

PUBLIC

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

**STRATEGY FOR
KOSOVO**

**REPORT ON THE INVITATION TO THE PUBLIC
TO COMMENT**

PUBLIC

1. INTRODUCTION

The objective of this report is to summarise the key comments received from stakeholders during the consultation period dedicated to the Bank's Strategy for Kosovo and provide the Bank's management responses to these. The comments received during the public consultation period were reviewed by the Bank's management and reflected in the Strategy as appropriate.

In accordance with the EBRD Public Information Policy (PIP), the draft strategy for Kosovo was posted on the EBRD website in English for 45 calendar days from 29 July 2016. The public was invited to submit comments on the draft strategy no later than 12 September 2016. For information, the previous strategy was also made available on the website in English, Albanian and Serbian at <http://www.ebrd.com/where-we-are/kosovo/overview.html>.

Information about the public consultation process was posted on the EBRD's dedicated webpage "Have your say", which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. In addition, targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country. The start of the review process was also advertised through social media platforms (e.g. Facebook and Twitter).

One letter on the draft strategy for Kosovo was received during the public consultation period.

In line with the Bank's increased efforts to involve civil society at an early stage of country strategy development, the EBRD organised a consultative meeting with CSOs on 14 April 2016 to gather civil society's feedback during the preparatory phase leading to the draft strategy. The consultation provided a platform for dialogue between civil society representatives and EBRD staff involved in the strategy preparation process. The consultative meeting was chaired by the Head of the EBRD Resident Office in Pristina. A summary of the meeting and list of participating organisations are provided in the Annex to this report.

2. PUBLIC COMMENTS AND STAFF RESPONSES

Reference	Comment	EBRD Response
Operational environment		
Resource efficiency and Green Economy Transition	<p>While appreciating the Bank's role in supporting sustainable development of the energy and mining sectors, as well as energy efficiency and renewable energy investments in the country, a CSO raised concerns about the EBRD's unspecified position regarding the New Kosovo Power Plant (NKPP) 'Kosova e Re' project. The CSO expressed its opposition against NKPP, based mainly on three types of considerations: 1) health implications – the project could lead to negative impacts on public health, thus increasing the cost of healthcare for pollution-related respiratory illnesses; 2) financial burden – the potential costs arising from producing power from the NKPP project would be significantly higher than the current cost of electricity production in Kosovo and would drive up the price of electricity for Kosovar households; 3) environmental impacts – the project would lead to increased CO2 emissions and lock Kosovo into a high-carbon energy supply trajectory. Further dependency on lignite would be detrimental to citizens' health and the environment, and pose major risks to the country's EU integration agenda.</p> <p>In line with the Green Economy Transition (GET) approach, the EBRD was praised and urged to continue financing energy efficiency and renewable energy projects in order to decrease the coal dependency of Kosovo's energy sector.</p> <p>The CSO finally emphasised that the comments were rather intended to point out the major negative aspects of the planned future coal dependency for the energy sector in Kosovo.</p>	<p>The strategy does not make any operational reference to the New Kosovo Power Plant (NKPP). The Bank is aware of the project and of the major challenges facing Kosovo in meeting its energy needs and ensuring a robust power supply. The Bank has not yet received a concrete proposal to finance the NKPP project and has not started the process of evaluating it.</p> <p>Should the Bank consider financing the project, the issue would be closely followed by the Board of Directors in the context of any project discussion, if ever, in due course. The language presented in the Strategy documents indicates the possibility to engage in power projects only in compliance with the 2013 Energy Sector Strategy, which envisages investments in coal only in rare and exceptional cases, where there are no other realistically available options. The assessment would also include analysis of a given project's economic viability based on the impact of carbon and other emissions using shadow prices (carbon and other emissions). The project would need to meet all EU standards, including use of Best Available Techniques.</p> <p>In the meantime the Bank has invested in both small hydro and transmission projects in Kosovo, targeting energy diversity and efficiency.</p>

Summary of EBRD meeting with civil society – 14 April 2016, Pristina

On 14 April 2016, the EBRD Resident Office in Kosovo hosted a workshop with civil society representatives in Pristina. The event was attended by four participants from local CSOs, including organisations working on transparency, rule of law, access to information, sustainable development and EU affairs. Following a presentation on the Bank's activities and key operational priorities in the forthcoming EBRD Strategy by the Regional Head of the Western Balkans and the Head of the Pristina Office, the floor was opened for a roundtable discussion on a wide range of topics, including rule of law, good governance, inclusion, economic development, competition, regional connectivity and sustainable energy.

Participants welcomed the Bank's approach in consulting civil society at an early stage of the country strategy process and encouraged the Bank to pursue dialogue with civil society as part of institutional decision-making processes. CSO representatives furthermore broadly endorsed the main operational priorities set forth in the upcoming country strategy and appreciated the Bank's role in supporting the economic development of the country.

Rule of law, good governance and inclusion

According to CSOs, although the legal framework is largely compliant with international standards, Kosovo faces severe challenges in terms of rule of law and institutional accountability which negatively impacts foreign direct investments in the country. In the context of the Stabilisation and Association Agreement (SAA), CSOs recognized that Kosovo has implemented a broad range of reforms, including the improvement of the legal framework for trade, competition and the internal market. Nevertheless, they considered that improving rule of law, transparency, and public consultation procedures was still necessary. CSO representatives moreover pointed that Kosovo had very high unemployment rates among the youth and one of the lowest female labour force participation rates in the world. They also emphasized that women's participation in entrepreneurship was significantly low by regional standards and there was a large gender gap in relation to access to finance, mainly due to women's limited access to collateral on loans. In response to the issues raised, the EBRD representatives stressed that the Bank will closely coordinate with other IFIs on policy advisory activities to improve good governance and the investment climate, building on its expertise in specific areas, including improving administrative and judicial procedures, restructuring state-owned enterprises (SOEs) to make them more efficient, and developing financial markets. The activities will be based on detailed needs assessment, agreed with the authorities. Public consultation and information disclosure will be an important part of project development, in particular as regards projects that could adversely or disproportionately affect vulnerable groups and minorities. Furthermore, across the all of its strategic priorities the Bank will promote inclusive growth, in particular by focusing on youth, female labour participation and returning migrants.

Economic development, competition and regional connectivity

Participants suggested that the Bank should promote economic development by helping private sector companies increase their standards, and support competition and better regional integration with neighbouring countries in the Western Balkans. In response, the EBRD representatives informed participants that the Bank will promote the competitive development of the private sector through investments, improving the business climate and enhancing the internal capacity of companies. The Bank will support Kosovo's corporates

and SMEs in increasing efficiency, standardisation and productivity, supporting competitiveness vis-à-vis imports, and encouraging value-added exports through a combination of investment and business advice. It will also continue to develop a sustainable MSME support infrastructure through the capacity building and development of local consultants. Moreover, the EBRD will promote regional integration, connectivity and cross-border trade through its Trade Facilitation Programme, business advisory to small businesses on export readiness as well policy advice leading to a reduction in Non-Tariff Barriers and Technical Barriers to Trade around the European Commission connectivity agenda. This will also help attract foreign direct investments and enhance harmonisation with EU standards.

Sustainable energy

According to CSOs, the energy infrastructure in Kosovo is poor, with significant technical losses in the distribution of electricity. Unreliable electricity supply disrupts businesses' operations and impedes investments. They also considered that diversification of energy sources and increasing energy efficiency was essential, especially in residential buildings. Participants claimed that investments in energy efficiency and renewable energy were so far insufficient to meet Kosovo's 2020 energy goals. While commending the government for committing to adopt national renewable energy targets for 2020, CSOs considered that Kosovo should focus on the EU binding target of 25% by 2020. The Bank assured CSO representatives that it will strive to enhance energy security and sustainability by financing investments in the sector, supporting sector reform, promoting energy efficiency and renewable energy. The EBRD will seek to finance renewable energy projects through direct lending or through dedicated credit lines with local financial institutions, including with SMEs. The Bank will also support the strengthening and improving efficiency of the national transmission grid, as well as investments in reducing energy intensity by supporting demand-side energy efficiency investments across all sectors as part of its direct lending or sustainable energy financing facilities via partner-banks. It will further explore opportunities to deploy new financing products to support investments in public buildings' energy efficiency under the most suitable financing structure. The EBRD will moreover seek to strengthen and upgrade the national network transmission infrastructure, and support investments aiming to improve the country's regional interconnections in the energy sector.

New Kosovo Power Plant project

Civil society representatives expressed opposition to any potential financing by the Bank of the New Kosovo Power Plant project. They stated that the new lignite power plant would increase the fossil fuel dependency of Kosovo, especially as it currently produces 98% of its energy from fossil fuels. CSOs also believed that the project was not being designed to meet relevant EU standards, and there was a lack of due consideration of renewable power generation options and demand side energy efficiency measures. They claimed that Kosovo's energy needs could be met more sustainably and cheaply through other measures, such as energy efficiency and renewable energy. Civil society representatives moreover expressed concerns that the project could lead to negative impacts on public health, water supply and the environment due to high CO₂ emissions associated with the new coal-fired plant. According to participants, the cost of the project was very high, making it financially unviable without massive subsidization, and it would further lead to an increase in electricity prices, affecting low-income households in particular. EBRD representatives clarified that the Bank has not yet received a concrete proposal to finance the project and has not started the process of evaluating it. Should the Bank consider financing the project, it would be assessed against the 2013 Energy Sector Strategy, which envisages investments in coal only in rare

and exceptional cases, where there are no other realistically available options. The assessment would also include analysis of a given project's economic viability based on the impact of carbon and other emissions using shadow prices. The project would need to meet all EU standards, including use of Best Available Techniques. In the meantime, the Bank has invested in both small hydro and transmission projects in Kosovo, targeting energy diversity and efficiency.

List of participating organisations to the consultation meeting in Pristina on 14 April 2016

1. Institute for Advanced Studies (GAP)
2. Kosovar Civil Society Foundation (KCSF)
3. Kosovo Civil Society Consortium for Sustainable Development (KOSID)
4. Balkan Investigative Reporting Network (BIRN)