



Republic of Kosovo
Kosovo Energy Efficiency Fund

INTERNAL REGULATION
ON GENERAL CONDITIONS OF OPERATIONS
OF
THE KOSOVO ENERGY EFFICIENCY FUND

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On the basis of sub-paragraphs 4.1 and 4.9 of paragraph 4 of Article 42 of the Law No. 06/L-079 on Energy Efficiency (Official Gazette of Republic of Kosovo, no. 2018/21), the Board of Directors of the Kosovo Energy Efficiency Fund, on 22 August 2019 issued,

INTERNAL REGULATION ON GENERAL CONDITIONS OF OPERATIONS OF THE KOSOVO ENERGY EFFICIENCY FUND

I. GENERAL PROVISIONS

Article 1 - Content of the General Conditions of Operations

1. The General Conditions of Operations of the Kosovo Energy Efficiency Fund (hereafter: "the General Conditions of Operations"), for the promotion of energy efficiency investments (also referred to as "Energy Efficiency Project") across Kosovo by development of sustainable financial assistance to implementation of energy efficiency measures in several sectors, shall determine as follows:

- 1.1 Basic criteria and measures for determination of parties eligible to the KEEF's financial support and incentives,
- 1.2 Procedures for the selection of parties eligible to the KEEF's financing under:
 - 1.2.1 the revolving component (in the form of Energy Service Agreements), and
 - 1.2.2 the non-revolving component (in the form of Non-Refundable Funds – Grants and any Other Instrument in accordance with Law No. 06/L-079 on Energy Efficiency and internal regulations of the KEEF (both sub-paragraphs 1.2.1 and 1.2.2 referred hereinafter as "financial support")),
- 1.3 Method and procedures for granting of financial support under the above sub-paragraph 1.2,
- 1.4 The conditions for the allocation of individual types of financing support and incentives from the funds earmarked for the KEEF or other dedicated assets, subject to the applicable regulations,
- 1.5 The scope of financial support which may be received by an individual eligible party, and other limitations in granting financial support,
- 1.6 Dedicated use of granted financial support, and
- 1.7 Method of settlement of mutual rights and obligations of the KEEF and of the recipient of the financial support (referred hereafter as "beneficiary") and consequences of violations of these obligations.

2. General conditions of operations shall be considered as an integral part of a Public Call-

3. General conditions of operations shall be normally used also in case when the KEEF grants funding as a financial intermediary in a foreign name or for a foreign account, if not otherwise determined by the valid regulations, founder's acts or agreement on implementation of tasks of granting foreign financial assets.

Article 2 - Definitions

1. The terms used in this Regulation shall have the following meanings:
 - 1.1. **Beneficiary** is the final recipient – the receiver of financial support provided by the KEEF.
 - 1.2. **Board of Directors** – the main governance body of KEEF, responsible for the overall oversight of KEEF in compliance with the provisions of Law on Energy Efficiency.
 - 1.3. **Capital** – financial resources of KEEF, including any amounts on bank deposits of the KEEF for supporting energy efficiency investments, as well as amounts of already invested financial resources due to be repaid to the Fund by its beneficiaries.
 - 1.4. **Eligible investment** – an investment which meets the eligibility and investment policy criteria, as specified in Law on Energy Efficiency, and the internal regulations of the KEEF.
 - 1.5. **Energy audit** – a systematic procedure performed by an energy auditor whose purpose is to obtain the necessary information about the profile of the existing energy consumption of a building or a group of buildings, an activity, an industrial or commercial installation or a private or public service, which identifies and quantifies cost-effective energy saving opportunities and reports the relevant results.
 - 1.6. **Energy Baseline** – the average energy consumption and energy costs for a period of at least two (2) years before the implementation of the investment, as calculated through the Energy Audit. The energy baseline is normalized using variables which affect energy consumption, such as comfort level, lighting, ventilation and other comfort levels as specified by the rules and regulations in force, average climatic conditions at the location of the site and other relevant variables. Normalization of the energy baseline shall be done on the basis of good engineering practices and in line with the relevant international standards on energy management and energy auditing.
 - 1.7. **Energy efficiency project** is an investment project consisting of one or more measures to improve energy efficiency to be implemented with a view to save energy.
 - 1.8. **Eligible parties** are legal and natural persons that are eligible to receive financial support for energy efficiency investments by KEEF.
 - 1.9. **Energy Service Agreement (ESA)** – a legal agreement signed between the KEEF and a public entity allowing KEEF to offer complete services including financing for the implementation of an energy efficiency project and recovers its investments by the public entity, based on the projected energy cost savings against the energy baseline prior to the investment.
 - 1.10. **Energy savings** – the amount of energy saved, determined by measuring and or estimating energy consumption before and after implementation of one or more measures to improve energy efficiency in the context of normalizing external conditions affecting energy consumption.
 - 1.11. **Final energy consumption** - all energy supplied to industry, transport, households, services and agriculture. It excludes deliveries to the energy generation sector and own energy consumption of energy industries.

- 1.12. **Financial Support** - is any form of financial assistance granted by the KEEF to the beneficiary that improves economic feasibility and financial viability of energy efficiency project.
- 1.13. **Funds** – all financial resources allocated to KEEF from Government of Kosovo, International Financing Institutions or other donors, with the purpose to support investments in energy efficiency, ensuring at the same time its long-term sustainability, in compliance with Law on Energy Efficiency.
- 1.14. **International Financing Agreement (IFA)** – an agreement, regardless of its legal form, signed between a donor or International Financial Institution and the Republic of Kosovo specifying the use of funds provided by the donor, types of eligible investments and any other conditions and terms associated with donor’s funds.
- 1.15. **Kosovo Energy Efficiency Fund (KEEF or “the Fund”)** – an independent, autonomous and sustainable entity, as defined in Article 24 and 25 of Law on Energy Efficiency.
- 1.16. **Medium-Term Work Plan** denotes Business Development Plan of KEEF referred to in paragraph 4.4 of Article 42 of Law on Energy Efficiency. The Plan shall represent a rolling plan for a minimum of three (3) prospective years that shall be regularly updated presumably on an annual basis.
- 1.17. **National Energy Efficiency Action Plan (NEEAP)** establishes and describes the actions to achieve the State policy objectives in the field of energy efficiency, including the energy efficiency obligation scheme, energy efficiency policy measures, energy savings achieved or envisaged to be achieved on the level of supply, transmission, distribution and final energy consumption, with a view to achieving the national energy efficiency targets.
- 1.18. **Small and Medium enterprises (SMEs)** – enterprises which employ between forty-nine (49) and two hundred forty-nine (249) persons as defined in the Law on Foreign Investments.
- 1.19. **Projected energy cost savings** – energy and cost savings expected from the energy efficiency investment calculated under the same conditions used to define the energy baseline.
- 1.20. **Public entities** – Central and local Government institutions eligible to receive support for investments by the KEEF under an Energy Service Agreement or benefit from other relevant financial instruments established by KEEF.
- 1.21. **Residential customer** – any person or association of persons owning and/or occupying properties destined for residential use that are eligible to receive support for energy efficiency investments by KEEF.
- 1.22. **Revolving** – re-investment of repaid capital to the Fund, paid by the beneficiaries for completed energy efficiency investments financed by the Fund.

Article 3 - Programmatic approach

The Fund will operate on a three (3) year and annual programmatic basis. Activities of the KEEF will be in line with NEEAP, programmes implementing international agreements and other actions assigned to KEEF under the provisions of Law on Energy Efficiency (paragraph 4 of Article 33).

II. INSTRUMENTS FOR GRANTING FINANCIAL SUPPORT INCENTIVES

Article 4 - Instruments for providing financial support and incentives

1. For providing financial support in the sense of implementation of its activities, the KEEF shall use the following instruments:

- 1.1 Energy Service Agreements (ESA),
- 1.2 Non-refundable funds (grants),
- 1.3 Other financial instruments and incentives that may be developed by KEEF, with prior approval of the Board of Directors of KEEF, as well as prior consent of the ministries responsible for energy and finance (if required).

III. CRITERIA AND MEASURES FOR DETERMINATION OF PARTIES ELIGIBLE TO FINANCIAL SUPPORT

Article 5 - Eligible parties

1. Financial support for investments, measures and other activities may be acquired by:
 - 1.1 Public entities – administrative institutions at central and local (municipal) level,
 - 1.2 Economic operators (companies) and other legal persons with the seat in the Republic of Kosovo, except their subsidiaries abroad which carry out a gainful activity,
 - 1.3 Subsidiaries of foreign companies which carry out a gainful activity and are entered in the business register of the Republic of Kosovo,
 - 1.4 Private entrepreneurs or natural persons, who independently carry out an activity as profession or are registered for carrying out an activity in accordance with the provisions of a special act, with the seat or permanent residence in the Republic of Kosovo (private undertakings),
 - 1.5 Natural persons with the permanent residence in the Republic of Kosovo.
2. The persons not eligible to financial support are legal and natural persons:
 - 2.1 Who do have any unsettled maturing liabilities towards the KEEF,
 - 2.2 Who do have any unsettled tax or other liabilities towards the Republic of Kosovo,
 - 2.3 Who are in the procedure of compulsory settlement, bankruptcy or liquidation, and have a blocked transaction account.
3. For an individual public call or any other procedure of granting financial support, the KEEF shall define the eligible parties. By taking in consideration the purpose and goals of the financial support in accordance with the valid KEEF's Medium -Term Work Plan, regardless of the first and second paragraph of this Article, also other types of eligible parties who are not eligible to receive such financial support may be determined by KEEF.

Article 6 - Eligible investments

1. Financial support for energy efficiency (and renewable energy, when applicable) projects may be acquired by eligible parties in Article 5 of this Regulation in case of eligible investment in line with Article 3(1.40) of Law on Energy Efficiency and compliance with this Regulation. While the pertaining eligibility criteria shall be detailed in a public call, the general investment policy criteria include final energy consumption sectors and energy efficiency measures (in brackets) as follows:

- 1.1 Industry limited to Micro, Small and Medium Enterprises according to legislation in Kosovo (energy savings in administrative buildings as well as in industrial processes: replacement of inefficient motors, pumps, regulation systems, compressors, etc.),
- 1.2 Transport (support to municipalities and/or providers of public utility services, enterprises and other legal entities; for investments in electric cars and energy efficient buses in public transport),
- 1.3 Agriculture (energy efficiency irrigation and crops processing / drying systems, for (waste) heat recovery systems, high-efficiency cogeneration (when technically feasible and economically viable),
- 1.4 Commerce and public services (central and municipal buildings: administrative, education centres, kindergartens, libraries, health-care centres, etc., initially for renovation of existing buildings in passive standard and later, for newly constructed low energy, passive and/or “nearly zero energy” buildings),
- 1.5 Residential sector (for energy saving investments and increased use of renewable energy related to residential buildings (houses and multi-dwelling buildings), efficient heating / ventilation and air conditioning systems, conversion from fossil fuels to renewable energy sources, investments in energy efficient water consumption, sewage, small waste-water treatment systems, for investments in electric cars).

2. General policies aiming at supporting investments and the pertaining criteria shall be reflected in the Medium-Term Work Plan of KEEF.

3. In accordance with National Energy Efficiency Action Plan of Kosovo and therein included programmes implementing international agreements and other actions assigned for implementation to KEEF under the provisions of Law on Energy Efficiency, the KEEF shall do everything in its power to promote energy efficiency in the sectors mentioned under sub-paragraphs 1.1-1.5 of this Article, in accordance with the principles of an innovative approach, tracking the latest standards for the implementation of programs and projects in the international area.

4. Advanced programs and innovative projects based on the use of state-of-the-art technologies and technical standards planned for implementation with the help of KEEF will receive more significant financial support compared to average standards and norms used in Kosovo. However, when supporting such advanced programs and innovative projects FEEF shall take into consideration available donor funding and ensure the sustainability of KEEF revolving component is not endangered.

IV. METHOD AND PROCEDURES OF PROVIDING FINANCIAL SUPPORT

Article 7 - Type of procedures of providing financial support

1. The KEEF shall allow the conclusion of Energy Service Agreements (ESA) and grant non-refundable funds on the basis of a Public Call in accordance with Laws in Republic of Kosovo and this Regulation.
2. In case when the KEEF shall operate in accordance with the rules and conditions of international financing agreements that supersede the local legislation, based on provisions of Article 33(1) of Law on Energy Efficiency, such rules may impact the public call by introducing additional and/or IFI/donor-specific requirements.
3. Financial support to energy efficiency projects supported by KEEF are granted according to the procedure determined in the Law on Energy Efficiency of Republic of Kosovo and other applicable laws and regulations of the KEEF.
4. Funds for co-financing awareness projects or programs promoting the activities of the KEEF to the public (i.e. non-investment projects) are awarded based on a Public Tender launched by KEEF with the prior consent of the Board of Directors of the KEEF.

Article 8 - Application to obtain financial support

1. Procedure for providing financial support based on an individual public call or any other public act of the KEEF shall start by the written Application to obtain financial support of the eligible party (future beneficiary).
2. Application referred to in previous paragraph shall be filed on application forms determined by each public call or any other act of the KEEF or documentation for request.

Article 9 - Procedure for decision making

1. For the decision on application for financial support, the provisions of Regulation on Administrative Operations of the KEEF shall apply.
2. Practical steps in the application from submission until the formal decision, shall be detailed in the Guidebook on Technical Operations of the KEEF – Operations Manual of the KEEF approved by the Board of Directors of KEEF and adopted Internal Regulations of KEEF.

Article 10 - Reinstatement

1. In case of failure to meet the deadline for submission of the application for acquiring financial support, reinstatement shall not be permitted.
2. In case of a delay of other procedural acts in the procedure of providing financial support, reinstatement shall be permitted only if until the moment of submission of the proposal for reinstatement, the time period for submission of applications for acquiring financial support still hasn't expired.

Article 11 - Limitations in providing financial support

1. In addition to limitations determined by regulations regulating the field of State aid, in case of concluding an ESA, the following limitations shall be also taken in consideration by KEEF in the procedure of providing financial support to eligible parties:

- 1.1 The highest amount of an individual energy efficiency project support through ESA may not exceed 500,000 EUR,
- 1.2 The beneficiary must demonstrate the ability to carry out obligations for the duration of the contractual relationship;
- 1.3 The repayment period under ESA may normally not exceed the economic period of the investment, for which the financial support is granted. At the same time, the repayment period should not exceed fifteen (15) years.

2. Notwithstanding provisions of Paragraph 1.1 of this article, in exceptional cases and for attractive projects, the amount may be exceeded with a prior decision of Board of Directors. In any case, the lower and upper limit shall be determined by the public call.

3. The total amount of the financial exposure of the KEEF towards an individual beneficiary, such as municipality / public entity, business or household, will be defined by public call.

4. Additional possible limitations shall be determined by a public call or any other procedure of providing financial support.

Article 12 - Decision on awarding financial support

1. In case of a multi-step process of decision-making (e.g. in case of ESA), the KEEF may issue a Provisional and a Final decision on granting financial support. The procedures and other applicable terms of issuing both the Provisional and the Final decisions shall be listed in the public call as well as further described in Operations Manual of the KEEF.

2. In case of a single decision-making process, the KEEF is obliged to issue a decision, which is final.

3. Legal remedies against the decision and other individual acts issued by the KEEF in the procedure of granting financial support are determined by the Regulation on Administrative Operations of the KEEF.

Article 13 – Disbursement of financial support

1. The KEEF shall conclude either ESA or another adequate agreement on providing financial support in accordance with the enforceable decision, by which the right to financial support was approved.

2. In case of ESA, the disbursement of the financial support will be managed by KEEF, which will take steps that its contractors for the preparation and the implementation of the energy efficiency projects are reimbursed directly, in line with the internal procedures or agreed upon procedures with the international financing institutions / donors in case of IFA.

3. In all other case of financial support excluding ESA addressing the public sector, the funds may be paid to the beneficiary based on a valid and in due time concluded agreement referred to in first paragraph of this Article and fulfilment of other conditions determined by

a public call or any other act of KEEF or documentation for application and decision on awarding the right to financial support.

4. Another precondition for paying-out the approved financial support (in full or in tranches determined with the payment dynamics in the agreement) is that all services stipulated in the agreements have been provided by the beneficiaries and that all invoices have been submitted to KEEF in the required forms.

Article 14 - Context of the Public Call

1. The Public Call will be the principle method used by the KEEF for obtaining the “applications to obtain financial support” from the future beneficiaries, which aim to implement energy efficiency projects, through provisions of ESA.

2. The received applications to obtain financial support involving energy efficiency project proposals shall be treated on a “First Come, First Served” (FCFS) basis, details of which will be described in more detail in the Operations Manual of the KEEF.

Article 15 - Content of the Public Call

1. The Public Call or documentation for application to obtain financial support must determine at least:

- 1.1 Subject of the Public Call,
- 1.2 Eligible parties,
- 1.3 Purpose of investment or measures for which the eligible parties may obtain or may not obtain financial support,
- 1.4 Total volume of available financial resources for providing financial support,
- 1.5 Limitations of the lowest and highest amount of financial support by an individual project proposal and individual beneficiary,
- 1.6 General eligibility criteria and conditions for obtaining financial support,
- 1.7 Public call specific eligibility criteria (general, energy efficiency measures, other),
- 1.8 Environmental, financial and other criteria for providing financial support,
- 1.9 The application processing principles,
- 1.10 Project eligibility criteria (technical and/or economic) and the likely timeframe for obtaining the results of evaluation,
- 1.11 Application screening procedure and principle structure of the Applications Screening Committee for assessment of received proposals,
- 1.12 Application forms to be completed by the applicant and a list of other obligatory enclosures,
- 1.13 Other documents (draft contracts and other forms) as early information to the applicant,

- 1.14 Mailing instructions for submission of the Application to obtain financial support in response to the public call.
2. In case of ESA, the public call or documentation for application must also determine:
 - 2.1 Economic-financial criteria for valuation of the application to obtain financial support or assessment of the financial position of the eligible party,
 - 2.2 The longest repayment period of financial support provided by the KEEF or conditions and procedure of repayment,
 - 2.3 Potential other limitations of the amount of an individual project financing, including the limitations deriving from the valid regulations on limitations or permissibility of the State aids.

Article 16 – Applications Screening Committee

1. Expert commission in a form of an Applications Screening Committee for screening of received proposals in response to public call issued by the KEEF shall be appointed by the Managing Director of KEEF with a written decision.
2. The Applications Screening Committee shall include at least three (3) experts possessing expertise in finance, engineering and practical implementation of energy efficiency (and renewable energy, when applicable) projects that should be staff members of the KEEF, except in case described in paragraph 5 of this Article.
3. Depending on the subject programme currently implemented by the KEEF, the Applications Screening Committee shall be a “standing” committee, i.e. with the same members for all projects under a certain program.
4. Should the Applications Screening Committee member resign or be prevented for whatsoever reason to perform this duty, the Managing Director shall promptly replace him / her within 10 working days at the latest.
5. Should the KEEF not possess enough expertise in a certain professional area subject of public call, the KEEF may seek assistance from high-ranking external experts (outsourcing). However, the chairperson of the Applications Screening Committee shall always be a regular staff member of the KEEF.
6. The Applications Screening Committee shall review each proposal in a sequence being received (i.e. FCFS principle) in case of a public call. The received proposals shall be evaluated based on agreed eligibility criteria that shall be described in sufficient detail in the public call.

Article 17 - Opening of applications for financial support

1. Only in due time delivered, correctly completed and marked applications for acquiring financial support shall be opened, namely in the order in which they were submitted.
2. The Applications Screening Committee shall keep a record on opening the applications for acquiring financial support.

Article 18 - Supplementing the application to obtain financial support

1. In case of an incomplete application, the applicant shall be requested by the KEEF within 30 days at the latest to provide any missing information or requests for clarification, in accordance with Regulation on Administrative Operations of the KEEF.
2. If the applicant corrects deficiencies mentioned in the previous paragraph within the indicated term, it shall be deemed that the application to obtain financial support is submitted when the application for acquiring financial support was submitted, by means of which the deficiencies are corrected. In case of FCFS principle of applications and processing thereof by the KEEF, the unique sequential number assigned to the project (request) would be preserved.
3. If the applicant fails to correct the deficiencies within the indicated time period in the KEEF's application to obtain financial support under the first paragraph of this Article, its application to obtain financial support shall be rejected by decision of the KEEF.

Article 19 - Change of the application to obtain financial support

1. Change of the application to obtain financial support filed by the applicant shall be admissible until the end of procedure, but regarding the order of complete applications for acquiring financial support it shall be deemed that the changed application was submitted again.
2. Deviations from the first paragraph of this Article are possible in cases the KEEF in its public call determines different deadlines and possibly also implications (when applicable) by which the application to obtain financial support can be amended.

Article 20 - Application screening procedure

1. The Applications Screening Committee shall carry out the professional inspection of complete applications for acquiring financial support and shall assess them based on conditions and measures indicated in the public call. It shall keep an up-to-date record on carrying out the professional inspection of complete applications for acquiring financial support and about their assessment.
2. Member of the Applications Screening Committee who find themselves in conflict of interest that would lead to breach of Code of Ethics of KEEF must resign from work of the Applications Screening Committee and immediately inform the Managing Director accordingly. Such member shall be excluded from the procedure of assessment of these applications.
3. In addition, the Applications Screening Committee shall pay a visit at the project-site. On this basis and based on inspection referred to in paragraph 1 of this Article, the Applications Screening Committee shall prepare a Project Initiation Report for each project together with recommendations to the Managing Director to issue provisional project acceptance to those projects that meet the set criteria, on the basis of which Project Initiation Agreement shall be signed with anticipated future beneficiaries.
4. After signing of the Project Initiation Agreement, the Managing Director will appoint a Project Manager for each provisionally approved project. His / her responsibility will include management of the respective project till its successful end and final technical acceptance after commissioning. During this period, the Applications Screening Committee shall be at

disposal to the Project Manager in case needed and/or such consultation is requested by him / her.

V. ENERGY SERVICE AGREEMENTS

Article 21 - Principles of Energy Service Agreement

1. Energy Service Agreement (ESA) shall be the preferable instrument of KEEF for implementing energy efficiency projects in Public Entities under the revolving component.
2. Energy Service Agreement is signed between the KEEF and a Public Entity allowing KEEF to provide its funds through financial assistance to the implementation of energy efficiency projects and recover its capital from the public entity based on energy cost savings.

Article 22 - Scope of KEEF's services

1. On behalf of the beneficiary, the KEEF would organize and implement through outsourcing necessary services, such as:
 - 1.1 Service for preparation of Energy audits, design and supervision of works and commissioning.
 - 1.2 Supply of goods and works (construction),
 - 1.3 Post-implementation monitoring.
2. All preparatory and implementation works and post-implementation activities shall be managed by internal staff of the KEEF. For each project, a Project Manager (also referred to in paragraph 4 or Article 20) shall be appointed by KEEF, with the main responsibility to manage and coordinate all activities from the signed Project Initiation Agreement to project Commissioning and Post-Implementation Monitoring (i.e. to final technical acceptance).
3. The Project Initiation Agreement (also referred to in paragraph 3 of Article 20) shall be signed between the KEEF and the beneficiary of ESA services after the project has been provisionally accepted for financing by the KEEF. All other details shall be described in the Operations Manual of the KEEF.
4. The KEEF reserves the right to combine several forms of services under the above subparagraphs 1.1 to 1.4 of this Article as well as to combine several individual projects into common contracts with contractors with the aim of achieving scale of economies and optimal scope of administrative costs of project management.

Article 23 - Typical steps of energy efficiency project development entailing ESA

1. The project development cycle entailing ESA could consist of the following steps:
 - 1.1 Project Identification,
 - 1.2 Application to the KEEF for project implementation (obtaining financial incentives),
 - 1.3 Project Screening and Provisional Acceptance by the KEEF's Applications Screening Committee,

- 1.4 Undertaking of Energy Audit (if required),
 - 1.5 Project Design,
 - 1.6 Final project Approval by the Managing Director of KEEF based on recommendations of the KEEF's Project Manager and establishment of Legal Arrangement to implement the project,
 - 1.7 Implementation of the project by KEEF and Supervision,
 - 1.8 Commissioning / Tests on completion – Provisional Acceptance,
 - 1.9 Post-Implementation Monitoring –Defects liability period – Final Acceptance,
2. All development steps of the project cycle involving ESA shall be described in detail in Operations Manual of the KEEF.
3. The projects shall be identified and nominated by applicants that shall respond to public call launched by the KEEF referred to in Articles 14-15 of this regulation.

Article 24 - Compensation of KEEF by the beneficiary of KEEF's services

1. Based on Article 39 of Law on Energy Efficiency, the KEEF shall be entitled to charge the recipient for its services according to Article 21(1) of this Regulation. This shall include:
 - 1.1 Fees for compensation of KEEF's costs for technical assistance (i.e. energy audit, design, supervision, commissioning, post-implementation monitoring etc.),
 - 1.2 Repayment of energy efficiency project investment costs and financing costs,
 - 1.3 Reasonable charge for operating expenses of the KEEF - compensation for organisation and management of related procurement and project coordination and administration.
2. For its costs or a part of it, the KEEF shall be compensated through the ESA agreement that shall be signed between KEEF and the authorized representative of the beneficiary with the representative of the host institution (e.g. school, hospital, kindergarten etc.) witnessing signing.
3. Detailed procedures related to the preparation and implementation of KEEF's projects involving ESA shall be detailed in Operations Manual of the KEEF.
4. The KEEF shall offer financial instruments under sufficiently stimulating conditions and competitive to international practices to beneficiaries to participate and generate demand for KEEF 's services.
5. The approval of project financing terms is the competence of the Board of Directors of KEEF and will be approved as part of individual public calls.

Article 25 -Content of the Energy Service Agreement

1. The Energy Service Agreement (ESA) must determine at least:
 - 1.1 Parties to the ESA (KEEF and Beneficiary)

- 1.2 Subject of the ESA
- 1.3 Description of the Project
 - 1.3.1 Principle implementation modalities
 - 1.3.2 Subject facility hosting the energy efficiency project and baseline energy consumption
 - 1.3.3 Energy efficiency measures to be undertake as part of the energy efficiency project
 - 1.3.4 Methodology and calculation of projected energy (cost) savings
 - 1.3.5 Investment compensation scheme to KEEF and construction / installation schedule
 - 1.3.6 Implementation, supervision and commissioning of services
 - 1.3.7 Post-implementation monitoring (technical acceptance)
 - 1.3.8 Environmental screening
- 1.4 Financing
 - 1.4.1 Investment compensation scheme and mechanism
 - 1.4.2 Amount of financial support
 - 1.4.3 Terms and form of repayment
- 1.5 Suspension or prolongation of the energy efficiency project implementation
- 1.6 Rights and obligations of the Parties
- 1.7 Termination of agreement
- 1.8 Violations by the Parties, remedies

VI. GRANTING OF NON-REFUNDABLE FUNDS

Article 26 - Non-refundable funds

The KEEF may grant non-refundable funds in support of investment projects, including subsidizing the interest rate or costs, connected with loans of third parties to KEEF's eligible beneficiaries, based on a public call or a public tender according to the provisions of Chapter IV and general conditions of operations.

Article 27 – Grants

1.As a non-revolving financial instrument, the KEEF may grant non-refundable financial sources (grants) or partial non-refundable financial resources under an ESA to its beneficiaries, provided such beneficiaries and their associated energy efficiency projects fulfil the criteria determined by the KEEF.

2. Available financial resources for grants shall represent a minor share in the working capital of the KEEF in the annual budget of KEEF approved by the Board of Directors. It shall typically not exceed 30% of the approved working capital of the KEEF intended to support investments in energy efficiency projects in a respective year. This percentage may be exceeded under special circumstances for special windows with a prior decision of Board of Directors of KEEF.

3. The KEEF can allocate grant resources in its annual budget only from mobilised external resources provided under the same non-returnable basis (i.e. grant). The KEEF shall not take loans on its own and utilise them to grant non-refundable funds to its beneficiaries.

4. The specific objective of providing grants is to support the development of the energy efficiency market at the initial stages, with the aim of increasing and ensuring a satisfactory level of demand by users for KEEF services.

Article 28 - Eligibility for obtaining additional grants

1. Beneficiaries may obtain additional grants in the following cases:

- 1.1 As subsidies to support the promotion of most innovative energy efficiency (EE) and/or renewable energy sources (RES) technologies, the marketing of which would otherwise not be possible without such intervention. This may be applicable only if there is available donor funding for that purpose and KEEF does not endanger the sustainability of revolving component;
- 1.2 To support pilot projects with considerable replication potential in Kosovo.
- 1.3 To support EE and/or RES projects in cases of comfort levels considerably below the standard level, where actual energy (cost) savings vs. baseline consumption is not realistic;
- 1.4 In small and/or poor municipalities according to Kosovo standards that could not afford the implementation of EE and/or RES projects under the full cost recovery scheme;
- 1.5 In case of projects addressing socially and health-wise endangered customers (most vulnerable groups), to improve their minimal living conditions and safety of living;
- 1.6 As extra incentive to public entities, to support technical assistance needed to prepare and implement the investment projects of high national priority in National Energy Efficiency Action Plans (NEEAPs) and Municipal Energy Efficiency Action Plans (MEEAPs);
- 1.7 In case of a justified need to increase competitiveness of certain energy efficiency measures as integral part of energy efficiency projects in local specific conditions in Kosovo such as in cases where the repayment period without such support may exceed 15 years.

2. Criteria for obtaining grants shall be clear, measurable and set based on publicly available data and information. Any grant scheme shall require prior approval by the BoD.

3. Methodology (options and limitations) for obtaining grants shall be clearly defined in the public call (the FCFS principle) or public tender if energy efficiency projects are implemented on a competitive basis.

VII. LIMITATIONS IN PROVIDING FINANCIAL SUPPORT DUE TO RULES ON STATE AIDS

Article 29 - Financial support as a State aids or aid according to the “*de minimis*” rule

1. The KEEF may provide financial support to eligible parties referred to in subparagraphs 1.3 to 1.6 of paragraph 1 of Article 5 of this Regulation in accordance with the applicable rules governing the granting of State aid with these general operating conditions and the KEEF Rules on the granting of State aid and “*de minimis*” rule, namely as:

1.1 ESA,

1.2 Non-refundable funds (grants),

1.3 Any other financial instrument, developed by KEEF and approved by the Board of Directors.

2. Criteria, conditions of granting, amounts of financial support and eligible parties are determined in the Rules from the preceding paragraph.

3. In preparation of the Rules from the preceding paragraph as the basis for preparation of a public call or any other procedure for providing financial support, the KEEF shall take in consideration rules, limitations and scope of the permitted State aids or aid according to the “*de minimis*” rule, as determined in each time valid regulations.

4. The KEEF takes in consideration the rule of cumulation of the State aids, which means that the total amount of all already received State aids or aid according to the “*de minimis*” rule of an individual beneficiary, including the granted assets of the KEEF, may not exceed the total permitted amount of aid for the same eligible costs of the investment.

VIII. INTENDED USE OF FINANCIAL SUPPORT

Article 30 - Earmarking of financial support

Financial support must be used in accordance with the purpose of their granting.

Article 31- Monitoring of implementation of agreements

1. The KEEF shall monitor financial assistance to its beneficiaries based on validly concluded agreements.

2. Regardless of the provisions of an individual agreement, the KEEF may at any time assess the implementation of the agreement from administrative-legal, technical-technological and financial perspectives.

3. With the purpose of verification, the intended use of the financial support, the KEEF shall carry out also inspections of used financial assistance. The KEEF shall carry out at least one inspection of each financial assistance to a legal person or a private undertaking, for which the financial support was approved.

4. In addition to usual provisions, the agreements must also include the provisions on the mode of verification of making an investment, on the manner and deadlines for information of the KEEF and on sanctions given due to non-fulfilment of contractual provisions and non-intended use of the financial support.

5. In case of an ESA, the KEEF may define different post-implementation monitoring measures from those in paragraphs 1-4 of this Article that shall become an integral part of project documents issued by the KEEF at various stages of investment project development and implementation including the final Energy Service Agreement.

Article 32 - Information

1. Without any hesitation, the beneficiary must inform the KEEF about:

- 1.1 All potential deviations from the agreement,
- 1.2 Each circumstance preventing or delaying the implementation of the agreement referred to in previous sub-paragraph 1.1, and on measures for removing the causes,
- 1.3 Status and other essential organizational and workforce changes of the beneficiary,
- 1.4 Change of the legal representative,
- 1.5 Occurrence of insolvency,
- 1.6 Start of the procedure of bankruptcy, compulsory settlement or liquidation.

2. In case of ESA, the KEEF may define additional requirements for information to be provided by the beneficiary of ESA services to KEEF.

Article 33 - Reporting on the financial support

1. The KEEF shall monitor and verify the intended use of the financial support on the basis of reports and acquired documentation, which must be provided by the entity, company, another legal person or private undertaking as the beneficiary and must include the values of adequate parameters, needed for quantitative monitoring of an individual investment, for which the financial support was provided.

2. The parameters referred to in previous paragraph shall be determined for an individual energy efficiency project in the agreement on providing the financial support based on data on fulfilment of conditions and criteria from the application.

3. In cases where the acquisition of a construction / operating permit is foreseen, the beneficiary must submit the operating permit within 15 days after its acquisition.

4. In investments, for which the beneficiary are obliged to carry out the first or other regular measurements of energy consumption, emissions or similar on the basis of legal regulations, the beneficiary must submit to the KEEF annual reports on such measurements in accordance with the valid regulations, to which the investment relates.

5. An entity, company, another legal person or private undertaking as the beneficiary must deliver to the KEEF:

- 5.1 A final report within thirty (30) days at the latest after conclusion of the investment, and
 - 5.2 Annual reports on energy (cost) savings and environmental effects for at least three (3) consecutive years after conclusion of the investment.
6. Reports of the beneficiaries referred to in previous paragraph must contain a description of changes about energy consumption, energy costs, and environmental burden, expressed in values of suitable parameters, for which the values, before the investment and after its conclusion, are required, depending on the purpose of an individual investment.
7. Upon the request of KEEF, the beneficiary referred to in the fifth paragraph of this Article must deliver an annual report on operation and data, needed for carrying out subsequent supervision over State aids, determined by the provisions regulating the supervision of State aids.
8. The beneficiary shall be obliged to provide to the KEEF also other documentation required, while the KEEF may require an expert's opinion at the expense of the beneficiary.
9. In case of ESA, the KEEF may define different reporting requirements for the beneficiary.

Article 34 - Intended utilization of the financial support

1. Intended utilization of the financial support shall be provided by documented utilization of funds.
2. The beneficiary must document the intended utilization for each transfer of funds by KEEF.
3. The transfer of assets shall be carried out directly to the beneficiary or its contractors, suppliers or any other eligible party on the basis of submission of adequate documents (agreements, pro-forma invoices, invoices, construction situations or any other documents) or in another way determined by the agreement or a public call or any other procedure of allocating the approved financial support.
4. In case of ESA, the KEEF remains responsible for safeguarding the intended utilization of the approved financial support.

Article 35 - Energy efficiency improvement effects of the investments of natural persons

1. The foreseen energy efficiency improvement effects of a co-financed investment, carried out by a natural person, shall be deemed as achieved with a successful conclusion of the investment.
2. Conclusion of the investment must be confirmed by a natural person as the beneficiary in a written form together with the supplier of investment works.
3. Regular inspections on the field shall be carried out by means of a random selection in at least 2% of concluded agreements with the beneficiaries, for which the financial support and incentives were granted based on an individual public call.

IX. CHANGES OF AGREEMENTS ON ALLOCATED FINANCIAL SUPPORT

Article 36 - Change of the agreement on allocating financial support

1. Upon the proposal of the beneficiary, the KEEF's Managing Director shall decide upon conclusion of the agreement on change of the concluded agreement on providing the financial support under condition that the beneficiary has completely fulfilled contractual obligations. While doing this, all conditions of a public call or any other procedure must be taken in consideration, based on which the original agreement was concluded. Such changes of the agreement were excluded in cases referred to in Article 38 of these general conditions of operations.

2. In case of renewal, modification or change of the agreement in accordance with the previous paragraph, the rule must be taken in consideration that the total amount of State aids received by the beneficiary from public sources may not exceed the permitted amount of the State aids.

X. CONSEQUENCES OF NON-FULFILMENT OF OBLIGATIONS

Article 37 - Violations of the agreement for financial support

1. The KEEF may unilaterally withdraw from the concluded agreement and terminate or postpone utilization of assets, if

- 1.1 The beneficiary does not take in consideration the provisions of a public call or any other procedure of granting financial support or incentive,
- 1.2 Other irregularities in use of the assets are established,
- 1.3 If the beneficiary does not regularly and in due time inform about all the facts referred to in Article 33 of these general conditions of operations,
- 1.4 Deviations from the adopted contractual obligations are established,
- 1.5 The beneficiary ceases with regular operation or becomes insolvent according to the KEEF's opinion or if its property essentially decreases according to the KEEF's opinion and this could affect the fulfilment of contractual obligation;
- 1.6 A bankruptcy, liquidation and execution procedure or any other procedure is instituted over its property, which could essentially affect the ability to fulfil obligations according to this agreement according to the KEEF's opinion.

2. In the cases under paragraph 1 of this Article, the established smaller deviations from the agreement according to the previous positive opinion of the Board of Directors of the KEEF may be eliminated with an adequate renewal or modification of the concluded agreement.

3. The KEEF shall immediately unilaterally terminate the agreement, while within fifteen (15) days from the receipt of its request the beneficiary is obliged to pay to the KEEF the amount of all the assets paid-out according to the concluded agreement in a single amount, together with the interests valid as late interests, namely from the day of the transfer until the day of repayment of assets, if

- 3.1 The beneficiary uses the granted financial support partially or entirely unintentionally,
 - 3.2 The data given by the beneficiary in the application to obtain financial support or upon conclusion of the agreement, are untrue or incorrect.
4. In case of a well-founded suspicion that the beneficiary has intentionally given untrue data in the application, the KEEF can initiate a criminal charge against the beneficiary at the competent state prosecutor.

XI. APPLICABILITY OF PUBLIC PROCUREMENT PROCEDURES

Article 38 - Context of the Public Tender

1. The Public Tender will be the principle method used by the KEEF for obtaining bids for Supplies of Goods, Services and Works and selection of consultants on a competitive basis, based on Kosovo Public Procurement Law.
2. The content of public tender, composition of tender evaluation committee, opening and assessment procedure are governed by Kosovo Law on Public Procurement and any secondary legislation issued on its implementation.
3. Notwithstanding provisions of paragraph 1 and 2 of this Article, KEEF may implement a different public procurement procedure from the procedure foreseen by Kosovo Public Procurement Law, when selecting contractors for Supplies of Goods and Services or works if such procedure is defined as a prevailing procedure in the agreement with an IFI or donor, based on an international agreement Ratified in Republic of Kosovo.

XII. PRELIMINARY AND FINAL PROVISIONS

Article 39 - KEEF's rules on granting of State aids and "*de minimis*" aids

The Managing Director of KEEF shall adopt the KEEF' rules on granting the State aids or "*de minimis*" aid within three (3) months after entry into force of these general conditions of operations. These rules shall be in line with Law on State Aid and secondary legislation applicable thereof.

Article 40 - Operations Manual of the KEEF

Within three (3) months at the latest after the adoption of the general conditions of operations, the Board of Directors will issue and adopt Operations Manual of the KEEF.

Article 41 - Entry into force

1. These general conditions of operations shall enter into force when adopted by the Board of Directors of the KEEF.
2. These general conditions of operations may be terminated or supplemented in the same manner as this Regulation was adopted.
3. KEEF shall publish the general conditions of operations on its official website.

Date: 22. 08. 2019.

Lum Mita

Chairperson of Board of Directors, Kosovo Energy Efficiency Fund