantee also shall be required in such cases. A bidder may refuse the request to extend the bid validity without forfeiting its bid guarantee. No further extensions shall be requested without the prior written concurrence of the Association.

Guarantees

15. Guarantees shall be in the format included in the bidding documents. The bid security shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension if requested. No advance payments shall be made to without a suitable advance payment guarantee.

Fraud and Corruption

16. The bidding document and contract as deemed acceptable by the Association shall include provisions stating the Bank’s policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

Inspection and Audit Rights

17. In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that bidders,
suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association’s inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Guidelines.

Contract Modifications

18. With respect to contracts subject to the Association’s prior review, the Borrower shall obtain the Association’s no objection before agreeing to: (a) a material extension of the stipulated time for performance of a contract; (b) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (c) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (d) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Association.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 15 and July 15:</td>
<td></td>
</tr>
<tr>
<td>commencing July 15, 2018 to and including January 15, 2028</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing July 15, 2028 to and including January 15, 2038</td>
<td>3.35%</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions


2. "Category" means a category set forth in the table in Section VI of Schedule 2 to this Agreement;


4. "Environmental and Social Impact Assessment" or "ESIA" means an environmental and social assessment to be prepared by the Recipient for the proposed Kosovo Power Project, in form and substance satisfactory to the Association, and which shall include (i) the identification and assessment of the potential environmental and social impacts of the proposed Kosovo Power Plant Project, (ii) an evaluation of alternative measures, and (iii) the Environmental Management Plan detailing the appropriate mitigation, monitoring, institutional and management measures required for the implementation of the KPP to inform the decision-making process of the proposed investment and to increase the monitoring and management capacity of the MESP.

5. "Environmental Management Plan" or "EMP" means an environmental management plan, satisfactory to the Association, to eliminate, offset, or reduce to acceptable levels any adverse environmental and social aspects of Project activities, including the actions needed to implement the mitigation, monitoring, and institutional measures to be taken during the implementation and operation of the Project, including:

   (a) the Environmental Management Plan prepared for KEK and dated May 2, 2006 for the ESCLR Project; and

   (b) the Environmental Management Plan prepared for KEK and dated February 10, 2010 for the ESCLR Project.

Reclamation Project between the same parties dated November 5, 2007 and the Amendment to the Financing Agreements dated June 4, 2009 and counter-signed on June 12, 2009;

7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010;

8. “Hazardous Materials Remediation” means removal, treatment and containment measures which would be implemented in accordance with the detail design and the Project EMP and in order to reduce the environmental and health risk related to materials stored on the gasification site;

9. “Incremental Operating Costs” means reasonable and necessary incremental expenditures, as approved by the Association on the basis of budgets acceptable to the Association, incurred by the Project Management Units on account of Project technical support, implementation, facilitation, coordination, monitoring and evaluation, not otherwise financed under the ESCLR Project, including consultant fees (not otherwise financed under consultants’ services), consumable office supplies, office equipment maintenance and repair, vehicle operation (including fuel) and repair, communication, translation and interpretation, production of documents, publication of advertisements and procurement notices, travel costs, including air fare, local transport, study tours, workshops, conferences, public consultations, hotel and per diem charges, and other miscellaneous costs as may be agreed with the Association, but excluding salaries or honoraria of officials and employees of the Recipient;

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

11. “KEK PMU” means the Project Management Unit established within KEK for purposes of implementation of parts of this Project.

12. “Kosovo A” means the existing 370 MW (net) lignite-fired electric generating facility located at Obiliq, Kosovo.

13. “Kosovo Power Project” or “KPP” means the proposed independent power project that would consist of: (i) a new lignite-fired power generation plant, called Kosovo e Re Power Plant (KRPP), to be located at a site adjacent to the existing Kosovo B power plant, including two units of 339 MW each, and associated infrastructure, such as access roads, water supply through Iber-Lepenc canal, ash-dump, and conveyor systems for coal and ash, and (ii) the South Sibovc lignite mine that would supply lignite to KRPP, as well as the Kosovo B and Kosovo A
plants, and the associated infrastructure, such as access roads, conveyor systems for transporting lignite to the power plants, water supply systems, and overburden dumping sites.


15. "MESP" means the Ministry of Environment and Spatial Planning of the Recipient, or any successor or successors thereto;

16. "MESP PMU" means the Project Management Unit established within MESP for purposes of implementation of parts of this Project.

17. "Operations Manual" means the Operations Manual referenced in the Financing Agreement for the ESCLR Project, as the same may have been and may be amended from time to time with the Association's prior written approval;


19. "Procurement Plan" means the procurement plan for the Project, dated March 21, 2013, adopted by KEK and MESP, and endorsed by the Recipient, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

20. "Project Management Units" or "PMUs" means the KEK PMU and the MESP PMU;

21. "Resettlement Action Plan" or "RAP" means the resettlement action plan for the Shala neighborhood of Hade village dated December 2011 and prepared for MESP with financing from LPTAP.