



INDEPENDENT AUDITORS' REPORT

With audited financial statements
for the year ended December 31, 2014 and December 31, 2015

"Kosovo Energy Efficiency and Renewable Energy" Project
(IDA Credit No. 5508 - XK)

Project

“Kosovo Energy Efficiency and Renewable Energy Project” Project

Financed under World Bank (IDA No. 5508 – XK)

<i>Project ID</i>	<i>P143055</i>
<i>Status</i>	<i>Active</i>
<i>Approval date</i>	<i>June 18, 2014</i>
<i>Signing date</i>	<i>January 15, 2015</i>
<i>Effective date</i>	<i>June 05, 2015</i>
<i>Closing date</i>	<i>August 31, 2020</i>
<i>Country</i>	<i>Kosovo</i>

Audited by

"FICADEX ALBANIA" Ltd

Jacques COLIBERT

Marije DUSHI

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Mission

Audit of special purpose Financial Statements

For the year ended December 31, 2014 and December 31, 2015

Report

Date: July 01, 2016

Version: Final report

Declaration of responsibility

The entire documentation was provided by the Project Implementing Unit (PIU) and MOF of Kosovo.

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INDEPENDENT AUDITORS’ REPORT

To the Minister of Finance, Republic of Kosovo

We have audited the accompanying financial statements of “Kosovo Energy Efficiency and Renewable Energy” Project, financed under World Bank (IDA Credit No. 5508 - XK) comprise the statement of cash receipts and payments and the statement of expenditures for the year ended December 31, 2014 and Year ended December 31, 2015 and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in note 2 to the financial statements; this includes determining that the cash basis of accounting is an acceptable bases for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above, presents fairly in all material respects, the funds received and expenses paid by the “Kosovo Energy Efficiency and Renewable Energy” Project, financed under World Bank (IDA Credit No. 5508 - XK) for the year ended December 31, 2014 and year ended December 31, 2015 in accordance with the cash receipts and disbursements basis as described in note 2 to the financial statements.



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Basis of Accounting

We draw attention to note 2 of the financial statements, which describe the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the Republic of Kosovo. Our opinion is not modified with respect to this matter.

Kosovo July 01, 2016

FICADEx ALBANIA Ltd

Jacques COMBERT

Marije DUSHI



Energy Efficiency and Renewable Energy Project

(IDA Credit No. 5508-XK)

Statement of Sources and Uses of Funds

For the year ended December 31, 2014 and December 31, 2015

(in EUR unless otherwise stated)

	Notes	Period ended		Cumulative from March 1, 2014 to:
Sources and uses		December 31, 2015	December 31, 2014	December 31, 2015
Sources of Funds:				
IDA Credit No. 5508 XK funding	4	20,640.00	-	20,640.00
Temporary advances by Government of Kosovo	5	<u>55,265.17</u>	<u>20,640.00</u>	<u>75,905.17</u>
Total sources		<u>75,905.17</u>	<u>20,640.00</u>	<u>96,545.17</u>
Uses of Funds:				
Consulting services	6	(75,675.17)	(20,640.00)	(96,315.17)
Incremental Costs	7	<u>(230.00)</u>	<u>-</u>	<u>(230.00)</u>
Total uses	8, 9	<u>(75,905.17)</u>	<u>(20,640.00)</u>	<u>(95,545.17)</u>
Exchange rate differences		<u>-</u>	<u>-</u>	<u>-</u>
Cash on hand and at banks at the end of the year		<u>-</u>	<u>-</u>	<u>-</u>

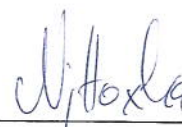
The Statement of Sources and Uses of Funds is to be read in conjunction with the notes set out on pages 3 to 10 and forming an integral part of the financial statements.

The financial statements of the "Kosovo Energy Efficiency and Renewable Energy" Project were authorised for issue by the management of the Project on June 28, 2016 and signed on its behalf by:



Naim BUJUPI

Project Manager



Njomza HOXHA


Financial Management Specialist


Energy Efficiency and Renewable Energy Project
(IDA Credit No. 5508-XK)

Statement of expenditures (Withdrawal schedule)
For the year ended December 31, 2014 and December 31, 2015
(in EUR, unless otherwise stated)

IDA Credit No. 5508 - XK

Withdrawal application	Type of application	Appl. Pym. Amt	Disbursed in Euro	Consulting services	Training	Incremental operating costs	SOE	deducted	Date received	Value date
01/55080	Reimbursement	20,640.00	20,640.00	20,640.00	-	-	20,640.00	-	02-Nov-15	10-Nov-15
Total Re		20,640.00	20,640.00	20,640.00	-	-	20,640.00	-		
DP	Direct payment	-	-	-	-	-	-	-		
Total DP		-	-	-	-	-	-	-		
IDA Credit No. 5508 funding		20,640.00	20,640.00	20,640.00	-	-	20,640.00	-		


Naim BUJUPI
Project Manager


Njomza HOXHA
Financial Management Specialist

Notes to the Financial Statements

For the year ended December 31, 2014 and December 31, 2015
(in EUR, unless otherwise stated)

1) General

The Financing Agreement for the Energy Efficiency and Renewable Energy Project (IDA Credit 5508 – XK) - (the “Project”), was signed between the International Development Association (“Association”) and the Republic of Kosovo “Recipient”) on January 15, 2015. The June 05, 2015, is the effective date of the project.

The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to the Agreement, a credit (variously, “Credit” and “Financing”), in an amount equivalent to twenty million one hundred thousand Special Drawing Rights (SDR 20,100,000) (equivalent of USD 31.0 million, as translated on the Agreement January 15, 2015) to assist in financing. The project will have a total estimated cost of USD 32.50 million. The project will be implemented over six years through Investment Project Financing, financed by an IDA credit of USD 31.0 million, and co- financing in amount of USD 1.5 million from local governments under Component 1b – Pilot EE Investment Program for Municipalities¹.

The Recipient shall through Ministry of Economic Development (MoED): (i) implement the Project, with Kosovo Energy Efficiency Agency (KEEA) in MoED as the main executing agency and, (ii) establish and thereafter, operate and maintain at all times during the implementation of the Project, a Project Implementation Unit (PIU) under the management of KEEA with functions and responsibilities satisfactory to the Association.

To this end, the Recipient shall through MoED appoint a procurement specialist, a financial management specialist and other staff on as needed basis with resources, qualifications, experience and under terms of reference satisfactory to the Association.

The Recipient through MoED shall maintain throughout the implementation of the Project, a Coordination Group (CG), chaired by the Chief Executive Officer of the KEEA with functions, responsibilities satisfactory to the Association, including, (i) overall coordination of the investments in energy efficiency and renewable energy measures in government owned buildings, (ii) providing technical guidance in connection with subproject pipelines, (iii) inter-ministerial coordination, (iv) budgeting and procurement and (v) resolving implementation issues.

To this end the Recipient shall through MoED designate representatives of the Ministry of Finance (MoF), Ministry of Education, Science and Technology (MoEST), Ministry of Health (MoH), Ministry of Public Administration (MPA), Ministry of Local Government Administration (MoLGA), Ministry of Environmental and Spatial Planning (MoESP), Ministry of Justice (MoJ) and Ministry of Culture, Youth and Sports (MoCYS).

At December 31, 2015, the Project had 6 employees.

Project Description

The objectives of the Project

The objectives of the Project are to:

- (a) Reduce energy consumption and fossil fuel use in public buildings through energy efficiency and renewable energy investments, and
- (b) Enhance the policy and regulatory environment for renewable energy and energy efficiency.

¹ Project Appraisal Document, Chapter III. Project Description, point B. “Project Cost and Financing”

Notes to the Financial Statements

For the year ended December 31, 2014 and December 31, 2015
(in EUR, unless otherwise stated)

1) General (continued)

The Project consists of the following Parts:

Part 1. Energy Efficiency and Renewable Energy Investments in Public Buildings

Promoting efficient use of energy in public buildings through:

- a. Carrying out energy efficient and renewable energy Subprojects in central government owned buildings through provision of works;
- b. Carrying out pilot energy efficient Subprojects in municipal government owned buildings to test the various financing options to develop a broader program for the municipal market through provision of works;
- c. Conducting technical studies and supervision, including conducting building energy audits, development of designs and bidding documents, and carrying out construction supervision and waste disposal studies; and
- d. Providing targeted training to design firms, construction companies and other energy efficient and renewable energy service providers and disseminating information on project impacts and results.

Part 2. Policy and Regulatory Support for Renewable Energy and Energy Efficiency

Strengthening the Recipient's policy and regulatory regime for renewable energy and energy efficiency including:

- (a) Providing support to the Energy Regulatory Office to promote sustainable development of renewable energy generation capacity including:
 - i. Improving the renewable energy regulatory regime , including Feed in tariffs (FiTs) and consumption based district heating tariffs;
 - ii. Streamlining the permitting, licensing processes and the mechanisms for monitoring licenses;
 - iii. Developing specific rules for: (a) integrating renewable energy generation capacity into the grid and (b) grid connection agreements; and
 - iv. Conducting analyses for socially conscious tariff reform including FIT cost recovery and tariff increase impacts on consumer affordability; and
 - v. Carrying out assessments for renewable energy resources, through provision of technical advisory services, goods and Training;
- (b) Providing support to the MoED to create an enabling regulatory environment for energy efficiency implementation including:
 - i. Undertaking a technical review of available information and developing the operating procedures for establishing a sustainable municipal energy efficiency financing scheme to scale up the piloting of the energy efficiency Subprojects under Part 1(b) of the Project; and
 - ii. Reviewing public procurement rules in the context of procuring energy efficient equipment and services and developing appropriate procurement guidelines; and developing an implementation plan to establish homeowner associations and piloting some energy efficient measures.

Notes to the Financial Statements

For the year ended December 31, 2014 and December 31, 2015

(in EUR, unless otherwise stated)

(c) 1) General (continued)

Part 3. Project Implementation Support

- (a) Establishing a Project Implementation Unit within KEEA and recruiting staff to carry out procurement, financial management and monitoring and evaluation of the Project.
- (b) Providing training to KEEA and PIU staff on effective implementation of the Project and sustainability of project activities and goals.

The Recipient shall through MoED ensure that the Project is carried out in accordance with the Project Operations Manual.

Central Government Subprojects

In implementing Part 1 (a) of the Project, the Recipient, through MoED and in consultation with the various line ministries, shall select the buildings to be renovated on the basis of criteria set forth in the Project Operations Manual which shall inter alia include, the requirements that buildings should:

- Be fully owned by the central government (excluding public owned enterprises);
- Be structurally sound and have not had comprehensive energy efficient renovations in the last 10 years and be at least 5 years old;
- Not be candidates for office moves, closure or privatization; and
- Not be used for security or defense purposes e.g. police or prisons;

Municipal Government Subprojects

In implementing Part 1 (b) of the Project, the Recipient shall through MoED:

- Issue a letter of invitation to all the municipalities and provide them with information about the municipal Subprojects and request them to apply and indicate the buildings to be renovated and rehabilitated to promote more efficient energy use;
- Select the municipalities (Participating Municipalities) and the Subprojects to be financed by the Financing in accordance with eligibility criteria set forth in the Project Operations Manual.

Withdrawal Conditions; Withdrawal Period²

Notwithstanding the provisions of Part A, Section IV of the Financing Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed €250,000 equivalent may be made for payments made prior to this date but on or after March 1, 2014 for Eligible Expenditures

The disbursements methods may be used under the Financing are Reimbursement, Direct Payment and Special Commitment.

The Closing Date is August 31, 2020.

² See note 4&5

Notes to the Financial Statements

For the year ended December 31, 2014 and December 31, 2015

*(in EUR, unless otherwise stated)***IDA CREDIT No.5508-XK**

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 financing to each Category and the percentage of expenditures to be financed for Eligible Expenditures in each category:

Category	Amount of the financing allocated (expressed in SDR)	Amount Equivalent (expressed in \$US)	% of expenditures to be financed (inclusive of taxes)
1. Subprojects under Part 1(a) of the Project	14,260,000	22,000,000	100%
2. Subprojects under Part 1(b) of the Project	2,900,000	4,500,000	75 %
3. Consultant services, goods under Part 1 (c) 1(d), 2 and 3 of the Project	2,900,000	4,435,000	100%
4. Operating Costs	40,000	65,000	100%
Total amount	20,100,000	31,000,000	

The Government of Kosovo will repay the principal amount of the Credit in semi-annual instalments payable as of describe in following:

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each 15 th October and 15 th April in each year:	
Commencing 15 th October, 2019 to and including 15 th April, 2029	1.65%
Commencing on 15 th October, 2029 to and including 15 th April, 2039	3.35%

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

The maximum Commitment Charge Rate payable by the Recipient on the unwithdrawn Financing Balance shall be 0, 5% per annum

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%).

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.

As at December 31, 2015, EUR 20,640.00 was disbursed from the Credit.

Notes to the Financial Statements

For the year ended December 31, 2014 and December 31, 2015

*(in EUR, unless otherwise stated)***2) Basis of preparation**

The financial statements of the project for the year ended December 31, 2015 and December 31, 2014 have been prepared for the purpose of complying with the provisions of the Project's objectives, the World Bank guidelines and terms and conditions of the IDA Credit No. 5508-XK.

The financial statements comprise the statement of sources (Cash Receipts) and uses (Payments); the statement of expenditures used as the basis for the submission of withdrawal applications for the year ended December 31, 2015, and a summary of significant accounting policies and other explanatory notes.

The cumulative statements of expenditure used as the basis for the submission of withdrawal applications for the period from Bank approval date on March 1, 2014 till December 31, 2015, are presented as supplementary schedules. Cumulative information on receipts and disbursements from the Project's Bank approval date to December 31, 2015 is presented in the Statement of Sources and Uses of Funds for information purposes only.

The financial statements have been prepared in accordance with cash basis IPSAS - Financial Reporting under the Cash Basis of Accounting, which differs from Kosovo and International Financial Reporting Standards. On this basis, income is recognised when received rather than when earned and expenses are recognised when paid rather than when incurred. Accordingly, direct and indirect payments of the Project's expenses, which are made from the proceeds of the credit, are recognised as sources and uses of funds at the time the payment is made.

The financial statements prepared for the special purpose are presented in Euro ("EUR"), unless otherwise stated.

3) Summary of significant accounting policies

A summary of significant accounting policies underlying the preparation of the Project's financial statements is presented below.

3.1 Foreign currency transactions

The project accounts are maintained in Euro ("EUR").

Transactions in foreign currencies are translated to the functional currency at exchange rates on the dates of the transactions.

Initial credit amount are maintained at the historical exchange rates. The project translates the undrawn credit balance at the rates in effect on the year end.

The exchange rates in effect as at December 31, 2015, were as follows:

Currency	Period	31.12.2015	31.12.2014
EUR/ USD		1.09	1.22
USD/EUR		0.92	0.82
SDR/EUR		1.27	1.19
SDR/\$US		1.39	1.45

Notes to the Financial Statements

For the year ended December 31, 2014 and December 31, 2015

*(in EUR, unless otherwise stated)***3) Summary of significant accounting policies (continued)****3.2 Recognition of income and expenses**

Income is recognised when received rather than when earned, and expenses are recognised when paid rather than when incurred.

3.3 Taxation

The Project is not exempt from income Tax, Value Added Tax (VAT) and Custom Duties for the credits part. The local employees of the project are liable for personal tax and social security contributions.

4) IDA Credit No. 5508-XK funding

IDA funding is composed are detailed as follows:

Credit	Year ended 31 December 2015	Year ended 31 December 2014
Reimbursements*	20,640.00	-
Direct payments	-	-
Special Commitment	-	-
Total	20,640.00	-

Reimbursements represent the IDA funds for cover the payments already made by Government of Kosovo for this project using withdrawal applications prepared by the Project. *see note 5

5) Temporary advances received by government of Kosovo

The temporary advances received by Government of Kosovo are detailed as follows:

Financed by:	Year ended 31 December 2015	Year ended 31 December 2014
Temporary advances received by GOK	55,265.17	20,640.00
Total*	55,265.17	20,640.00

The cumulative temporary advances received by GOK of Euro 75,905.17 represent Withdrawal Application no. 02/55080, date 12-Feb-2016.

*Bank approval date of eligible expenditure is June 18, 2014 whereas based on Financial Agreement, Section IV, "Withdrawal of the Proceeds of the Financing", point B. "Withdrawal Conditions"; Withdrawal Period, also specified in General Information of this document, states that withdrawals up to an aggregate amount not to exceed EUR 250,000 equivalent may be made for payments made prior to this date but on or after March 1, 2014 for Eligible Expenditures.

Energy Efficiency and Renewable Energy Project

(IDA Credit No. 5508-XK)

Notes to the Financial Statements

For the year ended December 31, 2014 and December 31, 2015
(in EUR, unless otherwise stated)

6) Consulting services

Expenditures for Consultant services are detailed as follows:

Item	Year ended 31 December 2015	Year ended 31 December 2014
PIU Project Manager	15,740.60	12,000.00
Procurement Specialist	7,675.60	4,320.00
Environmental specialist	5,905.44	4,320.00
Construction engineer	9,303.00	-
Financial management specialist	2,821.20	-
Project Assistant	910.00	-
Detailed design and technical specification including supervision and commissioning for energy efficiency building renovation	12,099.67	-
Social Survey	21,219.66	-
Total	75,675.17	20,640.00

7) Incremental operating costs

Expenditures for incremental operating costs are detailed as follows:

Item	Year ended 31 December 2015	Year ended 31 December 2014
Advertisement	230	-
Total	230.00	-

8) Expenditures by sources of funds

Expenditures by sources of funds are detailed as follows:

Item	IDA Credit No. 5508 - XK funding	Temporary advances from GOK	Total December 31, 2015	Total December 31, 2014
Consulting services	20,640.00	55,035.17	75,675.17	20,640.00
Incremental operating costs	-	230.00	230.00	-
Total 31.12.2015	20,640.00	55,265.17	75,905.17	-
Total 31.12.2014	-	20,640.00	-	20,640.00

Energy Efficiency and Renewable Energy Project

(IDA Credit No. 5508-XK)

Notes to the Financial Statements

For the year ended December 31, 2014 and December 31, 2015

(in EUR, unless otherwise stated)

9) Expenditures by parts:

The expenditures by Project Parts are detailed as follows:

Parts		Consultant services	Training	Incremental operating costs	Total 31.12.2015	Total 31.12.2014
Part I	Energy Efficiency and Renewable Energy Investments in Public Buildings					
1. (c)	Technical Studies and supervision	33,319.33	-	-	33,319.33	-
Part II	Policy and Regulatory Support for Renewable Energy and Energy Efficiency	-	-	-	-	-
Part III.	Project Implementation Support	42,355.84	-	230.00	42,585.84	20,640.00
Total 2015		75,675.17	-	230.00	75,905.17	-
Total 2014		20,640.00				20,640.00

³Eligible Expenditures for the year ended December 31, 2014 are in compliance with Withdrawal Conditions specified in Financial Agreement.

10) Un-drawn credit facilities.

The balance of the undrawn credit from IDA Credit No. 5508 - XK as of December 31, 2015 in USD is 27,830,693 and in SDR 20,083,777. The variations in amounts represented are due to exchange rate.

³ Financial Agreement, Section IV. Withdrawal of the Proceeds of the Financing, point B. Withdrawal Period

Kosovo Energy Efficiency and Renewable Energy
(IDA Credit 5508 - XK)

Statement of Cumulative Expenditures Withdrawal Schedule
(Supplementary schedule
to the Annual Financial Statements)

for the period March 1, 2014 up to December 31,
2015

Energy Efficiency and Renewable Energy Project
(IDA Credit No. 5508-XK)

Accumulated statement of expenditures

Supplementary schedule

For the period from March 1, 2014

up to December 31, 2015

(in EUR, unless otherwise stated)

IDA Credit No. 5508 – XK

Withdrawal application	Type of application	Appl. Pym. Amt	Disbursed in Euro	Consulting services	Training	Incremental operating costs	SOE	deducted	Date received	Value date
01/55080	Reimbursement	20,640.00	20,640.00	20,640.00	-	-	20,640.00	-	02-Nov-15	10-Nov-15
Total Re		20,640.00	20,640.00	20,640.00	-	-	20,640.00	-		
DP	Direct payment	-	-	-	-	-	-	-		
Total DP		-	-	-	-	-	-	-		
IDA Credit No. 5508 funding		20,640.00	20,640.00	20,640.00	-	-	20,640.00	-		



Naim BUJUPI

Project Manager



Njomza HOXHA

Financial Management Specialist