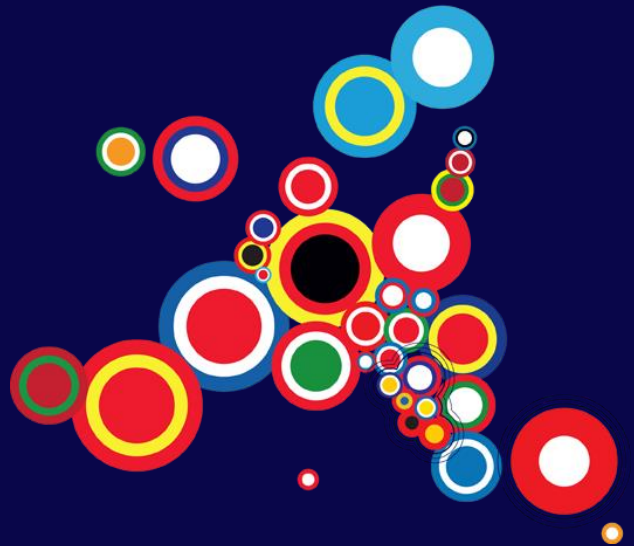




## INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

**KOSOVO\***

EU Support to the  
Energy Efficiency  
Fund



### Action summary

The aim of the Action is to the energy efficiency in the public sector (public infrastructure) to help Kosovo on achievement of the energy savings in compliance with the requirements of the Energy Community and with the National Energy Efficiency Action Plan. The Action will provide financing for the Energy Efficiency Fund to implement energy efficiency measures in the public infrastructure. The Energy Efficiency Fund will help municipalities in the implementation of their municipal energy efficiency action plans which will contribute towards the achievement of Kosovo energy efficiency targets. The Fund will target energy efficiency measures that will contribute to better comfort level for the students in schools, for the health care centres/hospitals, the service level in the municipal services buildings, and other public buildings, but also in street lighting, etc.

\*This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

<b>Action Identification</b>	
<b>Action Programme Title</b>	2017 Annual Action Programme for Kosovo
<b>Action Title</b>	EU Support to the Energy Efficiency Fund
<b>Action ID</b>	IPA 2017/040506.07 /Kosovo/Support to the Energy Efficiency Fund
<b>Sector Information</b>	
<b>IPA II Sector</b>	Energy
<b>DAC Sector</b>	23070
<b>Budget</b>	
<b>Total cost</b>	EUR 16 million (incl. World Bank loan of €5million, Kosovo budget grant €1million)
<b>EU contribution</b>	EUR 10 million
<b>Budget Line</b>	22.020102
<b>Management and Implementation</b>	
<b>Management Mode</b>	Indirect management
<i>Indirect management:</i> <b>National authority or other entrusted entity</b>	World Bank
<b>Implementation responsibilities</b>	World Bank
<b>Location</b>	
<b>Zone benefiting from the action</b>	Kosovo
<b>Specific implementation area(s)</b>	Kosovo
<b>Timeline</b>	
<b>Final date for concluding Financing Agreement(s) with IPA II beneficiary</b>	At the latest by 31 December 2018
<b>Final date for concluding delegation agreements under indirect management</b>	At the latest by 31 December 2018
<b>Final date for concluding procurement and grant contracts</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation
<b>Final date for operational</b>	6 years following the conclusion of the Financing Agreement

<b>implementation</b>			
<b>Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)</b>	12 years following the conclusion of the Financing Agreement		
<b>Policy objectives / Markers (DAC form)</b>			
<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

# 1. RATIONALE

## PROBLEM AND STAKEHOLDER ANALYSIS

The energy sector in Kosovo continues to suffer from a significant shortfall in electricity generation, in funding, coupled with increase in energy demand and inefficient use of energy.

The energy intensity<sup>1</sup> of Kosovo (0.46 toe<sup>2</sup>/000 US\$ GDP) is comparable to the other Western Balkan countries, but it is substantially higher than the intensity of OECD countries and over 4 times higher than many EU countries. Given that Kosovo's energy consumption per capita (1.29 toe per capita) is about 31% of the OECD countries (at 4.2 toe per capita), the energy intensity could rise further as incomes increase<sup>3</sup>. The high energy intensity of Kosovo compare to EU and OECD countries confirms the potential role of energy efficiency in Kosovo's future economy.

Under the Energy Community Treaty, the Energy Efficiency Directives (2012/27/EU, 2010/30/EU, 2010/31/EU) as well as the Renewable Energy Directive are being applied with the similar level of ambition and the same binding effect for all Western Balkans as in the EU. As stipulated in the Sustainability Charter of the Western Balkans<sup>4</sup>, by June 2018 financing mechanisms have to be established such as a "state level fund for co-financing energy efficiency measures" resulting from the Energy Efficiency Directive 2012/27/EU especially in the public sector.

The Ministry of Economic Development is responsible for energy efficiency policy whereas the Kosovo Energy Efficiency Agency (KEEA) is responsible for implementation. The existing law on energy efficiency requires municipalities to prepare energy efficiency action plans. A new law on energy efficiency is being drafted to transpose elements of the Energy Efficiency Directive (EED) 2012/27/EU. The Law on energy performance of the buildings was ratified in December 2016 to transpose the EPBD. The Ministry of Environment and Spatial Planning is responsible for the implementation of the Law on energy performance of the buildings.

In the long-term National Energy Efficiency Action Plan 2010-2018 the target for increase of the energy efficiency is 9% (or 91.89 ktoe) by 2018 (in accordance with Directive 2006/32/EC). The 9% target is calculated based on the average energy consumption of the previous five years which amounts to 1021.08ktoe (as per Annex 1 of the Directive 2006/32). Thus Kosovo has approved the indicative target of 9% of 1021.08 ktoe to be achieved at the end of the period (2010 – 2018), amounting to 91.89 ktoe energy saved.

Kosovo is lagging behind in the implementation of the overall target due to lack of financial resources to invest on energy efficiency measures. The energy saving planned under the 2<sup>nd</sup> midterm National Plan (2013-15) is only about half implemented (the achieved energy saving in 2015 is about 4.4% compare to 6% required).

The residential sector represents the largest portion of energy consumption at 39%, industry and transport with 27% and 23% respectively, services (the public sector) consume 9% and agriculture 2%.

Energy efficiency in the public buildings represents an opportunity for the government and municipalities to reduce their budget expenditures.

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1 Energy intensity is expressed as tons of primary energy supply divided by gross domestic product (GDP) in thousand US dollars

2 toe-Ton oil equivalent

3 International Energy Agency IEA 2015

<sup>4</sup>[https://www.energy-community.org/portal/page/portal/ENC\\_HOME/DOCS/4216400/36E619039242136BE053C92FA8C06C41.pdf](https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/4216400/36E619039242136BE053C92FA8C06C41.pdf)

Kosovo government spends over €22million annually for the energy bills of the public buildings and could save 20-30% annually through cost-effective energy efficiency measures.<sup>5</sup>

The government owns 369 buildings, or about 18.7% of the total public building stock. The total floor surface of those buildings is 745,301 m<sup>2</sup> and their total energy consumption was about 91,843MWh (or 7.9 ktoe) in 2013 or €6,5million.

The municipal building stock includes about 1600 buildings with floor area 1,6million m<sup>2</sup> with total energy consumption of 217,196 MWh in 2013 (18.68ktoe) or €15.8million. The municipal buildings are mainly schools and kindergartens, health care centres, and municipal government buildings. The main energy sources for space and water heating in municipal public buildings are biomass (mainly firewood) about 30%, oil 28%, electricity 23%, lignite 14% and district heating<sup>6</sup> about 4%. Besides buildings, a high energy consumption sector is the local public street lightning, with around 35 GWh annually<sup>7</sup>, or €4.5 million annually.

The energy saving for the public buildings at central and municipal reported in 2013 was 3.864ktoe and 4.71ktoe reported in 2015. The 3<sup>rd</sup> midterm Energy Efficiency Action Plan (2013-15) plans for further savings in the public infrastructure up to 10.21ktoe in 2018/19.

Further, another benefit of energy efficiency in public building is the need for renovation. Many public buildings in Kosovo are aging (more than half of the Kosovo building stock was constructed in the period 1970 to 1985) and require immediate investment in thermal insulation, efficient double- or triple-glazed windows, and efficient space heating and hot-water systems in order to maintain the value of property and to improve the comfort of the buildings' occupants.

There is an immediate need to improve the energy efficiency statistics to enable accurate monitoring, evaluation and verification of the achieved savings. The Monitoring and Verification Platform (MVP) should be put into operation as an official tool for monitoring and verification of energy savings<sup>8</sup>.

## **OUTLINE OF IPA II ASSISTANCE**

Given the high investment needs for the implementation of the national energy efficiency action plan there is a need for creating synergy between the government's financial resources (grants and repayment of loans) and contributions from donors and IFIs. Establishment of a revolving Energy Efficiency Fund (the Fund) is seen as an instrument to achieve the synergy between different donor funds and for a more targeted intervention in the implementation of the energy efficiency measures in the public buildings sector initially and in the residential sector at a later stage (in about 5 years).

The Fund will finance the energy efficiency measures in the public buildings: schools, kindergartens, health care buildings, hospitals, and other public buildings. The investment is payed back/or the Fund is compensated through reduced energy bill i.e. the building continues to pay the same level of energy bill whereas the difference before and after implementation of the energy efficiency measures is payed back to the Fund through an energy service agreement or similar. The Fund is expected to be established in 2018 as an independent legal entity.

The direct beneficiaries of the energy efficiency measures will be initially in the public sector : schools, hospitals, kindergartens, other public buildings (wall and roof insulation, windows and doors replacement),

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<sup>5</sup> Building Stock Study: Feasibility Study of Energy Efficiency and Implementation Measures in Public Buildings in Kosovo, World Bank. 2015.

<sup>6</sup> District heating systems are available only in 3 cities in Kosovo: Pristina, Gjakova and North Mitrovica

<sup>7</sup> Municipal Energy Efficiency Plans 2014-2020

<sup>8</sup> Annual Implementation report, Energy Community Secretariat, September 2016

modernisation of electricity and heating systems, lighting, district heating, incorporation of small scale renewable based energy production such as solar, biomass and geothermal.

## **RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES**

The **Indicative Strategy Paper (ISP)** for Kosovo sets out the areas of EU financial assistance for the period 2014-2020 to support Kosovo in fulfilling its European perspective. In regard to Energy, sector, IPA II will support Kosovo in ensuring a reliable and sustainable energy supply to citizens and enterprises, in increasing its energy efficiency and the use of renewable energy sources, and in aligning its legislation with EU energy standards. The ISP recognises the need for an energy efficiency fund and identifies as the main obstacles to implementing energy efficiency measures in Kosovo the lack of capital required for investment measures, lack of subsidies from the government and high interest rates at commercial banks; low level of awareness regarding insulation cost-effectiveness; and lack of implementing standards in building construction and materials supply. Under the 4.2 Objectives, results, actions and indicators it is foreseen to support mechanisms for implementation of energy efficiency and environmental measures in public sector and residential.

The Sustainable Growth objective of the **SEE 2020 strategy** calls for encouraging greener and more energy efficient growth. A key strategic action under the dimension H 'Energy' of the SEE 2020 strategy is achieving of the minimum 9% energy saving target in 2018.

The **Kosovo Report 2016** stresses that the Kosovo's unreliable energy supply is the biggest obstacle for development. High distribution losses in the electricity network and low energy efficiency further undermine energy security.

The **Kosovo National Strategy for Development 2016-2021** - under Objective IV – Infrastructure, stresses the importance of investments in energy efficiency measures, which will help reduce the energy consumption and financial expenses as well and enable increase of investments and lower environmental impact.

The **Economic Reform Programme (ERP)** - improving energy efficiency (Initiative 1.3) which aims to increase efficient use of energy by achieving a minimum 9% energy saving target by 2018.

In the **Kosovo Energy Efficiency Action Plan (2010-2018)** Kosovo has committed to achieve 9% increase in energy efficiency in final consumption by 2018, or 91.89 ktoe of energy saved. The action plan for 2019-2027 will be prepared in 2018 and will define the new target for energy saving for that period.

## **LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE**

The previous EU funded support has contributed to institutional development and reform promotion in the energy sector including energy market regulatory framework development, alignment of the legal framework with the *acquis*, strategic planning in energy efficiency and renewable energy sources.

Significant assistance was provided under IPA 2008 and IPA 2009 to support the policy making process including legislation on transposing the EU directive on energy services (2006/32) and on the implementation of energy efficiency measures in public buildings (67 schools and 3 hospitals). The energy efficiency planning was initiated at the local (municipal) level in order to build the capacity for bottom up planning process. Several important lessons should be indicated to achieve energy-efficient buildings and cost savings:

- Set clear, measurable goals to achieve energy savings.
- Use an integrated design approach.
- Provide training to the beneficiary users and evaluate system performance
- Use cost-effective strategies for building energy-efficient schools

To achieve maximum cost-effective energy efficiency and operability, the design team of the EE measures will need input from all stakeholders and disciplines throughout the design process. This collaborative approach will help ensure that experience is accounted for in the design and layout of the buildings' systems and spaces.

A lesson learnt from previous assistance is the need to strengthen the cooperation between central and local level institutions to achieve the full understanding of the international obligations such as requirements of the Energy Community Treaty by political and technical levels.

A general lesson learnt is that policy and legislative development needs to be evidence-based, costed and subject to appropriate internal and external stakeholder consultations at the right time of the legislative and policy-making process. This is a key in ensuring implementation and enforcement of adopted policies and legislation.

## 2. INTERVENTION LOGIC

### LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	
To improve the security of supply in Kosovo by implementing the Energy Community Treaty requirements on energy efficiency and the National Energy Efficiency Action Plan.	Transposition of the energy efficiency acquis (EED, EPBD). Implementation of the energy efficiency targets.	Energy Community Secretariat Annual reports. Kosovo Report. Kosovo government reports on implementation of the National Energy Efficiency Action Plan.	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
Improved energy efficiency in the public infrastructure.	Increase of the energy savings in the public infrastructure.	Annual report of the Fund's activities including financial sources and on investments made and results achieved. The report of the Kosovo Agency for Statistics (KAS). World Bank reports on implementation of the energy efficiency projects; The Kosovo National Energy Efficiency Action Plan and related implementation report.	The monitoring and verification mechanisms are fully implemented at central and local levels to verify the achieved savings. More bilateral donors are willing to contribute to the Fund. MESP has adopted the calculation methodology for energy performance of the buildings;
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
<b>Result 1:</b> The pipeline of energy efficiency projects in the public infrastructure is prepared and implemented in agreement with donors contributing to the Fund.	The Investment plan prepared. Number of energy efficiency projects (schools, hospitals, other public infrastructure) rehabilitated	Annual report of the Fund activities. Audit reports of the Fund. The operations manual of the Fund. World Bank annual reports on implementation of the Delegation	The government agrees to establish the Energy Efficiency Fund. The Law on energy efficiency and on establishing the Fund are ratified.



<p><b>Result 2:</b> Increased energy savings in public infrastructure and improved level of comfort and level of services in the public sector.</p>	<p>through the Fund investment.</p>	<p>Agreement (under IPA 2017). Municipal energy efficiency action plans and related implementation report.</p>	<p>The Fund manager is appointed. Municipalities have adopted energy efficiency action plans and have energy managers to monitor the implementation of the plans.</p>
			<p>Good cooperation between the line ministries (MED, MESP, MoF) in charge of implementation of EU Directives (EED, EPBD) and Kosovo legislation on energy efficiency (the law on energy efficiency, law on energy performance of the buildings)</p>

## 2. DESCRIPTION OF ACTIVITIES

The aim of this Action is to improve the energy efficiency of the public infrastructure in Kosovo by providing financing to the Energy Efficiency Fund (the Fund) for the implementation of energy efficiency projects.

The IPA grant will be entrusted to the World Bank Group (WBG:IBRD, IDA and IFC) as per the 'Trust Funds and Co-financing Framework Agreement between EU and the WBG'. The World Bank has in 2014 signed a loan (\$32million) with the Kosovo government for energy efficiency measures and renewable energy investments in the public buildings, and to enhance the policy and regulatory environment for renewable energy and energy efficiency. Part of this loan (about €5million) together with the IPA 2017 grant and government's grants will contribute to the Fund.

The budget implementation tasks entrusted to the World Bank include the following activities: operating expenditures of the fund for 5 years including technical assistance to support the Fund manager on preparing, procuring and implementing the energy efficiency projects, and investments in energy efficiency measures and renewable energy investments.

The Fund will be governed by a board of members consisting of representatives/experts of the government, EU Office in Kosovo, the World Bank and other future donors. The Board will be responsible for selecting the Fund Manager, for approval of the internal policies of the fund including the operations manual, investment plan, selection of projects to be financed and related procurement reports, and other duties as prescribed in the law establishing the Fund.

The Fund will target energy efficiency improvements and renewable energy investments initially in the public sector buildings such as schools, health care centres, hospitals, but also in street lighting, etc. It is foreseen that in 5 to 10 years the Fund will be investing on energy efficiency in the residential buildings subject to enhanced policy and regulatory framework.

The aim is to have a revolving fund in order to multiply the number of projects and to have a bigger impact on the Kosovo budget<sup>9</sup>. Instead of paying the full cost of the project implementation, the Kosovo budget gradually (in course of 10 years) compensates the Fund by paying back the investment in 10 instalments. This approach aims to establish a nimble and flexible financial mechanism able to implement the energy efficiency rehabilitation of public buildings in a sustainable manner.

The Fund will be established as an independent legal entity. The ongoing IPA technical assistance project (IPA 2014) will propose the legal amendments and will support Kosovo institutions on completing the legal framework that is required for the establishment of the Fund. Also the IPA 2014 will support municipalities on preparing the pipeline of prioritised energy efficiency projects that would be considered by the Fund for further preparation and implementation. The GIZ project (funded by the German Government) is supporting municipalities on developing regulations for enhancing the energy efficiency, on upgrading the skills for energy efficiency data collection and for monitoring and verifying the achieved savings.

## RISKS

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<sup>9</sup> The Kosovo government's budget and the Municipalities from their own revenues pay the utility bills for all public municipal buildings.

Risks related to the implementation of the Action are the following:

1. The delay on enacting the legal frame for establishment of the Fund

Mitigation measure: under the ongoing IPA 2014 project a legal expert will participate at the inter-ministerial working group in charge of preparing the necessary legal amendments for the establishment of the Fund.

2. Possible political interference in selection of the Fund's staff/the fund manager

Mitigation measure: Donors contributing to the Fund will have their representatives in the Board of the Fund and the Board will approve the selection of manager.

3. Limited capacity of the Fund manager to prepare and implement projects

Mitigation measures: technical assistance will be provided to support the operations of the Fund to ensure efficiency in the implementation of the projects.

4. Poor cooperation between stakeholders

Mitigation measures: a steering committee will be established with all stakeholders (central and local level institutions, donors and the Fund manager) that will meet regularly to discuss on issues impeding the implementation of the projects as per timetable.

## **CONDITIONS FOR IMPLEMENTATION**

To ensure a successful implementation of the Action the following preconditions should be fulfilled:

- The approval of the necessary legislation for establishment of the Fund as a legal entity: the Law for establishing the Fund, the new Law on Energy Efficiency and/or amendment the Law on Public Financial Management to allow the Kosovo Budget to compensate the Fund for the investments made, thus enable the fund to revolve.
- Adoption of the secondary legislation required for implementation of the Kosovo Law on energy performance of the buildings (Law no 05/L 101), including the methodology for calculation of the integrated energy performance of the buildings, regulation on minimum energy performance requirements of the buildings, regulation on energy performance certification of the buildings, regulation on inspection of heating and air conditioning systems and regulation on licensing the independent experts and creation of an independent control system for energy certificates in buildings.
- Kosovo government contribution to the Fund should be reflected in the midterm expenditure framework 2018-2021 and beyond.

The following assumptions are considered:

- A key assumption is that following the adoption of the secondary legislation the necessary steps for implementation will be undertaken by all relevant institutions at central and local levels.
- The government as a key stakeholder and member of the Board of the Fund has to ensure a professional level of competence of the Fund manager and no political influence in the selection of staff and on the operations of the Fund.
- The Fund should allow capital to revolve in order to multiply the number of projects implemented.

### **3. IMPLEMENTATION ARRANGEMENTS**

#### **ROLES AND RESPONSIBILITIES**

The main institutional stakeholders involved in the Action are:

The Ministry of Economic Development (MED) is responsible for policy and planning for energy efficiency. MED will initiate the procedure for preparation of the legal framework for the establishment of the Energy Efficiency Fund.

Kosovo's Energy Efficiency Agency is responsible for implementation of the National Energy Efficiency Action Plan, for monitoring and verification of the achieved savings.

Ministry of Finance is responsible for providing the government contribution to the Energy Efficiency Fund, and for implementation of the necessary legal amendments to allow the Fund to revolve.

Ministry of Environment and Spatial Planning (MESP) is responsible for implementation of the Law on energy performance of the buildings, in particular it shall adopt the calculation methodology which is used to calculate the energy requirements for buildings according to their typical use and is used to calculate the cost optimal levels of energy performance requirements for buildings (including public buildings). MESP is also responsible for monitoring and for maintaining the inventory of the greenhouse gas GHG emissions.

The World Bank has signed a loan with Kosovo government on implementation of energy efficiency investments and renewable energy investments in the public buildings.

A detailed assignment of the roles of each stakeholder, voting procedures, selection of a chairman and all procedural matters will be part of the Operations Manual of the Fund.

#### **IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING**

The implementation method will be through Recipient- executed Trust Fund (RETF) as per 'Trust Funds and Co-financing Framework Agreement between the European Union and the World Bank Group' dated March 20, 2009. RETF is a trust fund that the World Bank passes on to a third party recipient (Kosovo government) for execution or implementation by means of a Grant Agreement where the World Bank pays an operational role.

The IPA 2017 contribution will be used for: technical assistance to support the Energy Efficiency Fund, for the operating cost of the Fund and for energy efficiency and renewable energy investments to be implemented by the Fund.

## **4. PERFORMANCE MEASUREMENT**

### **METHODOLOGY FOR MONITORING (AND EVALUATION)**

In line with the IPA II Implementing Regulation 447/2014, an IPA II beneficiary who benefits from IPA II assistance shall be responsible for conducting evaluations of the programmes it manages.

The Action includes one contract with the World Bank Group under Recipient-executed Trust Fund (RETF) modality as per 'Trust Funds and Co-financing Framework Agreement between the European Union and the World Bank Group.

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement. This action will be included in the ROM plan and a monitoring will be performed.

The Fund will submit quarterly (non-audited) and annual (audited) results to the steering committee.

## INDICATOR MEASUREMENT

Indicator	Baseline (2017) <sup>(2)</sup>	Target 2020 <sup>(3)</sup>	Final Target (2022) <sup>(4)</sup>	Source of information
Quality of energy supply				
Transposition of the energy efficiency acquis (EED, EPBD).	EED and EPBD partially transposed	EED and EPBD fully transposed	EED and EPBD fully transposed	Energy Community Secretariat Annual reports. Kosovo Report. Kosovo government reports on implementation of the National Energy Efficiency Action Plan.
Increase of the energy savings in the public infrastructure.	Energy savings for public infrastructure 8.91 ktoe (103.62MWh) <sup>10</sup>	Energy savings for public infrastructure (cumulative) 16.62ktoe (193.29MWh) <sup>11</sup>	Energy savings for public infrastructure (cumulative) 18.78ktoe (218.41MWh) <sup>12</sup>	Annual report of the Fund's activities including financial sources and on investments made and results achieved. The report of the Kosovo Agency for Statistics (KAS). World Bank reports on implementation of the energy efficiency projects; The Kosovo National Energy Efficiency Action Plan and related implementation report.
The Fund's Investment Plan	No investment plan	The 5 years investment plan (2018-22) approved by the Board of the Fund	The 5 years investment plan (2022-26) approved by the Board of the Fund	The Fund's report and website. Decision of the Board of the Fund on approval of the investment plan.

<sup>10</sup> The energy saving amount is extracted from the implementation reports of the 1<sup>st</sup> and 2<sup>nd</sup> midterm plans (2010-12 and 2013-2015) and with the energy savings calculated in the 3<sup>rd</sup> plan 206-2018 foreseen to be completed in 2017.

<sup>11</sup> The energy saving is the cumulative of 2017 savings and savings planned in the 3<sup>rd</sup> midterm plan 2016-18.

<sup>12</sup> The energy saving is the cumulative of 2020 savings and savings to be achieved in the energy efficiency measures include in the 3<sup>rd</sup> plan 2016-18 and their implementation continues till 2021 (2.16ktoe).

<p>Number of projects implemented by the Fund (schools, hospitals, public buildings, street lighting, etc.)</p>	<p>There is no Fund in 2017</p>	<p>20 energy efficiency projects</p>	<p>40 energy efficiency projects</p>	<p>Annual report of the Fund activities.  The operations manual and investment plan of the Fund.  World Bank annual reports on implementation of the Delegation Agreement (under IPA 2017).  Municipal EE action plans and implementation reports.</p>
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## **5. SECTOR APPROACH ASSESSMENT**

Kosovo as member of the Energy Community has committed to implement the energy efficiency acquis namely the Energy Efficiency Directive (EED), the Energy Performance Buildings Directive (EPBD), the Energy Services Directive (ESD). Following the requirements of the Energy Community, Kosovo has adopted the long term National Energy Efficiency Plan 2010-18 with a target for increasing the energy efficiency 9% in 2018 (with a 3% target on midterm basis for the periods 2010-12, 2013-15 and 2016-18). The second long term plan for 2019-2027 will be prepared in 2018 with the support of the EU funded project (under IPA 2014). Kosovo has to report to the Energy Community Secretariat the achievements for each midterm plan.

Kosovo has reported a 3% target achieved for the first midterm plan (2010-12), however in the second midterm plan 2013-15 only 0.91% (or 9.3ktoe) instead of 3% (or 30.63 ktoe) has been achieved because of the lack of investments. The services sector (public infrastructure) is the sector that has mostly achieved energy saving, in 2012 the reported energy saving for the public infrastructure was 3.86ktoe, whereas the reported energy saving in 2015 as a result of measures undertaken during 2013-15 is 4.71ktoe, thus the cumulative energy saving in the public infrastructure in 2015 was 8.574ktoe. The progress on implementing the energy savings in residential (household sector) and industry is lagging behind due to lack of financing, whereas in transport sector there is no energy saving reported until 2015.

The legal framework for transposing the energy efficiency directives is still not completed. In December 2016 the law on energy performance of the buildings (prepared with the EBRD support REEP programme) was adopted. However the secondary legislation is not prepared yet. A new law on energy efficiency is drafted but is not finalised yet. This draft law foresees establishment of the financing mechanisms including the energy efficiency fund. The draft law also obliges the municipalities to adopt energy efficiency action plans with defined measures/projects for each sector (households, services, transport, etc). Municipalities are also required to report on annual basis to the Kosovo Energy Efficiency Agency on the implementation of the action plans. There are technical assistance projects ongoing (EU funded under IPA 2016 and German Government funded through GIZ) to support the municipalities in the energy efficiency planning and implementation.

The energy efficiency fund will mobilise funds from the government and from different donors to more effectively prepare and implement energy efficiency measures in the public infrastructure.

## **6. CROSS-CUTTING ISSUES**

### **GENDER MAINSTREAMING**

The fund impact on health, improved education and occupational health will be positive and it will apply to all the population concerned.

The Project Steering Committee will monitor and requests that the fund's investments benefit equally all the ethnic communities in Kosovo.

The fund will collaborate with gender equality mechanisms and women's organizations to promote the participation of women in environmental protection issues and awareness raising for the public. Given that energy efficiency measures will be implemented in schools and health care centres, both women and men will benefit equally from improved energy performance of buildings, have better learning, working, and medical treatment environment.



In terms of project management and implementation, equal gender representation (50% of both genders) at all levels of decision-making, in all bodies, and in consultations held will be ensured, in line with the Law on Gender Equality. In procuring public works affiliated with this action, affirmative measures will be taken, as needed to ensure that contracted parties have a balance of women and men carrying out these public works, since they will be completed using public funds. This is in line with the Law on Gender Equality and best practices in gender responsive budgeting, also encouraged by the EU Gender Action Plan.

### **EQUAL OPPORTUNITIES**

Kosovo government remains fully committed towards providing equal opportunities for men and women. Kosovo legislation ensures equal opportunities and no gender discrimination. All steps necessary to ensure equal representation and opportunities for women and men will be taken into consideration, including equal participation in fund implementation, monitoring and evaluation. Gender equality incentives are incorporated particularly in activities concerning capacity building, the monitoring mechanism, where available indicators are structured and disaggregated by gender. This action will make sure that equal opportunities are applied in technical assistance activities and in the technical specifications for the works to be carried out as part of energy efficiency measures.

### **MINORITIES AND VULNERABLE GROUPS**

The fund will invest in projects on the whole territory of Kosovo and special care (through monitoring and supervision by the Steering Committee) will be taken that the regions populated by minorities are equally financed and to ensure that rights of minorities and vulnerable groups are appropriately considered. The Steering committee will monitor the investments and will request a balanced portfolio of projects in the minority and multi-ethnic areas/municipalities. During the implementation of the Action, where possible, the works technical specifications will be designed to enable for involvement of vulnerable groups such women, youth, minorities in the implementation of the works.

### **ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER STAKEHOLDERS)**

The civil society organisations in Kosovo are very actively promoting the efficient use of energy as well as the increased share of renewable energy sources in the energy production.

In particular, the establishment of an energy efficiency fund is supported and promoted by NGOs like KOSID and INDEP who in September 2015 launched the paper on financing the energy efficiency in Kosovo: benefits and barriers calling for action on establishing the energy efficiency fund. The nature of the intervention, which is generally well supported by the local communities, will enhance the positive perception of EU's activities in Kosovo. Furthermore, a visibility plan for promoting energy efficiency in Kosovo is being designed and will be implemented in conjunction with the establishment and operation of the fund.

The action will continue to share information and ensure consultations with diverse civil society organizations, including women's organizations.

### **ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)**

The Action has a direct link to the environmental acquis and climate change due to reduction of GHG emissions as a result of reduced energy consumption in the public sector and substituting where possible the polluting fuels with renewable energy sources for the purpose of heating and cooling. It is estimated by the

specially designed financial model of the fund operation, that the IPA 2017 € 10 million contribution to the fund will reduce the GHG emissions by 20,000 tons/y.

Furthermore, the Fund investments will reduce the use of wood for heating which will reduce the rate of deforestation in Kosovo.

As more than 95% of the electricity in Kosovo is generated by coal power plants, the reduced use of electricity will lead to reduction of CO<sub>2</sub>, SO<sub>2</sub>, NO<sub>x</sub> and dust emissions, as well as, reduction of other hazardous waste produced at the thermal power plants the waste including ash and slag disposals.

## **7. SUSTAINABILITY**

The Energy Efficiency fund is designed to be sustainable, should the required legislative changes be enacted. The fund will be a legal entity that will attract funds not only from the Kosovo budget but also from donors. If the fund is established as a revolving fund it will add to sustainability – i.e. the investment by IPA will be ‘recycled’ as soon as the budget, or the savings, compensate the fund for its investments (on annually staggered basis). For example, if the fund is capitalised by €10 million, it can invest annually €2 (if World Bank’s \$6m are recycled 2.9m) million in perpetuity. It is envisaged that by 2033 the fund operating in that basis would have invested €46 million and would have a positive balance of €0.5 million.

## **8. COMMUNICATION AND VISIBILITY**

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be the responsibility of the IPA II beneficiary, and shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the European Commission (DG NEAR) will have to be followed.

The communication and visibility strategy comprises of cross-cutting activities that will support the communication of government activities relating to energy efficiency and renewables, and contribute to a general awareness raising for energy efficiency and renewables issues. At the same time, activities in this area will ensure visibility for the EU project and for EU contributions to government actions; relevant EU guidelines for the production of visibility and communication material will be followed whenever applicable. It includes creation of a website in Albanian, Serb and English, publication and distribution of promotion materials and promotion of the activities on local level. There will be a sign erected describing the donors’ contribution on every implemented project.

It is the responsibility of the IPA II beneficiary to keep the EU Office and the Commission fully informed of the planning and implementation of the specific visibility and communication activities.

The IPA II beneficiary shall report on its visibility and communication actions in the report submitted to the IPA monitoring committee and the sectorial monitoring committee.