

MILLENNIUM CHALLENGE COMPACT

BETWEEN

THE UNITED STATES OF AMERICA

ACTING THROUGH

THE MILLENNIUM CHALLENGE CORPORATION

AND

THE REPUBLIC OF KOSOVO

MILLENNIUM CHALLENGE COMPACT
TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 1. GOAL AND OBJECTIVES	1
Section 1.1 Compact Goal	1
Section 1.2 Project Objectives	1
ARTICLE 2. FUNDING AND RESOURCES	2
Section 2.1 Program Funding	2
Section 2.2 Compact Facilitation Funding.....	2
Section 2.3 MCC Funding	3
Section 2.4 Disbursement	3
Section 2.5 Interest.....	3
Section 2.6 Government Resources; Budget	3
Section 2.7 Limitations on the Use of MCC Funding	4
Section 2.8 Taxes	5
Section 2.9 Lower Middle Income Countries	6
ARTICLE 3. IMPLEMENTATION	6
Section 3.1 Program Implementation Agreement.....	6
Section 3.2 Government Responsibilities	6
Section 3.3 Policy Performance	7
Section 3.4 Accuracy of Information.....	7
Section 3.5 Implementation Letters	7
Section 3.6 Procurement and Grants.....	7
Section 3.7 Records; Accounting; Covered Providers; Access	8
Section 3.8 Audits; Reviews	9
ARTICLE 4. COMMUNICATIONS	9
Section 4.1 Communications	9
Section 4.2 Representatives	10
Section 4.3 Signatures.....	10
ARTICLE 5. TERMINATION; SUSPENSION; EXPIRATION	11
Section 5.1 Termination; Suspension	11
Section 5.2 Consequences of Termination, Suspension or Expiration	12
Section 5.3 Refunds; Violation	12
Section 5.4 Late Payment Interest	12
Section 5.5 Survival	12

ARTICLE 6.	COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW	13
Section 6.1	Annexes.....	13
Section 6.2	Amendments and Modifications	13
Section 6.3	Inconsistencies	13
Section 6.4	Governing Law	13
Section 6.5	Additional Instruments.....	13
Section 6.6	References to MCC Website.....	13
Section 6.7	References to Laws, Regulations, Policies and Guidelines; References to Compact Expiration and Termination; Government Successors	14
Section 6.8	MCC Status.....	14
ARTICLE 7.	ENTRY INTO FORCE	15
Section 7.1	Domestic Procedures	15
Section 7.2	Conditions Precedent to Entry into Force.....	15
Section 7.3	Date of Entry into Force	15
Section 7.4	Compact Term	15
Section 7.5	Provisional Application	16

<u>Annex I:</u>	Program Description
<u>Annex II:</u>	Multi-Year Financial Plan Summary
<u>Annex III:</u>	Compact Monitoring & Evaluation Summary
<u>Annex IV:</u>	Conditions Precedent to Disbursement of Compact Facilitation Funding
<u>Annex V:</u>	Additional Conditions Precedent to Entry Into Force
<u>Annex VI:</u>	Acronyms
<u>Annex VII:</u>	Definitions

MILLENNIUM CHALLENGE COMPACT

PREAMBLE

This MILLENNIUM CHALLENGE COMPACT (this “*Compact*”) is between the United States of America (the “*United States*”), acting through the Millennium Challenge Corporation, a United States government corporation (“*MCC*”), and the Republic of Kosovo (the “*Government*”). Capitalized terms used in this Compact shall have the meanings provided in Annex VII.

Recognizing that MCC shall serve as an implementing agency for the United States under this Compact;

Recognizing that the United States and the Government (collectively, the “*Parties*” and each individually, a “*Party*”) are committed to the shared goals of promoting economic growth and the elimination of extreme poverty in Kosovo and that MCC assistance under this Compact supports Kosovo’s demonstrated commitment to strengthening good governance, economic freedom and investments in people;

Recalling that the Government consulted with the private sector and civil society of Kosovo to determine the priorities for the use of MCC assistance and developed and submitted to MCC a proposal for such assistance to achieve lasting economic growth and poverty reduction; and

Recognizing that the United States wishes to help the Government implement the program described herein to achieve the goal and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms of this Compact, the “*Program*”);

The Parties hereby agree as follows:

ARTICLE 1.

GOAL AND OBJECTIVES

Section 1.1 Compact Goal. The goal of this Compact is to reduce poverty through economic growth in Kosovo (the “*Compact Goal*”). MCC shall provide assistance in a manner that strengthens good governance, economic freedom and investments in the people of Kosovo.

Section 1.2 Project Objectives. The Program consists of the three projects described in Annex I (each a “*Project*” and collectively, the “*Projects*”). The objective of each of the respective Projects (each a “*Project Objective*” and collectively, the “*Project Objectives*”) is described in Annex I.

ARTICLE 2.
FUNDING AND RESOURCES

Section 2.1 Program Funding.

Upon entry into force of this Compact in accordance with Section 7.3, MCC shall grant to the Government, under the terms of this Compact, an amount not to exceed One Hundred Eighty Million Seven Hundred Fifty-One Thousand Two Hundred Fifty-Nine United States Dollars (US\$180,751,259) (“**Program Funding**”) for use by the Government to implement the Program. The multi-year allocation of Program Funding is generally described in Annex II.

Section 2.2 Compact Facilitation Funding.

(a) Upon the signing of this Compact, MCC shall grant to the Government, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Twenty-One Million Two Hundred Forty-Eight Thousand Seven Hundred Forty-One United States Dollars (US\$21,248,741) (“**Compact Facilitation Funding**” or “**CFF**”) under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the “**MCA Act**”), for use by the Government to facilitate implementation of this Compact, including for the following purposes:

- (i) financial management and procurement activities;
- (ii) administrative activities (including start-up costs such as staff salaries) and administrative support expenses such as rent, computers and other information technology or capital equipment;
- (iii) monitoring and evaluation activities;
- (iv) feasibility, design and other project preparatory studies; and
- (v) other activities to facilitate Compact implementation as approved by MCC.

The allocation of Compact Facilitation Funding is generally described in Annex II.

(b) In accordance with Section 7.5, this Section 2.2 and other provisions of this Compact applicable to Compact Facilitation Funding shall be effective, for purposes of Compact Facilitation Funding only, as of the date this Compact is signed by MCC and the Government.

(c) Each Disbursement of Compact Facilitation Funding (other than any Disbursement for the MCC Contracted CFF Activities) is subject to satisfaction of the conditions precedent to such Disbursement as set forth in Annex IV.

(d) If MCC determines that the full amount of Compact Facilitation Funding available under Section 2.2(a) exceeds the amount that reasonably can be utilized for the purposes set forth in Section 2.2(a), MCC, by written notice to the Government, may withdraw the excess amount, thereby reducing the amount of the Compact Facilitation Funding available

under Section 2.2(a) (such excess, the “*Excess CFF Amount*”). In such event, the amount of Compact Facilitation Funding granted to the Government under Section 2.2(a) shall be reduced by the Excess CFF Amount, and MCC shall have no further obligations with respect to such Excess CFF Amount.

(e) MCC, at its option by written notice to the Government, may elect to grant to the Government an amount equal to all or a portion of such Excess CFF Amount as an increase in the Program Funding, and such additional Program Funding shall be subject to the terms and conditions of this Compact applicable to Program Funding.

(f) Without limiting the generality of Section 2.2(a), the Government agrees that MCC shall directly administer and manage a portion of the Compact Facilitation Funding for the purpose of engaging consulting services to support the Energy and Climate Policy Support Activity and an interim Procurement Agent and for such other purposes as may be agreed in writing by the Parties (the “*MCC Contracted CFF Activities*”). Notwithstanding anything to the contrary in this Compact or the Program Implementation Agreement, MCC shall utilize applicable United States Government procurement rules and regulations in any procurements it administers and manages in connection with the MCC Contracted CFF Activities and shall disburse Compact Facilitation Funding from time to time for the MCC Contracted CFF Activities directly to the relevant providers upon receipt of valid invoices approved by MCC.

Section 2.3 MCC Funding.

Program Funding and Compact Facilitation Funding are collectively referred to in this Compact as “*MCC Funding*,” and includes any refunds or reimbursements of Program Funding or Compact Facilitation Funding paid by the Government in accordance with this Compact. The total amount of MCC Funding made available under this Compact shall not exceed Two Hundred Two Million United States Dollars (US\$202,000,000).

Section 2.4 Disbursement.

In accordance with this Compact and the Program Implementation Agreement, MCC shall disburse MCC Funding for expenditures incurred in furtherance of the Program (each instance, a “*Disbursement*”). Subject to the satisfaction of all applicable conditions precedent, the proceeds of Disbursements shall be made available to the Government, at MCC’s sole election, by (a) deposit to one or more bank accounts established by the Government and acceptable to MCC (each, a “*Permitted Account*”) or (b) direct payment to the relevant provider of goods, works or services for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

Section 2.5 Interest. The Government shall pay or transfer to MCC, in accordance with the Program Implementation Agreement, any interest or other earnings that accrue on MCC Funding prior to such funding being used for a Program purpose.

Section 2.6 Government Resources; Budget.

(a) Consistent with the *Guidelines for Country Contributions*, the Government shall make a contribution of no less than Thirty-Four Million Six Hundred Seventy Thousand Six Hundred United States Dollars (US\$34,670,600) over the Compact Term toward meeting the

Project Objectives of this Compact (the “**Government Contribution**”). The yearly allocation of the Government Contribution is generally described in Annex II, and a more detailed allocation shall be described in the Program Implementation Agreement, along with additional terms and conditions applicable to the Government Contribution. The Government Contribution shall be subject to any legal requirements in Kosovo for the budgeting and appropriation of such contribution, including approval of the Government’s annual budget by its legislature. During implementation of the Program, the Government Contribution may be modified with MCC approval as provided in the *Guidelines for Country Contributions*, provided that the modified contribution continues to advance the Project Objectives. In addition, the Government shall provide all funds and other resources, and shall take all other actions, that are necessary to carry out the Government’s responsibilities under this Compact.

(b) The Government shall use its best efforts to ensure that all MCC Funding it receives or is projected to receive in each of its fiscal years is fully accounted for and identified in its annual budget for the duration of the Program.

(c) The Government shall not reduce the normal and expected resources that it would otherwise receive or budget from sources other than MCC for the activities contemplated under this Compact and the Program.

(d) Unless the Government discloses otherwise to MCC in writing, MCC Funding shall be in addition to the resources that the Government would otherwise receive or budget for the activities contemplated under this Compact and the Program.

Section 2.7 Limitations on the Use of MCC Funding. The Government shall ensure that MCC Funding is not used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to the Government in writing, including but not limited to the following purposes:

(a) for assistance to, or training of, the military, police, militia, national guard or other quasi-military organization or unit;

(b) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(c) to undertake, fund or otherwise support any activity that is likely to cause a significant environmental, health, or safety hazard, as further described in MCC’s *Environmental Guidelines* and any guidance documents issued in connection with such guidelines (collectively, the “**Environmental Guidelines**”); or

(d) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.8 Taxes.

(a) Unless the Parties specifically agree otherwise in writing, the Government shall ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Kosovo, reasonable in amount and imposed on a non-discriminatory basis) (“*Taxes*”) of or in Kosovo (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Kosovo). Specifically, and without limiting the generality of the foregoing, MCC Funding shall be free from the payment of (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Kosovo in connection with the Program; (ii) sales tax, value added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works or services in connection with the Program; (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program; and (iv) taxes and other similar charges on income, profits or gross receipts attributable to work performed in connection with the Program and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program except in the case of this clause (iv): (1) natural persons who are citizens or permanent residents of Kosovo and (2) legal persons formed under the laws of Kosovo (but excluding MCA-Kosovo and any other entity formed for the purpose of implementing the Government’s obligations hereunder).

(b) The mechanisms that the Government shall use to implement the tax exemption required by Section 2.8(a) for certain principal Taxes are set forth in Annex V of the Program Implementation Agreement. Such mechanisms may include exemptions from the payment of Taxes that have been granted in accordance with applicable law, refund or reimbursement of Taxes by the Government to MCC, MCA-Kosovo or to the taxpayer, or payment by the Government to MCA-Kosovo or MCC, for the benefit of the Program, of an agreed amount representing any collectible Taxes on the items described in Section 2.8(a). For the avoidance of doubt, the identification (or lack of identification) of Taxes on Annex V of the Program Implementation Agreement shall in no way limit the scope of the tax-free treatment required by this Section 2.8. In addition, the Government shall from time to time execute and deliver, or cause to be executed and delivered, such other instructions, instruments or documents, and to take or cause to be taken such other actions as may be necessary or appropriate in the determination of MCC, in order to implement the provisions of this Section 2.8.

(c) Unless otherwise specifically provided herein or in the Program Implementation Agreement, if a Tax has been paid contrary to the requirements of Section 2.8(a) or Annex V of the Program Implementation Agreement, the Government shall refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States Dollars or the currency of Kosovo within thirty (30) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or MCA-Kosovo) that such Tax has been paid. Failure to refund such amount within the specified time shall result in interest accruing on the unpaid amount in accordance with Section 5.4.

(d) The Government shall not apply any MCC Funding, any proceeds thereof or any Program Assets to satisfy its obligations under Section 2.8(c).

Section 2.9 Lower Middle Income Countries. Section 606(b) of the MCA Act restricts the amount of assistance that MCC may provide to “lower middle income countries,” a term that is defined in the MCA Act and includes Kosovo. To the extent that MCC determines, in MCC’s reasonable discretion, that the amount of Program Funding granted to the Government in this Compact may exceed the limit stipulated in Section 606(b) of the MCA Act, MCC, at any time and from time to time upon written notice to the Government, may reduce the amount of Program Funding, or withhold any Disbursement of Program Funding.

ARTICLE 3.

IMPLEMENTATION

Section 3.1 Program Implementation Agreement. The Parties shall enter into an agreement providing further detail on the implementation arrangements, fiscal accountability and Disbursement and use of MCC Funding and the Government Contribution, among other matters (the “*Program Implementation Agreement*” or “*PIA*”); and the Government shall implement the Program in accordance with this Compact, the PIA, any other Supplemental Agreement, and any Implementation Letter.

Section 3.2 Government Responsibilities.

(a) The Government has principal responsibility for overseeing and managing the implementation of the Program.

(b) With the prior written consent of MCC, the Government shall designate an entity to be established as an autonomous foundation in accordance with the Law on Freedom of Association in Non-Governmental Organizations as the accountable entity to implement the Program and to exercise and perform the Government’s right and obligation to oversee, manage and implement the Program, including without limitation, managing the implementation of the Projects and their Activities, allocating resources and managing procurements. Such entity shall be referred to herein as “*MCA-Kosovo*,” and shall have the authority to bind the Government with regard to all Program activities. The Government hereby also designates MCA-Kosovo to exercise and perform the Government’s right and obligation to oversee, manage, and implement the activities described in the Amended and Restated Grant and Implementation Agreement, dated as of October 18, 2019, by and between the Government and MCC (as amended or otherwise modified, the “*CDF Agreement*”). Prior to MCA-Kosovo’s establishment, the Government hereby designates the Compact Development Team to act on behalf of the Government with respect to the Program and CDF Agreement, and any reference herein or in the Program Implementation Agreement to “MCA-Kosovo” shall be deemed a reference to the Compact Development Team until such time as MCA-Kosovo is duly established. The designation contemplated by this Section 3.2(b) does not relieve the Government of any obligations or responsibilities hereunder or under any related agreement, for which the Government remains fully responsible, and any provision of this Compact, the Program Implementation Agreement or any Supplemental Agreement obligating MCA-Kosovo to take any action or refrain from taking any action, as the case may be, means the Government shall cause MCA-Kosovo to take such action or refrain from taking such action, as the case may be. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) The Government shall ensure that any Program Assets or services funded in whole or in part (directly or indirectly) by MCC Funding are used solely in furtherance of this Compact and the Program unless MCC agrees otherwise in writing.

(d) The Government shall take all necessary or appropriate steps to achieve each of the Project Objectives during the Compact Term (including, without limiting Section 2.6(a), funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objectives, unless MCC agrees otherwise in writing).

(e) The Government shall ensure that the Program is implemented, and that the Government carries out its obligations hereunder, with due care, efficiency and diligence in conformity with sound technical, financial, procurement, and management practices, and in conformity with this Compact, the Program Implementation Agreement, any other Supplemental Agreement, any Implementation Letter, and the Program Guidelines.

(f) The Government hereby grants to MCC a perpetual, irrevocable, royalty-free, worldwide, fully paid, assignable right and license to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify, or make available) any portion or portions of Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

Section 3.3 Policy Performance. In addition to undertaking the specific policy, legal and regulatory reform commitments identified in Annex I, the Government shall seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the MCA Act, and the selection criteria and methodology used by MCC.

Section 3.4 Accuracy of Information. The Government assures MCC that, as of the date this Compact is signed by the Government, the information provided to MCC by or on behalf of the Government in the course of reaching agreement with MCC on this Compact is true, correct and complete in all material respects.

Section 3.5 Implementation Letters. From time to time, MCC may provide guidance to the Government in writing on any matters relating to this Compact, MCC Funding or implementation of the Program. The Government shall use such guidance in implementing the Program. The Parties may also issue joint writings to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA or other related agreements, including to record any revisions, exceptions, or modifications that are permitted hereunder. All such writings referenced in this section are referred to herein as “**Implementation Letters**.”

Section 3.6 Procurement and Grants.

(a) The Government shall ensure that the procurement of all goods, works and services by the Government or any Provider to implement the Program shall be in accordance with MCC’s *Program Procurement Guidelines* (the “**MCC Program Procurement Guidelines**”).

(b) The MCC Program Procurement Guidelines include the following requirements, among others:

(i) open, fair, and competitive procedures must be used in a transparent manner to solicit, award and administer contracts and to procure goods, works and services;

(ii) solicitations for goods, works, and services must be based upon a clear and accurate description of the goods, works and services to be acquired;

(iii) contracts must be awarded only to qualified contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and

(iv) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, shall be paid to procure goods, works and services.

(c) The Government shall ensure that any grant issued in furtherance of the Program (each, a “**Grant**”) is awarded, implemented, and managed pursuant to open, fair, and competitive procedures in accordance with MCC’s *Program Grant Guidelines* (the “**MCC Program Grant Guidelines**”).

Section 3.7 Records; Accounting; Covered Providers; Access.

(a) Government Books and Records. The Government shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, accounting books, records, documents and other evidence relating to the Program adequate to show, to MCC’s satisfaction, the use of all MCC Funding and the Government Contribution and the implementation and results of the Program (“**Compact Records**”). In addition, the Government shall furnish or cause to be furnished to MCC, upon its request, originals or copies of such Compact Records.

(b) Accounting. The Government shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at the Government’s option and with MCC’s prior written approval, other accounting principles, such as those (i) prescribed by the International Accounting Standards Board, or (ii) then prevailing in Kosovo. Compact Records must be maintained for at least five (5) years after the end of the Compact Term or for such longer period, if any, required to resolve any litigation, claims or audit findings or any applicable legal requirements.

(c) Access. Upon MCC’s request, the Government, at all reasonable times, shall permit, or cause to be permitted, authorized representatives of MCC, the Inspector General of MCC (“**Inspector General**”), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Compact, and any agents or representatives engaged by MCC or the Government to conduct any assessment, review or evaluation of the Program, the opportunity to audit, review, evaluate or inspect facilities, assets and activities funded in whole or in part by MCC Funding or the Government Contribution.

Section 3.8 Audits; Reviews.

(a) Government Audits. The Government shall, on at least an annual basis (or on such other periodic basis as requested by MCC in writing), conduct, or cause to be conducted, financial audits of all disbursements of MCC Funding and the Government Contribution. All such audits shall be performed in accordance with and subject to the terms of MCC's *The Accountable Entities Guidelines for Contracted Financial Audits* (the "**Audit Guidelines**") or such other processes and procedures as MCC may direct from time to time, including without limitation, terms governing the timing of such audits and the periods to be audited. In addition, the Government shall ensure that such audits are conducted by an independent auditor approved by MCC and selected in accordance with the Audit Guidelines. Each audit must be completed, and the draft audit report delivered to MCC, no later than 120 days after the applicable audit period, or such other period as the Parties may otherwise agree in writing. Any changes to the period to be audited shall be included in an audit plan developed and implemented by MCA-Kosovo in accordance with the Audit Guidelines and Program Implementation Agreement and as approved by MCC (the "**Audit Plan**") or as agreed by the Parties in writing.

(b) Audits of Other Entities. The Government shall ensure that MCC-financed agreements between the Government or any Provider, on the one hand, and an entity defined as a Covered Provider by the Audit Guidelines, on the other hand, state that the Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. The Government shall use its best efforts to ensure that MCA-Kosovo and any other Covered Provider (i) takes, where necessary, appropriate and timely corrective actions in response to audits, (ii) considers whether the results of MCA-Kosovo's or any other Covered Provider's audits necessitate adjustment of the Government's records, and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) Audit by MCC. MCC shall have the right to arrange for audits of the Government's use of MCC Funding and the Government Contribution.

(e) Cost of Audits, Reviews or Evaluations. MCC Funding may be used to fund the costs of any audits, reviews or evaluations required under this Compact.

ARTICLE 4.

COMMUNICATIONS

Section 4.1 Communications. Any document or communication required or submitted by either Party to the other under this Compact must be in writing and, except as otherwise agreed with MCC, in English. All such documents or communication must be submitted to the address of each Party set forth below or to such other address as may be designated by any Party in a written notice to the other Party.

To MCC:

Millennium Challenge Corporation
Attention: Vice President, Compact Operations
(with a copy to the Vice President and General Counsel)
1099 Fourteenth Street, N.W. Suite 700
Washington, DC 20005
United States of America
Facsimile: +1 (202) 521-3947
Telephone: +1 (202) 521-3600
Email: VPOperations@mcc.gov (Vice President, Compact Operations)
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To the Government:

Ministry of Finance, Labour and Transfers
Attention: Secretary General of Ministry of Finance, Labour and Transfers
Government building, Mother Teresa Square
Prishtina, 10000
Republic of Kosovo
Telephone: +3833820034110; +38349304002; +38345394706
E-mail: enis.spahiu@rks-gov.net

Upon establishment of MCA-Kosovo, the Government shall notify the Parties of the contact details for MCA-Kosovo.

Section 4.2 Representatives. For all purposes relevant to implementation of this Compact, the Government shall be represented by the individual holding the position of, or acting as, Secretary General of the Ministry of Finance, Labour and Transfers of the Republic of Kosovo, and MCC shall be represented by the individual holding the position of, or acting as, Vice President, Compact Operations (each of the foregoing, a “**Principal Representative**”). Each Party, by written notice to the other Party, may designate one or more additional representatives of such Party (each, an “**Additional Representative**”) for all purposes relevant to implementation of this Compact except for amending this Compact pursuant to Section 6.2(a). The Government hereby designates the Minister of Finance, Labour and Transfers and the Chief Executive Officer (or equivalent officer) of MCA-Kosovo as an Additional Representative for the Government. MCC hereby designates the Deputy Vice President, Department of Compact Operations for Europe, Asia, Pacific, and Latin America of MCC and the Resident and Deputy Country Directors of MCC for Kosovo as Additional Representatives for the United States. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 4.3 Signatures. Signatures to this Compact and to any amendment to this Compact shall be original signatures appearing on the same page or in an exchange of letters or diplomatic notes.

ARTICLE 5.
TERMINATION; SUSPENSION; EXPIRATION

Section 5.1 Termination; Suspension.

(a) Either Party may terminate this Compact without cause in its entirety by giving the other Party thirty (30) days' prior written notice. MCC may also terminate MCC Funding without cause in part by giving the Government thirty (30) days' prior written notice.

(b) MCC may, immediately, upon written notice to the Government, suspend or terminate this Compact or MCC Funding, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC, as a basis for suspension or termination (as notified to the Government in writing) has occurred, which circumstances include but are not limited to the following:

(i) the Government fails to comply with its obligations under this Compact or any other agreement or arrangement entered into by the Government in connection with this Compact or the Program;

(ii) any statement, affirmation or assurance of the Government made or deemed made in this Compact, the Program Implementation Agreement, any Supplemental Agreement, or in any certificate or other document delivered in connection with this Compact proves to have been incorrect or misleading as of the date when made or deemed made;

(iii) an event or series of events has occurred that makes it probable that any Project Objective is not going to be achieved during the Compact Term or that the Government is not going to be able to perform its obligations under this Compact;

(iv) a use of MCC Funding or continued implementation of this Compact or the Program violates applicable law or United States Government policy, whether now or hereafter in effect;

(v) the Government or any other person or entity receiving MCC Funding or using Program Assets is engaged in activities that are contrary to the national security interests of the United States;

(vi) an act has been committed or an omission or an event has occurred that would render Kosovo ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*), by reason of the application of any provision of such act or any other provision of law;

(vii) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Kosovo for assistance under the MCA Act; and

(viii) a person or entity receiving MCC Funding or using Program Assets is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

Section 5.2 Consequences of Termination, Suspension or Expiration.

(a) Upon the suspension or termination, in whole or in part, of this Compact or any MCC Funding, or upon the expiration of this Compact, the Program Implementation Agreement shall govern the post-suspension, post-termination or post-expiration treatment of MCC Funding, any related Disbursements and Program Assets. Any portion of this Compact, MCC Funding, the Program Implementation Agreement or any other Supplemental Agreement that is not suspended or terminated shall remain in full force and effect.

(b) MCC may reinstate any suspended or terminated MCC Funding under this Compact if MCC determines that the Government or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

Section 5.3 Refunds; Violation.

(a) If any MCC Funding, any interest or earnings thereon, or any Program Asset is used for any purpose in violation of the terms of this Compact, then MCC may require the Government to repay to MCC in United States Dollars the value of the misused MCC Funding, interest, earnings, or asset, plus interest thereon in accordance with Section 5.4 within thirty (30) days after the Government's receipt of MCC's request for repayment. The Government shall not use MCC Funding, proceeds thereof or any Program Assets to make such payment.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, MCC's right under Section 5.3(a) to obtain a refund shall continue during the Compact Term and for a period of (i) five (5) years thereafter or (ii) one (1) year after MCC receives actual knowledge of such violation, whichever is later.

Section 5.4 Late Payment Interest. If the Government fails to pay any amount under this Compact or the Program Implementation Agreement when due (including amounts under Sections 2.8(c) and 5.3(a)), the Government shall pay interest on such past due amount. Interest shall accrue on such amount at a rate equal to the then current US Treasury Current Value of Funds Rate, calculated on a daily basis and a 360-day year from the due date of such payment until such amount is paid in full. Any such payment shall first be credited against interest due, and once the interest due amount is extinguished, then payments shall be credited against outstanding principal.

Section 5.5 Survival. The Government's responsibilities under this Section and Sections 2.7, (Limitations on the Use of MCC Funding), 2.8 (Taxes), 3.2(f) (Government Responsibilities), 3.7 (Records; Accounting; Covered Providers; Access), 3.8 (Audits; Reviews), 5.2 (Consequences of Termination, Suspension or Expiration), 5.3 (Refunds; Violation), 5.4 (Late Payment Interest), and 6.4 (Governing Law) shall survive the expiration, suspension or termination of this Compact, provided that the terms of Sections 2.7 and 2.8 shall survive for only 120 days following this Compact's expiration.

ARTICLE 6.
COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW

Section 6.1 Annexes. Each annex to this Compact constitutes an integral part hereof, and references to “*Annex*” mean an annex to this Compact unless otherwise expressly stated.

Section 6.2 Amendments and Modifications.

(a) The Parties may amend this Compact only by a written agreement. Such agreement shall specify how it enters into force.

(b) Notwithstanding subsection (a), the Parties agree that the Government and MCC may by written agreement, which shall enter into force upon signature, modify any Annex to, in particular, but without limitation: (i) suspend, terminate or modify any Project or Activity, (ii) change the allocations of funds as set forth in Annex II, (iii) modify the implementation framework described in Annex I, (iv) add, change or delete any indicator, baseline or target or other information set forth in Annex III in accordance with the M&E Policy, or (v) add, modify, or delete any condition precedent described in Annex IV; *provided that*, in each case, any such modification (A) is consistent in all material respects with the Project Objectives, (B) does not cause the amount of Program Funding to exceed the aggregate amount specified in Section 2.1 (as may be modified by operation of Section 2.2(e)), (C) does not cause the amount of Compact Facilitation Funding to exceed the aggregate amount specified in Section 2.2(a), (D) does not reduce the Government’s responsibilities or contribution of resources required under Section 2.6(a), and (E) does not extend the Compact Term.

(c) The Parties understand that any amendment of this Compact or any modification of any Annex pursuant to this Section 6.2 may be entered into by the Government without the need for further action by the Government, or satisfaction of any additional domestic requirements of Kosovo.

Section 6.3 Inconsistencies. In the event of any conflict or inconsistency between:

(a) any Annex and any of Articles 1 through 7, such Articles 1 through 7, as applicable, shall prevail; or

(b) this Compact and any other agreement between the Parties regarding the Program, this Compact shall prevail.

Section 6.4 Governing Law. This Compact is an international agreement and as such shall be governed by international law.

Section 6.5 Additional Instruments. Any reference to activities, obligations or rights undertaken or existing under or in furtherance of this Compact or similar language shall include activities, obligations and rights undertaken by, or existing under or in furtherance of any agreement, document or instrument related to this Compact and the Program.

Section 6.6 References to MCC Website. Unless expressly provided otherwise, any reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to

a document or information available on, or notified by posting on the MCC Website shall be deemed a reference to such document or information as updated or substituted on the MCC Website from time to time.

Section 6.7 References to Laws, Regulations, Policies and Guidelines; References to Compact Expiration and Termination; Government Successors.

(a) Unless expressly provided otherwise, each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a law, regulation, policy, guideline or similar document shall be construed as a reference to such law, regulation, policy, guideline or similar document as it may, from time to time, be amended, revised, replaced, or extended, and shall include any law, regulation, policy, guideline or similar document issued under or otherwise applicable or related to such law, regulation, policy, guideline or similar document.

(b) Unless expressly provided otherwise, each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a Government ministry shall be construed to include any successor ministry with the relevant subject matter or sector authority.

(c) Unless expressly provided otherwise, each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a policy, guideline, guidance paper, or similar document shall be construed as a reference to an MCC policy, guideline, guidance paper, or similar document relating to the administration of MCC-funded assistance programs, in each case, as such may be posted from time to time on the MCC Website.

(d) Each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to the Compact's "expiration" refers to the date on which the Compact Term ends if the Compact is not terminated earlier, which in accordance with Section 7.4 is five (5) years after its entry into force. Each reference in any of the aforementioned documents to the Compact's "termination" refers to this Compact ceasing to be in force prior to its expiration in accordance with Section 5.1.

Section 6.8 MCC Status. MCC is a United States government corporation acting on behalf of the United States Government in the implementation of this Compact. MCC and the United States Government assume no liability for any claims or loss arising out of activities or omissions under this Compact. The Government waives any and all claims against MCC or the United States Government or any current or former officer or employee of MCC or the United States Government for all loss, damage, injury, or death arising out of activities or omissions under this Compact, and agrees that it shall not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. The Government agrees that MCC and the United States Government or any current or former officer or employee of MCC or the United States Government shall be immune from the jurisdiction of all courts and tribunals of Kosovo for any claim or loss arising out of activities or omissions under this Compact.

ARTICLE 7.
ENTRY INTO FORCE

Section 7.1 Domestic Procedures. The Government shall proceed in a timely manner to complete all of its domestic requirements for this Compact and the PIA to enter into force. The Parties understand that this Compact and the PIA, upon entry into force, shall prevail over the laws of Kosovo with the exception of the constitution of Kosovo. The Parties further understand that consistent with Kosovo law, prior to the Government sending the letter described in Section 7.3, this Compact and the PIA is to be submitted to and approved by the Kosovo National Assembly.

Section 7.2 Conditions Precedent to Entry into Force. Each of the following conditions must be met to MCC's satisfaction before this Compact enters into force:

- (a) the Program Implementation Agreement is signed by the parties thereto;
- (b) The Government delivers to MCC:
 - (i) a letter signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to MCC, confirming that the Government has completed its domestic requirements necessary for this Compact to enter into force and that the other conditions precedent to entry into force in this Section 7.2 have been met;
 - (ii) a signed legal opinion from the Head of the Legal Department for the Ministry of Finance, Labour and Transfers of Kosovo (or such other legal representative of the Government acceptable to MCC), in form and substance satisfactory to MCC;
 - (iii) complete, certified copies of all decrees, legislation, regulations or other governmental documents relating to the Government's domestic requirements necessary for this Compact and the PIA to enter into force, which MCC may post on its website or otherwise make publicly available;
- (c) MCC determines that, after signature of this Compact, the Government has not engaged in a pattern of actions inconsistent with the eligibility criteria for MCC Funding; and
- (d) The conditions set forth in Annex V have been satisfied.

Section 7.3 Date of Entry into Force. This Compact shall enter into force on the date of the letter from MCC to the Government in an exchange of letters confirming that MCC and the Government have completed their respective domestic requirements for entry into force of this Compact and that the conditions precedent to entry into force in Section 7.2 have been met to MCC's satisfaction.

Section 7.4 Compact Term. This Compact shall remain in force for five (5) years after its entry into force, unless terminated earlier under Section 5.1 (the "**Compact Term**").

Section 7.5 Provisional Application. Upon signature of this Compact, and until this Compact has entered into force in accordance with Section 7.3, the Parties shall provisionally apply the terms of this Compact; *provided that*, no MCC Funding, other than Compact Facilitation Funding, shall be made available or disbursed before this Compact enters into force.

SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE

IN WITNESS WHEREOF, the undersigned, duly authorized by their respective governments, have signed this Compact.

Done at Pristina, Kosovo, this 15th day of July 2022.

FOR THE UNITED STATES OF
AMERICA, acting through THE
MILLENNIUM CHALLENGE
CORPORATION

FOR THE REPUBLIC OF KOSOVO

/s/

/s/

Name: Alice P. Albright
Title: Chief Executive Officer

Name: Artane Rizvanolli Berisha
Title: Minister of Economy

**SIGNATURE PAGE TO MILLENNIUM CHALLENGE COMPACT
BETWEEN THE UNITED STATES OF AMERICA
ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION
AND THE REPUBLIC OF KOSOVO**

ANNEX I

PROGRAM DESCRIPTION

This Annex I describes the Program to be funded with MCC Funding and the Government Contribution during the Compact Term.

A. PROGRAM OVERVIEW

1. Background and Consultative Process.

(a) Background.

Kosovo is a small country in the Western Balkans in Southeastern Europe. With a population of 1.8 million people spread across 10,908 kilometers, it is among the most densely populated countries in the region. It remains one of the poorest countries in Europe, with an estimated 17.6 percent of Kosovo's population living below the poverty line and 5.2 percent living in extreme poverty. The country also has a high rate of energy poverty that impacts 40 percent of all households.

In 2017, MCC and the Government signed a US\$49 million Threshold Program Grant Agreement that focused on enabling a reliable energy landscape and supporting transparent and accountable governance ("*Threshold Program*"). The Threshold Program also includes several activities designed to encourage women's entry into, and success in, the energy sector as entrepreneurs and employees.

MCC's Board of Directors selected Kosovo as eligible to develop a Millennium Challenge Compact in December 2018. At the time, Kosovo passed 13 of 20 indicators on the MCC scorecard. Following Kosovo's selection by MCC's Board of Directors, MCC and the Government's Compact Development Team conducted a constraints analysis and identified unreliable supply of electricity as the primary binding constraint to economic growth in Kosovo. The Government, in consultation with MCC, designed the Compact to create flexibilities in the electricity network enabling greater stability and ability to integrate intermittent generation, in addition to skills strengthening and female labor

market participation in the energy sector. The Program is intended to contribute to Kosovo's energy sector and accelerate Kosovo's transition towards an energy future that is more sustainable, inclusive, reliable, and affordable.

Kosovo has undertaken a series of important reforms in the power sector to develop its electricity market, focusing on legislation and regulation in compliance with European and local regulations and laws. The Program is aligned with Kosovo's 2013 National Renewable Energy Plan (NREP), which sets a target to increase the renewable energy contribution to 25 percent of the overall energy mix. Installing energy storage and developing a stronger, more skilled and diverse workforce in the renewable energy and energy storage sectors shall assist Kosovo to achieve both carbon emission reductions and affirm its net-zero economy commitment set out in the NREP.

(b) Consultative Process.

Throughout the Compact development process, MCC and the Government conducted a consultative process to inform project focus and design. During the preliminary analysis phase, the Government, civil society, women’s organizations, and the private sector were engaged and contributed to an understanding of how the binding constraint impacts different populations and sectors in Kosovo. Consultations continued throughout project definition and design, as MCC and the Government worked in partnership with these stakeholders to refine projects and develop approaches that integrate partnerships as a core implementing model for the Program. Donors were also consulted to ensure close coordination between the Program and ongoing and future donor activities. Active consultation to mitigate project risk and maximize program impacts shall continue as a critical element of Program implementation.

2. Description of Program and Beneficiaries.

(a) Program Description.

The Program consists of three Projects designed to respond to the constraint of unreliable supply of electricity in Kosovo, align with the Government’s national development and energy priorities, and lead to poverty reduction and sustainable economic growth in Kosovo: (i) the Energy Storage Project, (ii) the Just and Equitable Transition Acceleration (JETA) Project, and (iii) the American Catalyst Facility for Development (ACFD) Project.

(b) Intended Beneficiaries.

The Program is projected to benefit approximately 1,800,000 people, based on the expectation that the Energy Storage Project should benefit all grid-connected customers in Kosovo, and almost all citizens are connected to the grid. This includes approximately 65,000 beneficiaries defined as “poor” and 379,000 beneficiaries defined as “near-poor”.¹

Beneficiary estimates specific to the JETA Project shall be determined before this Compact enters into force.

The ACFD Project will be a combined effort of the United States International Development Finance Corporation² (DFC), MCC and the Government. While DFC shall appraise, oversee and monitor project activities, MCC and the Government expect to work closely with DFC during all phases of the Project from identifying activities, activity development, and implementation. It is expected that DFC will assess and report the benefits of all project activities using its Impact Quotient (IQ) system for measuring development impact, which measures the investment’s impact on economic growth, potential job creation, inclusion, and innovation. MCC and DFC will collaborate to assess and quantify the benefits of the Project in a manner that is acceptable to all parties.

¹ These beneficiary categories are defined based on the levels of consumption per day (in 2011 purchasing price parity international dollars) with the poor consuming less than \$3.20 and near-poor consuming between \$3.20 and \$5.50.

² The United States International Development Finance Corporation or DFC is the United States government’s development finance institution whose mission is to mobilize investments that produce positive developmental impacts in lower-income countries.

B. DESCRIPTION OF PROJECTS

Set forth below is a description of each of the Projects that the Government shall implement, or cause to be implemented, using MCC Funding and the Government Contribution to advance the applicable Project Objective. In addition, specific activities that shall be undertaken within each Project (each, an “*Activity*”), including Sub-Activities, are also described.

1. Energy Storage Project

(a) Summary of Project and Activities.

The objective of the Energy Storage Project is to support Kosovo’s energy security and transition to a cleaner energy future, as reflected by (i) usage of energy storage systems for reserves, (ii) availability of the storage systems, and (iii) reduced cost of securing adequate electricity for Kosovo. Recognizing that the demand for electricity in Kosovo has far exceeded supply, this Project is intended to increase Kosovo’s energy capacity by supporting a battery storage system that will enable Kosovo’s transmission system and market operator (TSO), *Kosovë Operator Sistemi, Transmisioni Dhe Tregu* (KOSTT), to cost-effectively smooth out imbalances in the electricity grid; supporting either a public energy storage entity or an entity created through a public-private partnership (PPP) with authority to deploy approximately 250 megawatt hours (MWh) in additional energy storage; and strengthening the regulatory environment governing battery energy storage systems (“*BESSs*”), renewable energy projects, and climate change management in a more sustainable and gender inclusive manner.

The Energy Storage Project is comprised of the following three Activities:

(i) Frequency Restoration Response Activity.

The Frequency Restoration Response Activity aims to support KOSTT, which is responsible for the planning, development, maintenance, and operations of Kosovo’s electricity transmission system, to own and operate approximately 45 megawatts (MW) (or 90 MWh) of energy reserves to cost-effectively smooth out imbalances in the electricity grid, ensuring the security of the interconnected power system while enabling the integration of electricity generated from renewable energy sources. MCC Funding shall support the design, preparation, and construction of an approximately 45 MW capacity, two-hour duration lithium-ion BESS, including initial maintenance services, capable of providing automated frequency restoration reserves and designed to provide the intended level of service for 20 years under an appropriate maintenance regime undertaken by KOSTT. The BESS shall be installed at one or more sites around Kosovo. In addition to the BESS, the Compact shall fund: (A) necessary battery transformers and control equipment; (B) land acquisition and improvements; (C) construction of additional electrical facilities and equipment including power lines, substation transformers, and other interconnection related components; (D) training for existing and new-hire KOSTT employees; and (E) computer hardware and software.

This Activity may support technologies proven to provide a lower cost, better performing alternative to a lithium-ion BESS, if such technology is available at the time MCA-Kosovo undertakes the necessary procurement. In addition, the Frequency Restoration Response Activity may support alternative MW and duration combinations (instead of 45 MW/2-hour) that would enable KOSTT to cost-effectively meet its frequency restoration reserve needs, with a priority on

automated frequency restoration reserves. The Parties agree that the Government shall be responsible for providing any portions of selected sites that are publicly owned in accordance with the Environmental Guidelines and the International Finance Corporation Performance Standards (IFC PS), which have been incorporated into the Environmental Guidelines, while MCC Funding would support resettlement and the acquisition of any privately owned land, if required.

(ii) Multi-Functional Energy Storage Activity.

The Multi-Functional Energy Storage Activity (“**MFES Activity**”) aims to support a public entity or an entity created through a PPP (hereafter referred to as the “**MFES Entity**”) to own and operate approximately 125 MW (or 250MWh) of one or more BESS and other potential electricity storage systems. The determination on the ownership structure for the MFES Entity shall be decided before the Compact enters into force.

The BESS will be designed to enable frequency restoration reserves, Energy Arbitrage, or other potential energy storage services. In addition to the final design, construction, and preparation of the BESS, MCC Funding shall support: (A) works required to increase Kosovo’s electricity storage capability; (B) additional electrical facilities and equipment including power lines, grid transformers, and other interconnection related components; (C) land acquisition and improvements; (D) MFES Entity staff; and (E) individual advisory services or a management contract.

The equipment for the MFES Activity shall include batteries, or a similar technology, and associated equipment located at or near a KOSTT substation (or substations) capable of accepting this power and energy. The technology may include a lower cost, better performing alternative to a lithium-ion BESS, if such technology is available at the time MCA-Kosovo undertakes the necessary procurement. In addition, this Activity may support alternative MW and duration combinations (instead of 125 MW/2-hour) that would allow the MFES Entity to cost-effectively provide the services described above. The Parties agree that the Government shall be responsible for providing any portions of selected sites that are publicly owned in accordance with the Environmental Guidelines and the IFC PS, which have been incorporated into the Environmental Guidelines, while MCC Funding would support resettlement and the acquisition of any privately owned land, if required.

The MFES Activity may use resources available from the ACFD Project, as appropriate.

(iii) Energy and Climate Policy Support Activity.

The Energy and Climate Policy Support Activity aims to support technical and administrative capacity building for Kosovo’s energy and climate regulators along with policy and institutional reforms (PIR) required to ensure the operating environment for energy storage in Kosovo. The PIR are intended to ensure that energy storage is well defined and regulated through Kosovo’s laws and supported by good planning, maintenance, and cost-reflective tariffs. This Activity also incorporates cross-cutting measures to promote female employment and entrepreneurship as well as the PIR around pro-poor and gender-inclusive planning in the energy sector. This Activity includes three Sub-Activities.

(A) *Energy Storage Policy Support Sub-Activity*

This Sub-Activity aims to provide technical assistance to: (a) the Government to undertake reforms in the power sector focused on developing Kosovo's electricity market and prepare legislation and regulation in compliance with necessary European Union (EU) and local regulations and laws to regulate the BESS and (b) the Ministry of Economy, KOSTT, and the Energy Regulatory Office (ERO) to implement energy storage in Kosovo.

(B) *Inclusion Focused Technical Assistance Sub-Activity*

This Sub-Activity aims to provide technical assistance to undertake pro-poor and gender-inclusive infrastructure and policy planning and identify opportunities for female entrepreneurship and employment to complement the Energy Storage Project. In addition, MCC Funding shall support complementary opportunities to ensure that women entrepreneurs participate in the transition to cleaner energy.

(C) *Environmental Regulatory Management Sub-Activity*

This Sub-Activity aims to strengthen the current greenhouse gas (GHG) inventory by expanding into additional sectors and aligning with international standards in order to form the basis for carbon pricing and other climate policy instruments. MCC Funding shall support the strengthening of the regulatory environment for governing BESSs and renewable energy projects through technical assistance and training to the Ministry of Environment, Spatial Planning and Infrastructure (MESPI) on applying international standards for assessing and permitting of clean energy projects.

(b) Environmental and Social Mitigation Measures.

The application of utility-scale BESSs presents new issues that must be addressed, not only to identify and mitigate the potential negative environmental and social impacts of the Energy Storage Project but also to recognize and fully develop its potential contribution to the sustainable development of the energy sector in Kosovo. Under the Environmental Guidelines, the Energy Storage Project is classified as Category B as it is anticipated that impacts will be site-specific; few if any are expected to be irreversible; and standard mitigation measures can be applied during design, construction, operation, and decommissioning.

The Frequency Restoration Response and MFES Activities shall include identifying and preparing land at multiple locations for the installation of the BESSs that will be connected to the existing electricity transmission network. Locations shall be selected based on engineering, environmental, and social screening criteria.

An Environmental and Social Management System (ESMS) shall be designed for the Compact to set policy and specific measures for mitigating adverse impacts, and monitoring compliance with Kosovo environmental, social, and labor legislation, as well as the Environmental Guidelines and IFC PS, which have been incorporated into the Environmental Guidelines. An ESOC shall be contracted to assist MCA-Kosovo throughout the Compact to support implementation of the ESMS and required Environmental and Social Impact Assessments (ESIAs), Resettlement Action Plans (RAPs), Livelihood Restoration Plans (LRPs), and Environmental and Social

Management Plans (ESMPs) that shall be integral components of the Project. In addition to the ESOC, the Energy and Climate Policy Support Activity shall include the provision of training, technical assistance, and administrative support to build capacity on international best practices for environmental permitting of battery energy storage infrastructure that will further strengthen Kosovo's institutional capacity to manage these investments. This support for MESPI shall provide critical ongoing technical assistance to the environmental regulator throughout the Program, and ensure appropriate interpretation and implementation of international environmental and social standards.

Contractors shall be required to develop human resources policies in line with IFC PS focusing on provisions against child and forced labor as well as regarding non-discrimination and equal opportunities and supply chain management. Further, because of known labor exploitation issues that exist in the lithium-ion battery supply chain, contracts will require adherence to good international industry practice for supply chain management such as the Organization for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Since the batteries may contain components classified as hazardous materials, the ESMPs shall define requirements for their safe transport, use, reuse, and disposal in accordance with good international industry practice, at a minimum requiring adherence to the most current battery and waste battery regulation set forth in the Energy Community Acquis.

Stakeholder engagement and consultation conducted as part of the development of the Compact will continue, and further commitments and agreements shall be required from key implementing ministries and agencies overseeing projects in the energy and in the battery energy storage sectors. Local project-level stakeholder engagements shall be initiated during the site assessments for the battery facilities. Site-specific stakeholder engagement plans ("*SEPs*") shall ensure continual, meaningful, and impactful engagement across the remainder of the Project lifecycle. It will be important for MCA-Kosovo to emphasize educational components for local communities, municipal authorities, and other local interest groups on the environmental, health, and safety issues associated with utility-scale BESSs. As part of the design of the Energy and Climate Policy Support Activity, training needs for local stakeholders and municipal managers shall be evaluated, and appropriate training shall be designed and delivered. Due to the role of police and fire departments in dealing with emergency response, training specifically for police or fire departments, if necessary, shall be funded by the Government in addition to the Government Contribution in accordance with Section 2.7(a).

(c) Gender and Social Inclusion.

The Energy Storage Project's PIR activities shall address challenges associated with the Government's capacity to collect or analyze disaggregated information on energy use, the integration of inclusion and gender priorities into energy sector planning and Project implementation, and inclusive consumer outreach and consultation processes. The Project may provide support to the Government to consistently consider inclusion and poverty concerns as such concerns relate to the implementation of cost-reflective tariffs and a vulnerable customer program.

Battery storage site selection, land acquisition, and any resettlement processes will consider and address inclusion and gender concerns through site selection criteria and compensation

arrangements. Any resettlement processes must take into consideration inclusion and gender concerns related to the land and ownership rights, whether formal, informal, or customary, among women and minority groups. The ESOC shall provide additional capacity for MCA-Kosovo to support implementation of the social inclusion and gender requirements.

A focus on inclusive and gender-informed stakeholder engagement shall be maintained at all stages of Program development and implementation, including with organizations representing women and vulnerable groups or the poor, and shall be included in the Compact-level SEP. Trafficking in persons (TIP) risks shall continue to be assessed and monitored, including in relation to the battery supply chain.

To address the under-representation of women in employment and entrepreneurship, cross-cutting opportunities shall support increased participation by women-owned businesses among suppliers and female representation among employees and board members of the MFES Entity.

(d) Donor Coordination.

MCC and the Government coordinated closely with other donors in the energy sector during the development of the Project. In particular, MCC coordinated with the EU, IFC, United States Agency for International Development (USAID), DFC, and World Bank. Through this coordination process, MCC and the Government ensured that Compact activities are complementary and build on the work of other donors and that proposed reforms are aligned.

(e) USAID.

MCC coordinated with USAID throughout the development of the Compact. Kosovo has been one of the focus countries for the USAID Engendering Utilities Program, through its partnership with KOSTT. The Program builds upon this intervention by offering similar support to energy institutions beyond KOSTT. Cooperation and coordination with USAID shall continue throughout implementation to ensure complementarity.

(f) Sustainability.

Kosovo is in the process of setting out a National Energy and Climate Plan (NECP) aligned with its commitment to a net-zero economy and energy sector by 2050. This will require ambitious targets for renewable energy, GHGs, energy efficiency, and energy security. The Energy Storage Project aims to introduce BESSs to Kosovo and supply the needed energy services to the Kosovo grid that will enhance environmental and climate sustainability in the energy sector during this transitional period. The PIR support work under the Energy and Climate Policy Support Activity will contribute to the legislation and regulation necessary for KOSTT and the MFES Entity to function legally and sustainably in Kosovo. The scope of this work includes the planned policy technical assistance to integrate the BESS into the expected energy strategy under development by the Ministry of Economy. In addition, the PIR shall enable the development of implementing regulations that integrate the KOSTT and MFES Entity BESSs into the Kosovo energy sector. Regardless of how it is formed, MCC Funding shall support the establishment of the MFES Entity and its operations during implementation of the Program to (i) ensure that the MFES Entity is staffed with qualified, experienced managers and operators of battery storage systems or that locally hired staff has the required technical assistance, potentially through a management services contract, and (ii) create a financially self-sustaining entity.

Similarly, MCC Funding shall provide additional technical staff for KOSTT to leverage its corporate services, and these new hires shall either have the technical experience to operate the batteries or shall be supported by consultants with the necessary expertise through their training. Additionally, the Energy and Climate Policy Support Activity shall support long-term sustainability in the energy sector through capacity-building within MESPI to both monitor GHG reductions and regulate the integration of renewable energy systems during the planning, design, construction, and operation phases of Project development.

Particular focus shall be provided for decommissioning and end-of-life reuse, recycling, and disposal of battery storage systems. While Kosovo is not a member of the EU, Kosovo is gradually incorporating and aligning its laws with the European Union Acquis. Kosovo is expected to adhere to any existing and subsequent legislation adopted by the EU on batteries and waste batteries during the implementation of the Compact. In addition, an ESMP shall be generated for the Energy Storage Project that shall require adherence to good international industry practice including obligations for the collection of waste batteries, prohibition of landfilling of waste batteries, and the recovery of recyclable materials from batteries including cobalt, copper, nickel, lead, and lithium. MESPI, as well as any battery system owners and operators established through the Compact, shall be supported with training on these practices and compliance with EU battery legislation.

(g) Policy, Legal and Regulatory Reforms.

Energy sector reforms shall center around requirements to create a sustainable environment for energy storage investments for consumers to benefit from the introduction of battery technology. The addition of an MFES Entity that is oriented towards arbitraging energy usage to reduce the cost to consumers may provide a valuable reform to the operation of the electricity sector. In furtherance of this objective and the Project, the Government commits to:

- undertaking policy and regulatory actions necessary to grow Kosovo's renewable energy portfolio and make the energy storage investment sustainable;
- developing and implementing procedures, guidelines, and regulatory requirements associated with the addition of battery energy storage to the Kosovo energy sector;
- complying with applicable Energy Community legislation on batteries and waste battery management as well as obligations for the collection of waste batteries, prohibition of landfilling of waste batteries, and recovery of recyclable materials from batteries including cobalt, copper, nickel, lead, and lithium; and
- complying with Kosovo's national requirements regarding women's employment in companies and female representation on boards of companies.

2. Just and Equitable Transition Acceleration Project

(a) Summary of Project and Activities.

The objectives of the JETA Project are to (1) produce graduates who are hired in relevant jobs in the energy and adjacent sectors;³ and (2) increase employment of women among employers participating in the Inclusive Energy Sector Workforce Activity. Kosovo currently lacks workers with technical skills needed to meet current and future demand from employers in the energy and adjacent sectors. To create a more sustainable and inclusive energy sector, while also complementing and supporting the sustainability of the Energy Storage Project, the JETA Project aims to address an existing education and training system unable to respond to the current or future skill gaps in the energy sector and women's low level of participation in this comparatively high-paying sector. The JETA Project is designed to address these issues and is comprised of two Activities: (i) the Energy Skills for the Future Activity and (ii) the Inclusive Energy Sector Workforce Activity.

(i) Energy Skills for the Future Activity.

The Energy Skills for the Future Activity shall establish new technical training programs and build from existing programs to provide the skills demanded by employers in the energy and adjacent sectors, facilitating the Government's just⁴ energy transition. The training programs shall deliver pre-employment training as well as training for staff already employed. While specific technical fields will be prioritized during detailed design in consultation with energy sector employers, the training programs may provide skills development related to energy storage systems design and development; battery component and digital control systems; thermal systems analysis; electronic systems analysis; development, operations, and maintenance of renewables; energy efficiency auditing; environmental and social assessment; and utility operations.

This Activity shall strive to achieve equal gender participation in training through concerted and comprehensive efforts to recruit, retain, and otherwise support female trainees and create a supportive environment for women's participation and success. Such efforts may include, but are not limited to, launching recruitment efforts in high schools, disseminating information on salaries and employment opportunities in the sector, offering scholarships and/or stipends for training, providing services for career orientation and mentoring to link female trainees to employers, and recruiting female staff and trainers to serve as role models and mentors to female trainees. In addition, the Energy Skills for the Future Activity shall seek approaches to make training accessible to minority groups, including those that do not speak Albanian.

The training programs shall adopt a governance model that partners with energy sector employers to ensure that these employers are able to contribute to the strategic decisions related to the training programs, such as training the right number of graduates with the right skills and understanding and addressing barriers to retaining these employees over time, notably emigration of trained professionals. The training programs shall develop a business model that incorporates

³ Adjacent sectors for the purposes of targeting a training program are those that share core competencies or skill sets needed for the energy sector. These include, *inter alia*, construction trades such as welding and masonry, plumbing, and water related trades such as pipefitting and heating and cooling systems.

⁴ The principle of just transition means the need for any transition to a sustainable decarbonized economy to be well managed and contribute to the goals of decent work for all, social inclusion, and the eradication of poverty.

diverse sources of revenue to cover current operational costs not covered with MCC Funding as well as costs required to sustain the training programs. During the course of implementation, the Government may be required to provide a subsidy to trainees for pre-service training to defray the costs for attending training programs supported by MCC Funding. The Government also may provide financial assistance to address barriers to accessing training programs.

The training programs shall focus on the post-secondary, pre-university level (levels IV and V of the European Union qualifications framework), but could also include other levels of training. Where possible, the training programs shall seek international certifications or accreditation for specific fields. To provide an external quality benchmark, the Government may consider the adoption of the ISO 9001 standards for quality management, the ISO 21001 standards for management systems for educational organizations, or a similar certification.

MCC Funding shall support (a) the construction or rehabilitation of infrastructure; (b) classroom and training equipment and materials including furniture and computer hardware and software; (c) technical assistance to support program design and implementation; (d) curriculum development; (e) training of trainers, in Kosovo or abroad; (f) accreditation and certification initiatives; (g) initial operational expenses for the training programs; and (h) gender and inclusion integration activities. MCC Funding also may support opportunities for partnerships with local or international universities and training and educational institutions, and firms.

(ii) Inclusive Energy Sector Workforce Activity.

The Inclusive Energy Sector Workforce Activity aims to (i) promote gender equitable practices among energy sector employers, (ii) provide technical assistance to help increase female representation in energy companies in Kosovo, and (iii) support networking, mentoring, and other educational and learning opportunities for women. Improving the working environment for women will enable women to have a greater chance of entering and succeeding in the sector. This Activity includes three Sub-Activities.

(A) *Best Companies for Women Award Sub-Activity*

Employers have limited incentives to promote gender equality in Kosovo, and legislative measures have had limited success. Gender equity certification or award programs can be effective at promoting workplace diversity and inclusion strategies and providing employers with the tools to undertake changes. This Sub-Activity shall introduce an award for the “Best Companies for Women” targeted at the energy sector and complementary sectors.⁵

The award shall detail key aspects of an inclusive environment with metrics such as, for example, the percentage of women employed or the establishment of key gender-inclusive workplace policies. Part of promoting the award would include disseminating the business case for workplace equity, providing diagnostic tools and strategies, and supporting implementation and monitoring with guidance that employers can utilize to meet award criteria. The award could range from a certificate of recognition to an award combined with associated Government-

⁵Complementary sectors for the purposes of the Best Companies for Women Award Sub-Activity include, but are not limited to, cybersecurity, IT, energy-related water management and construction, or environmental management related to energy operations.

funded financial or other incentives to enhance participation. MCC Funding shall support technical assistance and funding to develop and implement the award.

In the final two years of the Program, with technical assistance provided through this Sub-Activity, the Government shall assess lessons learned from implementation and update the awards process, including diagnostic and guidance materials. This would leave the Government capable and equipped to broaden eligibility to all employers in Kosovo and expand the awards program after the expiration of the Compact.

(B) Women in Energy Grant Sub-Activity

The Women in Energy Grant Sub-Activity shall establish a small grants program to encourage and support employers in the energy sector to undertake workplace changes intended to foster a more inclusive environment for female employment, retention, and advancement. The aim of the grants program is to enable employers in the energy sector to be able to achieve the performance benchmarks established by the Best Companies for Women Award. The grants could be used to provide workplace assessments and audits to identify key contextualized constraints to women's participation in recipient workplaces along with potential solutions. In addition, the grants may provide financing for initiatives, including, but not limited to, the development of gender-friendly infrastructure, childcare or eldercare support solutions, recruitment strategies targeted at women, support for women's leadership and management representation, or development and implementation of anti-sexual harassment policies.

MCC Funding shall support the grants along with consultant services to advise companies on solutions and grant administration. The grants program shall utilize a grants manager while the Procurement Agent may assist with the administration of the grants. The administration of the grants program shall be governed by an operations manual, in form and substance satisfactory to MCC, setting forth, among others, eligibility criteria, requirements for grantee contributions, cost effectiveness assessment, appropriate governance and implementation structures (including a structure for the selection of grantees), and transparency requirements related to the use of the grant.

(C) Strengthening Pathways for Women in Energy Sub-Activity

Building on the Energy Skills for the Future Activity, this Sub-Activity will encourage more women to study and undertake careers in the energy and adjacent sectors, including through specific educational pathways. This Sub-Activity aims to create a supportive learning environment for professional development through mentoring, training, and learning events, a visible space, and outreach activities to engage women to enter the energy and adjacent sectors and link them with job opportunities. MCC Funding shall support education, training, networking, mentoring, and job placement activities for women as well as consulting services and technical assistance to design, implement, and support the above activities. Recognizing the need to address educational pathways and identify opportunities for training, particularly for attracting and retaining women in the energy sector, with MCC's prior approval, the Sub-Activity also may support virtual learning programs and training programs provided by international partners.

(b) Environmental and Social Mitigation Measures.

The JETA Project is classified as Category B per Environmental Guidelines. No major adverse environmental, climate, or social impacts are associated with the Energy Skills for the Future Activity or Inclusive Energy Sector Workforce Activity. However, these Activities may involve the construction of new facilities or centers of education, as well as possible provisions for information technology (IT) equipment installation, building and room upgrades, and disposal of old equipment or building materials. As the Activities are further designed, environmental management requirements shall be determined and documented in the ESMS. MCA-Kosovo, with support from the ESOC, shall be required to ensure implementation of environmental assessments and ESMPs, environmental permitting, and compliance oversight. Because land requirements, development options, and the availability of sites at existing institutional partner properties have not been evaluated, it is yet to be determined whether RAPs shall be required for the Project.

There will be opportunities to enhance positive environmental and social impacts of the JETA Project by incorporating training and the development of curricula targeting environmental services associated with the energy sector. The possible inclusion of coursework in energy efficiency, carbon accounting, renewable energy systems, and climate change mitigation and adaptation could enhance the policy reforms and technical assistance that shall be supported under the Energy Storage Project.

(c) Gender and Social Inclusion.

The JETA Project shall support opportunities for building a more inclusive energy sector workforce and enabling more equitable economic opportunities in the sector. This Project aims to take advantage of Kosovo's energy transition to overcome female exclusion, expand the pool of talent available to energy sector employers, and allow women to more fully participate in Kosovo's transition to a more just energy future. To the extent that the Project results in construction, typical gender and social issues related to construction shall be addressed.

The Energy Skills for the Future Activity shall require a series of gender integration measures to be incorporated into the detailed design to address women's under-representation in similar programs in Kosovo and ensure more gender balanced participation, striving for fifty percent participation by women in the training programs. The Project's TIP risks shall continue to be assessed and monitored, with TIP requirements complemented by additional outreach and education.

Activities aimed at strengthening female employment shall carefully consider and address possibilities for sexual harassment, which can be particularly pronounced in male-dominated environments.

Minority groups and communities are anticipated to face higher barriers to participation, and additional measures shall be built into the program to ensure their participation, such as specific outreach to minority communities in their own languages and media channels and dedicated outreach to minority group-led and managed energy companies.

(d) Donor Coordination.

Many donors are active in vocational education in Kosovo, including GIZ, LuxDev, and the Swiss Development Corporation. The JETA Project shall continue to coordinate with, build on, and complement the work of other donors. Fewer donor efforts have focused on inclusion and gender in the energy sector. The JETA Project builds upon lessons from relevant programming by USAID and the Threshold Program.

(e) USAID.

MCC coordinated with USAID throughout the development of the Compact. The gender-focused activities under this Project build upon several ongoing or past USAID efforts, including the Engendering Utilities Program, and USAID support for networking women in energy. To the extent relevant, program coordination with USAID shall continue throughout implementation of the Program.

(f) Sustainability.

Sustainability shall be carefully integrated into the Energy Skills for the Future Activity by seeking an accountability link to employers and a flexible, employer-driven governance model that will be able to adapt over time to the changing needs of the sector. Additionally, a robust business model shall seek diversified and reliable sources of financing to ensure the training programs' ability to both operate and re-invest, and adapt to changing demand.

By supporting energy companies in instituting a range of gender equitable policies and approaches within their organizations, the Inclusive Energy Sector Workforce Activity is directly focused on sustainability by encouraging lasting institutional change in those companies. The grant program shall contribute to upfront or initial costs, but grantees shall have to commit to financing any necessary recurring costs. By the end of the Compact, the Best Companies for Women Award shall leave in place the procedures and improve the Government's capacity to continue to implement the award program and extend it beyond the energy sector, so that all companies in Kosovo can participate and benefit from enhanced gender diversity and inclusion.

(g) Policy, Legal and Regulatory Reforms.

The Energy Skills for the Future Activity seeks to apply MCC lessons learned in technical and vocational education and training to ensure the training programs are responsive to employer demand, potentially including innovative governance structures, methods of program delivery, and financing. Measures to recruit, retain, and graduate a higher proportion of women than traditional training programs are also planned. The Inclusive Energy Sector Workforce Activity aims to encourage companies to integrate gender-equitable practices and policies into their organizations. This would support the operationalization of existing national legal requirements. In furtherance of this objective and the Project, the Government commits to:

- supporting greater participation in training programs among female and lower-income trainees by subsidizing their educational expenses or providing stipends, in line with the Kosovo Program for Gender Equality 2020-2024; and
- collaborating on the Best Companies for Women Award criteria and process.

3. American Catalyst Facility for Development Project

(a) Summary of Project and Activities.

The objective of the ACFD Project is to facilitate DFC investments in Kosovo. The Project aims to leverage DFC financing to support one or more blended finance transactions to catalyze private investment in Kosovo in areas that support or complement the objectives of the Energy Storage and JETA Projects by, *inter alia*, (i) augmenting MCC Funding to deliver a PPP alternative to a public entity for the MFES Activity; (ii) leveraging private sector participation to facilitate additional private sector investment in leased energy storage systems and services; (iii) catalyzing complimentary renewable energy investments that bolster generation capacity and strengthen the energy storage entity business case; and (iv) identifying climate finance investment opportunities.

Specific activities to be supported by this Project shall be agreed to by the Parties in writing after receiving proposals from DFC and screening the proposals to ensure no negative impacts on the Energy Storage and JETA Projects. Investments supported by the ACFD Project in Kosovo shall be consistent with the missions of both MCC and DFC, as well as all applicable statutory requirements and authorities. MCC Funding allocated for the ACFD Project may not be re-allocated to any other budget line in the multi-year financial plan.

(b) Environmental and Social Mitigation Measures.

The ACFD Project activities shall be governed by guidelines agreed to by MCC and DFC.

(c) Gender and Social Inclusion.

The Parties shall agree in writing to the applicable gender and social inclusion measures for each activity of the ACFD Project as activities are identified.

(d) Donor Coordination.

While DFC shall appraise, oversee and monitor ACFD Project activities, MCC and the Government expect to work closely with DFC during all phases of the ACFD Project from identifying activities to developing, designing and implementing such activities.

(e) USAID.

To the extent relevant, MCC expects to coordinate with USAID on potential investments relevant to its programming as ACFD Project activities are identified.

(f) Sustainability.

The Parties shall agree in writing to the sustainability measures for each activity of the ACFD Project as activities are identified.

(g) Policy, Legal and Regulatory Reforms.

The Parties shall agree in writing to any applicable policy, legal and regulatory reforms for each activity of the ACFD Project as activities are identified.

C. IMPLEMENTATION FRAMEWORK

1. MCA-Kosovo

(a) Independence and Autonomy.

MCA-Kosovo shall have operational and legal independence and full decision-making autonomy, including, *inter alia*, the ability, without consultation with, or the consent or approval of, any other party, to: (i) enter into contracts in its own name, (ii) sue and be sued, (iii) establish bank accounts with a financial institution in its own name and hold MCC Funding and the Government Contribution in those accounts, (iv) expend MCC Funding and the Government Contribution, (v) engage contractors, consultants and/or grantees, including, without limitation, Procurement Agents and Fiscal Agents, all in compliance with Section 3.6, and (vi) competitively engage one or more auditors to conduct audits of its accounts. MCA-Kosovo shall be governed and managed by a board of directors (the “**Board of Directors**”) and operations unit (the “**Operations Unit**”), in accordance with the terms of its constitutive documents and internal regulations (the “**Governing Documents**”) (which must be in form and substance satisfactory to MCC) and any related MCC policies.

(b) Board of Directors.

The Board of Directors shall have ultimate responsibility for the oversight, direction, and decisions of MCA-Kosovo, as well as the overall implementation of the Program. As of the date hereof, it is comprised of nine voting members, with the voting members being represented by the following:

- One representative from the Office of the President
- One representative from the Office of the Prime Minister
- One representative from the Ministry of Finance, Labour and Transfers
- One representative from the Ministry of Economy
- One representative from the Ministry of Environment, Spatial Planning, and Infrastructure
- One representative from the Ministry of Education, Science, Technology and Innovation
- One private sector representative
- Two civil society representatives (one representing organizations serving women and one representing Kosovo’s minority groups)

The number and composition of voting members may be changed through amendments to, and in accordance with, MCA-Kosovo's Governing Documents with MCC's approval. The members of the Board of Directors may be represented by alternates appointed pursuant to the Governing Documents. The non-Government representatives shall be selected through an open and transparent process in form and substance satisfactory to MCC. Other non-voting members may be included as named in the Governing Documents. In addition, MCC's Resident Country Director in Kosovo shall serve as a non-voting observer of the Board of Directors.

(c) Operations Unit.

The Operations Unit shall report to the Board of Directors and have principal responsibility for the day-to-day operations and management of MCA-Kosovo and implementation of the Program. The Operations Unit shall be led by a chief executive officer and shall be composed of the directors, officers, and other staff as agreed between MCC and the Government and selected after an open, competitive, and non-discriminatory recruitment and selection process (or its equivalent). The officers shall be supported by appropriate additional staff to enable the Operations Unit to execute its roles and responsibilities.

MCA-Kosovo shall develop and implement a SEP for sustaining inclusive public consultation and engagement with the private sector, civil society organizations, and organizations representing women and vulnerable groups, and allow them opportunities to provide advice and input. In addition, MCA-Kosovo may establish one or more stakeholders' committees (each, a "***Stakeholders' Committee***") to promote transparency and ongoing consultation among Compact stakeholders, as well as to further the overall goals and objectives of the Compact. The Stakeholders' Committee shall be identified and operated in accordance with procedures described in the Program Guidelines and the SEP.

2. Implementing Entities.

Subject to the terms and conditions of this Compact, the Program Implementation Agreement, and any other related agreement entered into in connection with this Compact, the Government, acting through MCA-Kosovo (or prior to MCA-Kosovo's establishment, the Compact Development Team), intends to engage one or more entities of the Government to assist with implementing any Project or Activity (or a component thereof) (each, an "***Implementing Entity***"). The appointment of any Implementing Entity shall be subject to review and approval by MCC. The Government shall ensure that the roles and responsibilities of each Implementing Entity and other appropriate terms are set forth in an agreement, in form and substance satisfactory to MCC (each an "***Implementing Entity Agreement***").

3. Fiscal Agent and Procurement Agent.

Unless MCC agrees otherwise in writing, the Government shall engage an individual or firm with expertise in financial management and reporting to serve as fiscal agent (the "***Fiscal Agent***"), and an individual or firm with expertise in public procurement and contract management to serve as procurement agent (the "***Procurement Agent***"). It is expected that the Fiscal Agent and Procurement Agent, respectively, shall help the Government ensure that all Program-related financial management activities and procurements are conducted in strict compliance with the principles, rules, and procedures set out in this Compact and related MCC

policies, procedures, or guidance. The duties of the Fiscal Agent and Procurement Agent, respectively, shall include those set forth in the Program Implementation Agreement as well as those set forth in the respective agreements, each in form and substance satisfactory to MCC, entered into between the Government and each agent.

4. Environmental and Social Oversight Consultant.

Unless MCC agrees otherwise in writing, the Government shall engage an Environmental and Social Oversight Consultant (“*ESOC*”) to assist MCA-Kosovo with the management of environmental and social performance related matters and capacity building during Compact implementation, as well as gender and social inclusion measures, which shall be maintained through closure of the Compact, unless otherwise agreed in writing between the Parties. More specifically, the ESOC, among other responsibilities, shall provide technical support to MCA-Kosovo regarding environmental and social performance monitoring and mitigation, compliance with MCC social and gender requirements and related policies, planning and implementation of inclusive stakeholder engagement and public consultation, and training to MCA-Kosovo staff, Government officials and contractors on gender issues, health and safety, and environmental management.

ANNEX II
MULTI-YEAR FINANCIAL PLAN SUMMARY

A. General.

A multi-year financial plan summary (“*Multi-Year Financial Plan Summary*”) for the Program is attached to this Annex as Exhibit A. By such time as specified in the Program Implementation Agreement, the Government shall adopt, subject to MCC approval, a multi-year financial plan that includes, in addition to the multi-year summary of estimated MCC Funding and the Government Contribution of funds and resources, the annual and quarterly funding requirements for the Program (including administrative costs) and for each Project, projected both on a commitment and cash requirement basis.

B. Government Contribution.

During the Compact Term, the Government shall make contributions, relative to its national budget and taking into account prevailing economic conditions, as are necessary to carry out the Government’s responsibilities under Section 2.6(a) of this Compact. These contributions may include in-kind and financial contributions (including obligations of Kosovo on any debt incurred toward meeting these contribution obligations). In connection with this obligation, the Government has developed a budget over the Compact Term to complement MCC Funding through budget allocations to the Program, as further described in the Program Implementation Agreement. The Government shall make a contribution of Thirty-Four Million Six Hundred Seventy Thousand and Six Hundred United States Dollars (US\$34,670,600) over the Compact Term, as provided in Section 2.6(a). Such contribution shall be in addition to the Government’s spending allocated toward such Project Objectives in its budget for the year immediately preceding the establishment of this Compact. The Government Contribution shall be subject to any legal requirements in Kosovo for the budgeting and appropriation of such contribution, including approval of the Government’s annual budget by its legislature. The Parties may set forth in the Program Implementation Agreement or other appropriate Supplemental Agreements certain requirements regarding this Government Contribution, which requirements may be conditions precedent to the Disbursement of MCC Funding.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

EXHIBIT A TO ANNEX II
MULTI-YEAR FINANCIAL PLAN SUMMARY

(US\$)								
Component	CFF	Year 1	Year 2	Year 3	Year 4	Year 5	MCC Total	Government Total
1. Energy Storage Project								
Frequency Restoration Response	\$443,376	\$1,292,928	\$10,316,651	\$2,262,027	\$3,736,587	\$3,429,446	\$21,481,015	\$24,700,260
Multi-Functional Energy Storage	\$8,665,955	\$7,867,637	\$30,788,216	\$48,442,395	\$18,862,641	\$1,962,046	\$116,588,890	\$8,233,420
Energy and Climate Policy Support	\$1,916,000	\$2,034,667	\$2,045,667	\$2,056,667	\$923,000	\$650,000	\$9,626,001	\$0
Subtotal	\$11,025,331	\$11,195,232	\$43,150,534	\$52,761,089	\$23,522,228	\$6,041,492	\$147,695,906	\$32,933,680
2. Just and Equitable Transition Acceleration Project								
Energy Skills for the Future	\$700,000	\$1,000,000	\$1,000,000	\$2,500,000	\$2,000,000	\$800,000	\$8,000,000	\$0
Inclusive Energy Sector Workforce	\$600,000	\$900,000	\$1,500,000	\$2,000,000	\$2,000,000	\$1,000,000	\$8,000,000	\$0
Subtotal	\$1,300,000	\$1,900,000	\$2,500,000	\$4,500,000	\$4,000,000	\$1,800,000	\$16,000,000	\$0
3. American Catalyst Fund for Development Project								
American Catalyst Fund for Development Project	\$0	\$0	\$0	\$1,000,000	\$1,000,000	\$0	\$2,000,000	\$0
Subtotal	\$0	\$0	\$0	\$1,000,000	\$1,000,000	\$0	\$2,000,000	\$0
4. Monitoring and Evaluation								
Monitoring and Evaluation	\$300,000	\$225,000	\$290,000	\$1,225,000	\$300,000	\$1,225,000	\$3,565,000	\$0
Subtotal	\$300,000	\$225,000	\$290,000	\$1,225,000	\$300,000	\$1,225,000	\$3,565,000	\$0
5. Program Management and Administration								
MCA-Kosovo Administration, Fiscal Agent, Procurement Agent, and Financial Audits	\$8,623,410	\$4,312,006	\$4,234,403	\$4,300,458	\$4,355,625	\$6,913,192	\$32,739,094	\$1,736,920
Subtotal	\$8,623,410	\$4,312,006	\$4,234,403	\$4,300,458	\$4,355,625	\$6,913,192	\$32,739,094	\$1,736,920
GRAND TOTAL MCC FUNDING	\$21,248,741	\$17,632,238	\$50,174,937	\$63,786,547	\$33,177,853	\$15,979,684	\$202,000,000	\$34,670,600
GRAND TOTAL COMPACT PROGRAM								
Total MCC Funding	\$21,248,741	\$17,632,238	\$50,174,937	\$63,786,547	\$33,177,853	\$15,979,684	\$202,000,000	
Total Government of Kosovo Contribution	\$431,280	\$12,547,396	\$12,583,366	\$8,502,987	\$252,268	\$353,303		\$34,670,600
TOTAL PROGRAM FUNDING	\$21,680,021	\$30,179,634	\$58,641,593	\$72,262,533	\$33,430,121	\$24,566,407		\$236,670,600

ANNEX III

COMPACT MONITORING & EVALUATION SUMMARY

This Annex III summarizes components of the monitoring and evaluation plan for this Compact (“*M&E Plan*”). The actual structure and content of the M&E Plan, which may differ from those specified in this Annex III, shall be agreed to by MCC and the Government in accordance with MCC’s *Policy for Monitoring and Evaluation of Compacts and Threshold Programs* (the “*MCC M&E Policy*”). In addition, the M&E Plan may be modified from time to time as described in the MCC M&E Policy without requiring an amendment to this Annex III. The M&E Plan shall be posted publicly on the MCC Website and updated as necessary.

1. Objective

MCC and the Government shall formulate and agree to, and the Government shall implement or cause to be implemented, an M&E Plan that explains in detail how and what MCC and MCA-Kosovo shall (i) monitor to determine whether the Projects are on track to achieve their intended results (“*Monitoring Component*”), and (ii) evaluate to assess implementation strategies, provide lessons learned, compare costs to benefits, and estimate the impact of compact interventions (“*Evaluation Component*”). The M&E Plan shall summarize all Indicators that must be reported to MCC on a regular basis, as well as a description of any complementary data to be collected for evaluation of the Program. The M&E Plan shall also include any monitoring and evaluation (M&E) requirements that MCA-Kosovo must meet in order to receive Disbursements, and shall serve as a communication tool so that MCA-Kosovo staff and other stakeholders clearly understand the objectives and targets the MCA-Kosovo is responsible for achieving. The results of M&E activities, measured by monitoring data and evaluations, shall be made publicly available on the website of MCA-Kosovo and on the MCC Website.

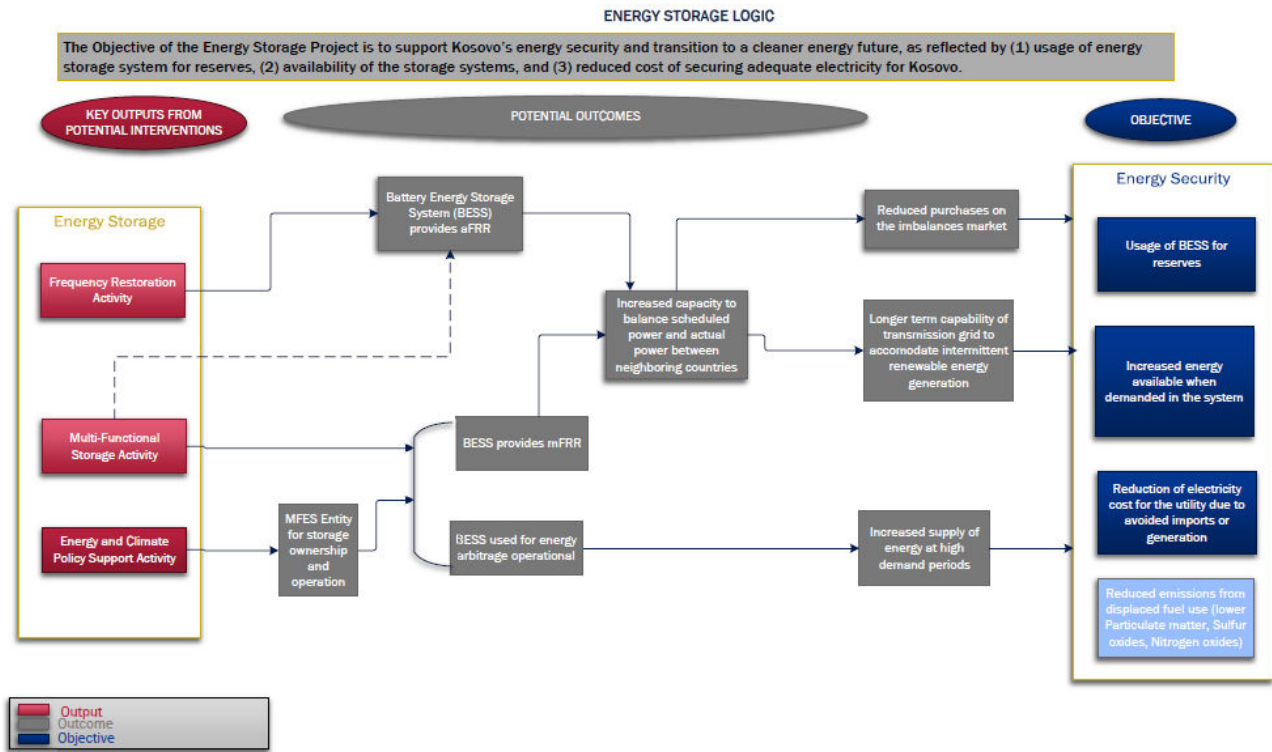
2. Program Logic

The program logic is an explanatory model that demonstrates how specific interventions lead to the expected outcomes, objectives, and goal of a compact program. Firstly, this model reflects the design and implementation plans of a program, noting planned activities and outputs and the sequencing of results. Secondly, it reflects the economic logic, which forms the basis of the cost-benefit analysis that produces the Economic Rate of Return (ERR). Lastly, it notes critical risks and assumptions related to achieving results. The program logic forms the basis of the M&E Plan.

2.1 Logic Models

A description of the logic underlying each Project is included below:

Energy Storage Project

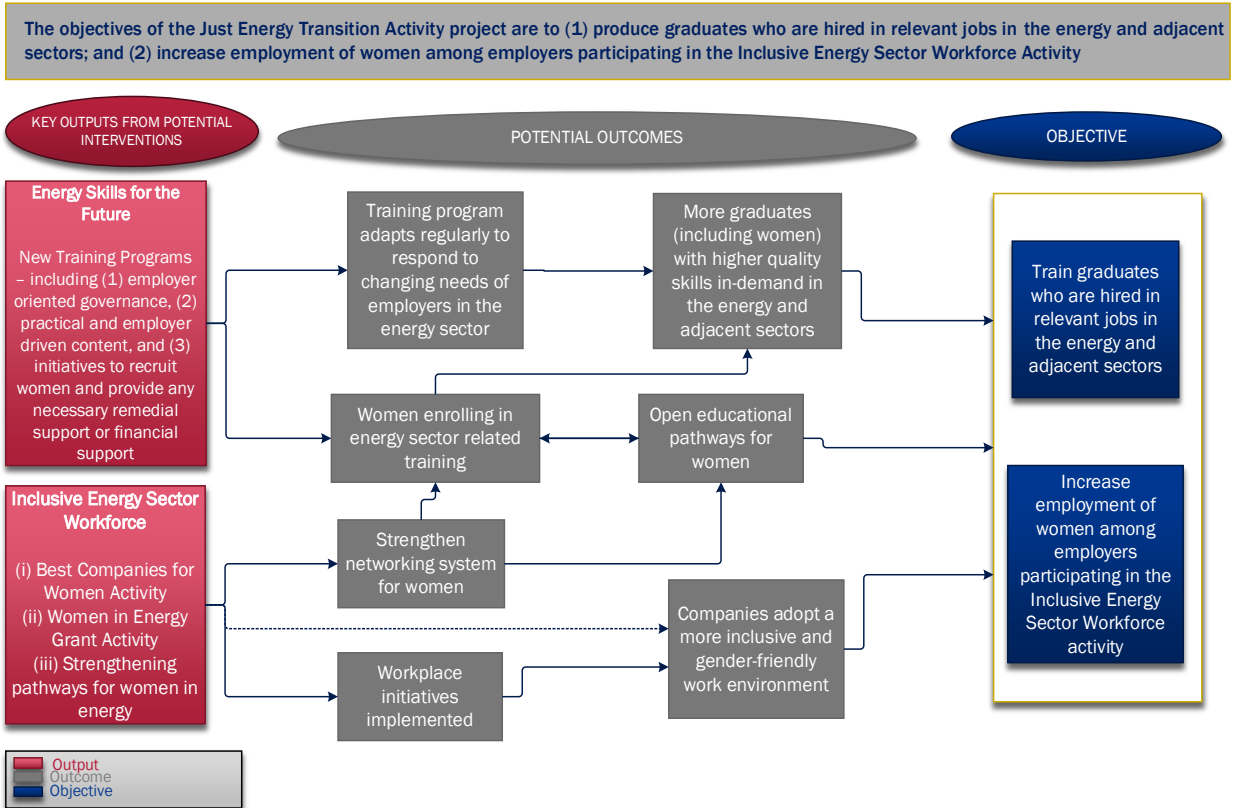


The Energy Storage Project is based on the theory that two batteries (approximately 90 MWh and 250 MWh) will give Kosovo increased capacity to balance scheduled power and actual power between neighboring countries and between periods of low value and high value. This increased capacity would reduce purchases on the imbalances market and support the longer-term capability of the transmission grid to accommodate intermittent renewable energy generation. These outcomes support the Project Objective of supporting energy security⁶, including the (1) usage of energy storage, (2) availability of the battery, and (3) reduced cost of securing adequate electricity for Kosovo, as Kosovo transitions towards clean energy.

⁶ The International Energy Agency defines energy security as the uninterrupted availability of energy sources at an affordable price.

JETA PROJECT

JETA PROJECT LOGIC



The JETA Project is based on the theory that a greater quantity and quality of training and interventions to promote more inclusive workplaces lead to improved labor market outcomes, especially for women in the energy sector. The JETA Project aims to achieve this through two interlinked activities that address key challenges in the energy sector workforce. The Energy Skills for the Future Activity aims to provide the skills demanded by employers in the energy and adjacent sectors by establishing new technical training programs and building from existing training programs. The Inclusive Energy Sector Workforce Activity aims to increase female representation in the sector by promoting gender equitable practices within companies, supporting networking and mentoring opportunities for women, strengthening educational pathways, and providing technical assistance to energy and adjacent sector employers. Together, these two Activities shall support the Project Objectives to (1) produce graduates who are hired in relevant jobs in the energy and adjacent sectors; and (2) increase employment of women among employers participating in the Inclusive Energy Sector Workforce Activity.

2.2 Risks and Assumptions

The M&E Plan also shall outline key assumptions and risks that underlie the accomplishment of the theory of change summarized in the program logic. However, such assumptions and risks shall not excuse any Party's performance unless otherwise expressly agreed to in writing by the other Party.

For the Energy Storage Project, the known assumptions and risks include:

1. The increased deployment of renewables will result in an increased need for frequency restoration reserves that cannot be reliably or cost-effectively procured from other sources.
2. The MFES Activity BESS is either: (a) able to purchase and sell energy in markets that exhibit sufficiently large differences between daily high and daily low prices to produce adequate returns from Energy Arbitrage, or (b) able to access other types of markets for energy storage services to offset any potential gaps in income from arbitrage.
3. The bridging strategies that Kosovo adopts over the next decade as several coal units go offline do not change the need for the services provided by MCC-funded BESS.
4. Kosovo is able to put in place the appropriate policy environment surrounding BESS operating space and tariff structures (for both cost-recovery and addressing needs of vulnerable customers) on the timescale required by the Compact.

For the JETA Project, the known assumptions and risks include:

1. Due to the early stage of design of this Project, many aspects of the Project remain unknown such as the potential education and training partners, existing and near future labor market demand, related policy and institutional reforms, and ongoing and planned donor investments within this space.
2. Data and studies demonstrate that Kosovo has a low rate of labor force participation, high unemployment, heavy migration to neighboring countries (with significant remittances that increase the reservation wage), and a general perception of low labor market demand for workers. Introducing or supporting a nascent sub-sector in such an environment introduces the risk that the results of the Energy Skills for the Future Activity may not be achieved. Mitigation of this risk shall require close coordination with current employers to identify the needs to launch the Energy Storage Project and support the growth and job creation of the energy sector.

2.3 Projected Economic Benefits and Beneficiaries

2.3.1 Projected Economic Benefits

A cost-benefit analysis (CBA) is completed to determine the cost effectiveness of MCC investments. A threshold of 10 percent is typically used to inform investment decisions.

The underlying economic logic of the CBA model(s) follow(s) the project logic depicted above. Additionally, several of the variables included in the model become key indicators to monitor the Program and evaluate whether the Program reached the intended outcomes, as well as determining its cost effectiveness. Each model includes estimated benefits and the total estimated costs to reach those intended benefits, whether costs are incurred by MCC, another donor, the Government, or another entity. These are typically examined over a 20-year period, unless otherwise noted.

The table below provides a summary of the estimated ERRs across this Compact’s Projects. The text following the table describes the general methodology and logic of the CBA model(s), as well as the key benefit streams, costs, assumptions, risks, etc. for each of the calculated ERRs.

Table 1: Estimated Economic Rates of Return

Project/Activity	Estimated ERR
Energy Storage Project	6-12%, with original estimate of 9%
Frequency Restoration Response Activity	To be determined
MFES Activity	To be determined
Energy and Climate Policy Support Activity	Not evaluated: Costs are assumed necessary for sustainability of the Frequency Restoration Response and MFES Activities, and carried in the Project-level ERR.
JETA Project	To be determined ⁷

Energy Storage Project

Benefit Streams

Most benefit streams stemming from the proposed energy storage systems relate to avoided costs. The category most directly connected to the core project logic is avoided costs of Kosovo importing or inefficiently securing automatic and manual frequency restoration reserves. Both reserve categories (automated frequency restoration reserves and manual frequency restoration reserves) have a reserve capacity cost (associated with guaranteeing the reserves are available, if necessary) and a separate cost associated with “activation” (when the reserves are called upon and energy is delivered). Additionally, the MFES Activity assumes benefits from Energy Arbitrage, wherein energy produced at times of low value is stored and released at times of higher value. Lastly, in a counterfactual in which Kosovo does not have energy storage systems, even though some reserves are procured more expensively (the avoided costs), energy systems modeling indicates that Kosovo will be unable to fully meet its reserve requirements. Value is assigned to (avoiding) these shortages in the with-project case using a proxy value for the expected consequences of this deficit (termed “Value of Reserve Shortage” in energy systems planning models). These consequences could be financial penalties, risk of other penalties or exclusion from the European grid, or increased likelihood of outages.

Some other potential benefit streams are not explicitly modeled, but may be further explored as opportunities for the MFES Activity system, and combined effects of the overall project. These include:

- Non-frequency restoration response ancillary services: These include, for example, services that provide critical power to batteries (to restart generating stations that have gone completely offline) and voltage regulation.

⁷ An ERR could not be calculated given the preliminary nature of the JETA Project’s design.

- **Local air pollution:** Avoided costs include carbon emissions priced at anticipated European market prices (as part of overall production costs), but do not include other health impacts associated with changes in local air pollution, which has long been identified as a critical and costly negative impact of coal use in Kosovo. However, while the BESS are expected to enable an eventual energy transition and move away from coal, the net effect of near-term deployment of BESS on emissions is ambiguous, because there is a significant likelihood that the MFES Activity BESS will be frequently charged using energy produced by Kosovo’s coal plants for the early years of its operation, reducing incentives to ramp down coal production during off-peak hours.
- **Credit for facilitating new BESS and renewables penetration in Kosovo:** The impact of BESS is evaluated primarily in terms of their benefits conditional on a broader energy sector expansion plan. Therefore, while deployment of MCC-funded BESS (and associated policy and institutional reform to enable them) is expected to facilitate wider deployment of BESS and renewables in Kosovo by other actors, this effect is not evaluated as a benefit stream, and is rather taken as a given part of the narrative. However, even if this benefit stream could be estimated, including it as a benefit stream would require including the costs of the additional renewable energy investments as well, so the current omission is not as biased as might be assumed.
- **Avoided penalties for Kosovo associated with the counterfactual pathway:** Economic CBA focuses on examining the difference in outcomes with and without the project in question. In the case of Kosovo, the “without project” counterfactual means that Kosovo will not have MCC-funded batteries available to fully meet automated frequency restoration reserves and manual frequency restoration reserves needs. These needs are partly economic, but they are also requirements imposed upon it as conditions for participation in the broader European grid. The CBA addresses the economic need by approximating a welfare cost (using the value of reserve shortage) associated with the consequences of reserve shortage in terms of its implications for grid performance. However, there is a non-quantified risk associated with Kosovo failing to meet its obligations as a participant in the European grid, which could include expulsion from participation in the grid.

CBA Summary

The Project-level ERR is estimated at approximately 9 percent, with the uncertainties explored to date showing that the ERR could plausibly fall between 6 percent and 12 percent. However, other factors still being examined may shift this range, with an updated estimate anticipated prior to the Compact entering into force.

The net present value (NPV) of the Project under the baseline scenario is presented in the table below for a range of discount rates, from MCC’s 10 percent hurdle rate down to a 5 percent discount rate, to explore the implications of greater patience that may be implied by the Government’s commitment to a long-term decarbonization agenda. The middle 7.5 percent discount rate was used as part of the least-cost energy expansion planning assessment that served as key inputs to the CBA.

Table 2: Net Present Value for the Energy Storage Project

Post-Compact time Horizon =>	15 years	20 years
10.0%	-\$24.58	-\$15.89
7.5%	\$3.35	\$18.37
5.0%	\$47.57	\$73.93

NPV of the base case of the Energy Storage Project evaluated for different discount rates and time horizons. Figures are in 2021 USD millions, with the first year of the NPV calculation starting one year prior to the Compact’s entry into force (and therefore inclusive of Compact Facilitation Funding spent prior to entry into force).

Activity-level CBA Results

It was not feasible to generate separate estimates for the value of the Frequency Restoration Response and MFES Activities systems. However, a breakeven estimate of required benefits that would need to be attributable to the KOSTT-owned Frequency Restoration Response BESS, and some benchmark assessments of the MFES Activity returns were conducted to assess the plausibility of reaching that breakeven level.

To achieve a 10 percent ERR, given fully burdened compact costs and expenditure schedule (including operations and maintenance), the Frequency Restoration Response Activity battery would need to produce approximately \$7.7 million of benefits per year. KOSTT averaged annual spending significantly more than this from late 2020 to early 2022, indicating high potential for the value of a BESS for KOSTT—though the system cannot be expected to avoid all those costs for a variety of reasons. These subtleties will be accounted for more precisely in the design phase, which may also identify the appropriate balance of near-term sizing and later build-out to improve cost-effectiveness.

It was similarly not feasible to partition the contribution of the MFES Activity. To provide a screening level estimate, a rapid-assessment proprietary model was used to approximate potential benefits and merged with the MCC’s cost schedule for the Activity. This process indicated an ERR of approximately 5 percent, with very high sensitivity to the daily variation in energy prices, operations maintenance costs, and the potential for renewables firming revenue streams.

No separate ERR is estimated for the Energy and Climate Policy Support Activity, nor are any ERRs estimated at the Sub-Activity level, as most sub-activities are considered necessary inputs to achieve the primary benefits associated with the energy storage activities. The ERRs for the Frequency Restoration Response and MFES Activities are therefore “burdened” by the Energy and Climate Policy Support Activity (as well as the standard burden of compact administration costs).

JETA Project

An ERR cannot be calculated at this stage given the preliminary nature of the JETA Project’s design. MCC and the Government shall work closely to advance the design of a cost-effective

project that includes the areas of focus described by the Energy Skills for the Future and Inclusive Energy Sector Workforce Activities. A CBA shall be conducted and an ERR estimated to inform project design and decision making, and for inclusion in the M&E Plan as a condition to first Disbursement.

A brief description of the key components of the expected CBA model for the JETA Project is described below. These shall be refined during the detailed design of the Project.

CBA Models

One CBA model is expected for the JETA Project, given the envisioned tight linkages between the two Activities. However, the beneficiaries are not anticipated to overlap entirely, so this may require Activity-level CBA models as well.

Costs

Cost estimates are high level and uninformed by detailed design studies. Of particular importance shall be whether and to what degree an infrastructure investment is incorporated into the Energy Skills for the Future Activity, and the potential non-MCC contributions (e.g., made by employers, private institutions, other donors), as all costs required to reach intended benefits shall be included in the CBA model.

Benefit Streams

- The main benefit from the Energy Skills for the Future Activity comes from graduates having better employment outcomes after their training, both in terms of higher employment rates and higher wages. This is relative to a counterfactual of what they would have done in the absence of the training, which has yet to be defined. The Inclusive Energy Sector Workforce Activity has similar expected benefits as it supports women to enter and remain in these higher paying sectors.
- The counterfactual for women will be considered separately from men, as women have lower labor force participation rates, higher unemployment rates, and are more likely to enter lower paying sectors.
- Further identification of the target populations and the expected number of participants and beneficiaries shall be a focus of upcoming design work. This shall inform counterfactuals and the beneficiary analysis.

2.3.2 Projected Program Beneficiaries⁸

The M&E Plan shall also define the persons or entities expected to benefit from the Program. Beneficiary analysis is an extension of the CBA and seeks to disaggregate the total increase in income to determine specifically which segments of society benefit from the Projects and Activities. MCC considers beneficiaries of Projects and Activities to be those people who

⁸ Note Section 609(b)(1)(D) of the MCA Act requires the compact to set forth “an identification of the intended beneficiaries, disaggregated by income level, gender, and age, to the maximum extent practicable.”

experience better standards of living as a result of the Project or Activity (as the case may be).⁹ For definitional purposes it is important to note that not all MCC project participants are necessarily project beneficiaries. The expected beneficiaries of this Compact over 20 years (unless otherwise noted) are shown in the following table. The “Program Overview” section of Annex I presents the projected number of beneficiaries of this Compact. The text below the table provides a description of the beneficiaries.

Project/Activity	Estimated Beneficiaries
Energy Storage Project	1,800,000
JETA	TBD
<i>Total*</i>	1,800,000

*There is some anticipated overlap in beneficiaries across the projects so the beneficiaries cannot simply be added together to estimate total compact beneficiaries.

The Frequency Restoration Response and MFES Activities of the Energy Storage Project are essentially system-level interventions that are expected to help the national grid function, with no *a priori* reason to expect that the activities will benefit groups differentially in terms of the technical service provided and given that groups are connected to the grid. Since essentially 100 percent of Kosovo’s households are connected to the grid, the entire population is expected to be beneficiaries. The direct participants of the activities are KOSTT and the new MFES Entity. The eventual impacts on the affordability of electricity by end-users shall be determined by factors such as the extent to which avoided costs for state-owned enterprises (SOEs) are passed on to citizens, such that tariffs are lower than they would be otherwise, or that SOE savings are passed on to taxpayers through other channels. A condition precedent to Disbursement and additional scope under the Energy and Climate Policy Support Activity are focused on ensuring that poor and marginalized groups are protected from or compensated for increased energy costs that may be due to ensuring that tariffs cover electricity system costs. To the extent the battery components facilitate the phase-out of coal, all Kosovars are expected to benefit in the long-term from improved air quality as well, though the impact shall vary significantly depending on location.

The inability to conduct CBA also means that there is not yet a beneficiary count for the JETA Project. The Project describes the intention to target certain participants, particularly women, and provide access to those that speak minority languages to support them to become beneficiaries. Detailed JETA Project design shall further define and count beneficiaries as a condition to entry into force. At the compact level, this shall not change the total number of expected beneficiaries, as the Energy Storage Project already aims to benefit the entire country.

3. Monitoring Component

As defined in the MCC M&E Policy, monitoring is the continuous, systematic collection of data on specified Indicators to provide indications of progress toward objectives and the achievement

⁹ As used in this Compact, the term “beneficiary” has the meaning described in MCC’s *Guidelines for Economic and Beneficiary Analysis*.

of intermediate results along the way. To monitor progress toward the achievement of results of this Compact, the Monitoring Component of the M&E Plan shall identify (i) the Indicators (as defined below), (ii) the definitions of the Indicators, (iii) the sources and methods for data collection, (iv) the frequency for data collection, (v) the party or parties responsible for collecting and analyzing relevant data, and (vi) the timeline for reporting on each Indicator to MCC. It should be noted that some Indicators shall continue to be tracked after the Compact Term as necessary.

3.1 Outcome, Output, and Process Indicators.

The full M&E Plan shall measure the results of the Program using quantitative, objective, and reliable data (“*Indicators*”).

3.1.1 Baselines.

The full M&E Plan shall establish baselines for every Indicator (each a, “*Baseline*”). An Indicator’s Baseline should be established prior to the start of the corresponding Project, Activity and/or Sub-Activity. Baselines demonstrate that the problem can be specified in measurable terms and are thus a pre-requisite for adequate intervention design. The Government shall collect Baselines on the selected Indicators or verify already collected Baselines where applicable.

3.1.2 Benchmarks and Targets.

The full M&E Plan shall establish a benchmark for each Indicator that specifies the expected value and the expected time by which the result shall be achieved (“*Target*”).

3.1.3 Disaggregation of Indicators.

The full M&E Plan shall indicate which Indicators shall be disaggregated by gender, income level, and age, and beneficiary types to the extent practical and applicable.

3.1.4 Outcome, Output, and Process Indicators.

Outcome, output, and process Indicators are all defined in the MCC M&E Policy.

3.1.5 Common Indicators.

MCC’s Common Indicators (as described in the MCC M&E Policy) shall also be included as relevant.

3.1.6 Revisions to Indicators and Targets.

Subject to prior written approval from MCC and in accordance with the MCC M&E Policy, the Government may add or remove Indicators or refine the definitions and Targets of existing Indicators.

3.1.7 Indicator Tracking Table.

MCA-Kosovo must report to MCC on monitoring Indicators in the M&E Plan on a quarterly basis using an “***Indicator Tracking Table***” or “***ITT***” in the form provided by MCC. No changes to Indicators, Baselines or Targets may be made in the ITT until the changes have been approved in the M&E Plan. Additional guidance on indicator reporting is contained in the *Guidance to Accountable Entities on Quarterly Disbursement Request Package*. In the case that MCA-Kosovo submits a six-month Disbursement request, the ITT must still be submitted quarterly.

The M&E Plan shall contain the monitoring Indicators listed in Tables 1.1 and 1.2 below.

4. **Evaluation Component**

While good program monitoring is necessary for program management, it is not sufficient for assessing ultimate results. MCC therefore advocates the use of different types of evaluations as complementary tools to better understand the effectiveness of its programs. As defined in the MCC M&E Policy, evaluation is the objective, systematic assessment of a program’s design, implementation and results. MCC is committed to making its evaluations as rigorous as warranted in order to understand the causal impacts of its programs on the expected outcomes and to assess cost effectiveness.

4.1 Independent Evaluations.

Every Project must undergo a comprehensive, independent evaluation (impact and/or performance) in accordance with the MCC M&E Policy. The Evaluation Component of the MCC M&E Plan shall describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. All independent evaluations must be designed and implemented by independent, third-party evaluators. If the Government wishes to engage an evaluator, the engagement shall be subject to the prior written approval of MCC. Contract terms must be acceptable to MCC and ensure non-biased results and the publication of results.

For each independent evaluation, MCA-Kosovo is expected to review and provide feedback to independent evaluators on the evaluation design reports, evaluation materials (including questionnaires), baseline report (if applicable), and any interim/final reports in order to ensure proposed evaluation activities are feasible, and final evaluation products are technically and factually accurate.

Energy Storage Project: The evaluation is likely to be a pre-post performance evaluation. The required data is primarily expected to be provided at the network level to determine how the batteries have been used to correct for the area control error on the grid, if the grid is now more capable of incorporating renewables, and whether the batteries have been used to supply more power during high demand periods.

The evaluation questions are as follows:

- **Question 1:** To what extent was the Energy Storage Project implemented according to plan (in terms of quantity and quality of outputs)?

- **Question 2:** Did the Energy Storage Project achieve its stated objective in the timeframe and magnitude expected, as documented in the M&E Plan? Why or why not?
- **Question 3:** Did the results of the Energy Storage Project justify the allocation of resources towards it? Why or why not?

Specifically, Question 2 shall answer:

Did the Energy Storage Project support Kosovo’s energy security and transition to a cleaner energy future, as reflected by (1) usage of energy storage systems for reserves, (2) availability of the storage systems, and (3) reduced cost of securing adequate electricity for Kosovo?

The key Indicators to be measured to answer these questions shall be battery availability, battery deployment, battery deployment ratio, and avoided costs.

JETA Project: The evaluation will likely be a pre-post performance evaluation with a tracer study for graduates of the training program, women working for participating employers, and women engaging in entrepreneurship through the Compact.

The evaluation questions are as follows:

- **Questions 1:** To what extent was the JETA Project implemented according to plan (in terms of quantity and quality of outputs)?
- **Question 2:** Did the JETA Project achieve its stated objective in the timeframe and magnitude expected, as documented in the M&E Plan? Why or why not? Did the JETA Project trained graduates get hired in relevant jobs in the energy and adjacent sectors; and increase employment of women in participating employers?
- **Question 3:** Did the results of the JETA Project justify the allocation of resources towards it? Why or why not?

The key employment Indicators defined for the Project Objective shall be measured to answer these evaluation questions. Depending on reasonable exposure periods after the implementation of Project activities, the evaluation could assess employment retention where feasible.

ACFD Project: Because DFC shall appraise, oversee, and monitor the specific activities or interventions under the ACFD Project, the MCC M&E Policy shall not be applied to those activities and interventions. In addition, MCC and the Government expect that DFC shall monitor and evaluate the project activities in accordance with its Operating Principles for Impact Management and use its IQ system and such other measurement tools as DFC may determine.

The M&E Plan shall contain the evaluation Indicators listed in Tables 1.1 and 1.2.

The results of all evaluations shall be made publicly available in accordance with the MCC M&E Policy.

5. Data Quality Reviews.

Data Quality Reviews (DQR) are a mechanism to review and analyze the utility, objectivity, and integrity of performance information. DQRs are to cover: (a) quality of data, (b) data collection instruments, (c) survey sampling methodology, (d) data collection procedures, (e) data entry, storage and retrieval processes, (f) data manipulation and analyses, and (g) data dissemination. MCC requires that an independent entity conduct the DQR, such as a local or international specialized firm or research organization, or an individual consultant, depending on the size of the program or project under review. The frequency and timing of data quality reviews must be set forth in the M&E Plan; however, MCC may request a DQR at any time. DQRs should be timed to occur before or early enough in the Compact Term that meaningful remedial measures (if any) may be taken depending on the results of the review. The methodology for the review should include a mix of document and record reviews, site visits, key informant interviews, and focus groups.

6. Other Components of the M&E Plan.

In addition to the monitoring and evaluation components, the full M&E Plan shall include the following components:

6.1 Data Management System.

The M&E Plan shall describe the information system that shall be used to collect data, store, process and deliver information to relevant stakeholders in such a way that the Program information collected and verified pursuant to the M&E Plan is accessible and useful to those who wish to use it.

6.2 Budget.

A detailed cost estimate for all components of the M&E Plan.

7. Responsibility for Developing the M&E Plan.

MCC desires to “[refrain] from requesting the introduction of performance indicators that are not consistent with countries’ national development strategies.”¹⁰ For this reason, primary responsibility for developing the M&E Plan lies with the M&E directorate of MCA-Kosovo with support and input from MCC’s M&E and economist staff. The M&E Plan must be developed in conjunction with key stakeholders, including MCA-Kosovo leadership and sector leads, the MCC Resident Country Mission, and other MCC staff (such as cross-cutting leads), as well as external stakeholders, as applicable. While the entire M&E Plan must be developed collaboratively, MCC and MCA-Kosovo Project/Activity leads are expected to guide the selection of Indicators at the process and output levels that are particularly useful for management and oversight of Projects and Activities.

8. Approval and Implementation of the M&E Plan.

¹⁰ Busan Partnership for Effective Development Cooperation, Busan Outcome Document, 1 December 2011, p. 5

The approval and implementation of the M&E Plan, as amended from time to time, shall be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement and the MCC M&E Policy. All M&E Plan modifications proposed by MCA-Kosovo must be submitted to MCC for prior written approval. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process. Evaluation activities under the M&E Plan are expected to continue beyond the end of the Compact Term and MCA-Kosovo shall identify the individuals and organizations that shall support these activities through completion.

Table 1.1: Indicators

The table below lists the preliminary set of monitoring and evaluation Indicators linked to each result in the Project Logic. Key Indicators that can be reported on at least an annual basis shall be included in quarterly monitoring indicator reports, while Indicators that require survey data or a longer time period to track shall be included in evaluation reports.

Table 1.1: Energy Storage Project Indicators

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
Outcome Indicators						
<i>Project Objective:</i> The objective of the Energy Storage Project is to support Kosovo’s energy security and transition to a cleaner energy future, as reflected by (1) usage of energy storage systems for reserves, (2) availability of the storage systems, and (3) reduced cost of securing adequate electricity for Kosovo	BESS availability	Total number of hours per month that BESS are able and available to store and deliver electricity / total number of hours in the year (disaggregated by BESS)	%	Value: 0 Year: 2022	Value: 95% Year: One year after operations begin	Y
	BESS deployed – ratio of the number of times called upon	Percent of times each BESS is deployed when it is called on to provide energy, given its declared availability (disaggregated by BESS)	%	Value: 0 Year: 2022	Value: 100% Year: One year after operations begin	Y
	BESS deployment ratio	The MWh delivered by the BESS to KOSTT/MWh requested by KOSTT, given their declared availabilities	%	Value: 0 Year: 2022	Value: 100% Year: One year after operations begin	Y

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
		(disaggregated by automated frequency restoration reserves (aFRR) and manual frequency restoration reserves (mFRR))				
	Avoided costs	Avoided costs when MFES BESS is used for aFRR, mFRR, and arbitrage measured as the relevant market or contractual price (Euro/MWh) multiplied by quantity (MWh) ¹¹	Euro	Value: 0 Year: 2022	Value: 18.5 EUR million Year: One year after all BESS operations begin	Y
Reduced purchases on the imbalances market and Longer term capability of transmission grid to accommodate intermittent renewable energy generation	Avoided MWh purchases for regulation of area control error ¹²	Quantity of aFRR activated (disaggregated by upward aFRR and downward aFRR)	MWh	Value: upward: -7238 downward: 492 Year: 2021	Value: Upward: TBD Downward: TBD Year: One year after operations begin	Y
Increased supply of energy at high demand periods	Total electricity supplied from batteries for arbitrage	Total electricity discharged, in MWh, by batteries in high demand periods	MWh	Value: 0 Year: 2022	Value: NA A variety of mixes of mFRR and arbitrage are acceptable in the CBA Year: One year after all	Y

¹¹ This is the sum of arbitrage revenue together with avoided costs, which is estimated as 2021 prices multiplied by PLEXOS-predicted quantity of aFRR and mFRR capacity reserves, and aFRR and mFRR activation, all of which have separate prices and quantities for upwards and downwards reserves.

¹² Area control error refers to the unintentional deviation between scheduled and actual power, taking into account the effect of frequency deviations as well.

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
					MFES BESSs are operational	
BESS provides aFRR	Frequency Restoration Response Activity BESS operational	Frequency Restoration Response Activity BESS operational	Date	Value: NA Year: NA	Value: 2027 Year: 2027	Y
BESS provides mFRR	MFES Activity BESS operational for mFRR	MFES Activity BESS operational for mFRR	Date	Value: NA Year: NA Source: NA	Value: 2028 Year: 2028	Y
BESS used for Energy Arbitrage operational	MFES Activity BESS operational for arbitrage	MFES Activity BESS operational for arbitrage	Date	Value: NA Year: NA Source: NA	Value: 2028 Year: 2028	Y
BESS provides aFRR, BESS provides mFRR, and BESS provides energy for arbitrage	Battery usage	Total electricity, in MWh, used from the battery in a month (disaggregated by aFRR, mFRR, arbitrage, and any other services determined to be provided by the MFES Activity BESS)	MWh	Value: 0 Year: 2022	Value: aFRR: TBD mFRR/arbitrage: NA A variety of mixes of mFRR and arbitrage are acceptable in the CBA Year: 2028	Y
MFES Entity for storage ownership and operation	MFES Entity established or re-established and organized with proper legal mandate	Date of Establishment or Re-establishment	Date	Value: NA Year: NA	Value: N/A Year: 2026	Y
Output Indicators						
Frequency Restoration Response Activity	Capacity of battery energy storage selected and installed for	MCC Funded Storage capacity added, measured in MWh, supported with MCC Funding	MWh	Value: 0	Value: 90 MWh	Y

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
	balancing secondary reserves			Year: TBD	Year: 2027	
Multi-Functional Energy Storage Activity	Capacity of battery energy storage selected and installed to meet services provided by the MFES Entity	Storage capacity added, measured in MWh, supported with MCC Funding	MWh	Value: 0 Year: NA	Value: 250MWh Year: 2028	Y
Energy and Climate Policy Support Activity	TBD	TBD	TBD	TBD	TBD	Y

Table 1.2: JETA Indicators

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
Outcome Indicators						
<i>Project Objective:</i> The objectives of the JETA Project are to (1) produce graduates who are hired in relevant jobs in the energy and adjacent sectors; and (2) <i>increase employment of women among employers</i> participating in the Inclusive Energy Sector Workforce Activity	Employment for graduates of MCC-supported education activities	The percentage of MCC-supported training program graduates hired in their field of study. (disaggregated by sex and minority status)	%	Value: 0 Year: 2022	Value: TBD Year: CED	N
	Increased employment	Percent of women employed at participating employers	%	TBD	TBD	N
More graduates (including women) with higher quality	(E-7) Graduates from MCC-	The number of students graduating from the highest	Number	Value: 0	Value: TBD	

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
skills in demand in the energy and adjacent sectors	supported education activities	grade (year) level in MCC-supported education schooling programs		Year: 2022	Year: CED	Y
	Share of women graduates from MCC-supported education activities	Percentage of women graduating from MCC-supported educational schooling/ skills training programs	%	Value: 0 Year: 2022	Value: TBD Year: CED	Y
Training program adapts regularly to respond to changing needs of employers in the energy sector	TBD	TBD	TBD	TBD	TBD	Y
Women enrolling in energy sector related training	(E-6) Students participating in MCC-supported education activities	The number of students enrolled or participating in MCC-supported educational schooling programs (disaggregated by sex)	Number	Value: 0 Year: 2022	Value: TBD Year: CED	Y
Companies adapt more inclusive and gender friendly work environment	Seals awarded	Number of seals awarded	Number	Value: 0 Year: 2022	Value: TBD Year: CED	Y
Workplace initiatives implemented	Number of initiatives implemented	Number of MCC supported workplace initiatives implemented	Number	Value: 0 Year: 2022	Value: TBD Year: CED	Y
Open educational pathways for women	Women advancing in energy sector education and training	Number of women enrolling in education/ training programs through project initiatives	Number	Value: 0 Year:2022	TBD	N

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
Strengthen networking system for women	Network established, operationalized or strengthened	Technical assistance/ professional development support provided to recruit and retain women in the energy sector	Number	Value: 0 Year: 2022	Value: TBD Year: CED	Y
Output Indicators						
Energy Skills for the Future						
Develop new training programs - including (1) employer-oriented governance, (2) practical employer driven content, and (3) initiatives to recruit women and provide necessary remedial support or scholarships	(E-5) Instructors trained	The number of classroom instructors who complete MCC-supported training focused on instructional quality as defined by the compact training activity (disaggregated by sex)	Number	Value: 0 Year: 2022	Value: TBD Year: CED	Y
	Programs/ curricular developed	Number of MCC-supported programs and curriculum for skills training developed	Number	Value: 0 Year: 2022	Value: TBD Year: CED	Y
	Employer relations/ industry council established	Number of employer- industry councils established	Number	Value: 0 Year: 2022	Value: TBD Year: CED	Y
		Date employer relation/industry council established	Date	Value: N/A Year: 2022	TBD	Y

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
	Gender inclusion initiatives developed	Number of gender focused recruitment initiatives implemented	Number	Value: 0 Year: 2022	Value: TBD Year: CED	Y
Inclusive Energy Sector Workforce						
Support the creation of a conducive work environment for women in energy firms	Grants awarded	Total amount of Grants awarded	USD	Value: 0 Year: 2022	TBD	Y
	Seal standards established	Date seal standard program is established	Date	Value: N/A Year: 2022	TBD	Y

Table 1.3: ACFD Indicators

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
Outcome Indicators						
Facilitate DFC investments in Kosovo	ACFD-supported DFC investments that reach financial close	Number of signed legal agreement(s) recording DFC's financial commitment to an ACFD-supported project	Number	Value: 0 Year: 2022	Value: 1 Year: CED	Y

ANNEX IV
CONDITIONS PRECEDENT
TO DISBURSEMENT OF COMPACT FACILITATION FUNDING

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact Facilitation Funding other than any Disbursement for MCC Contracted CFF Activities (each a “*CFF Disbursement*”). Capitalized terms used in this Annex IV and not defined in this Compact shall have the respective meanings assigned thereto in the Program Implementation Agreement. Upon execution of the Program Implementation Agreement, each CFF Disbursement shall be subject to the terms of the Program Implementation Agreement, except that the conditions precedent to each CFF Disbursement shall continue to be those set forth in this Annex IV.

1. Conditions Precedent to Initial Compact Facilitation Funding Disbursement.

Unless waived or deferred in writing by MCC, each of the following conditions must be met to MCC’s satisfaction before the Initial CFF Disbursement:

- (a) The Government (or MCA-Kosovo) has delivered to MCC:
 - (i) an interim fiscal accountability plan acceptable to MCC; and
 - (ii) a CFF procurement plan acceptable to MCC.

2. Conditions Precedent to all Compact Facilitation Funding Disbursements (Including the Initial CFF Disbursement).

Unless waived or deferred in writing by MCC, each of the following conditions must be met to MCC’s satisfaction before each CFF Disbursement:

- (a) The Government (or MCA-Kosovo) has delivered to MCC the following documents, in form and substance satisfactory to MCC:
 - (i) a completed Disbursement Request, together with the applicable Periodic Reports, for the applicable Disbursement Period, all in accordance with the Reporting Guidelines;
 - (ii) a certificate of the Government (or MCA-Kosovo), dated as of the date of the CFF Disbursement Request, in such form as provided by MCC;
 - (iii) if a Fiscal Agent has been engaged, a Fiscal Agent Disbursement Certificate; and
 - (iv) if a Procurement Agent has been engaged, a Procurement Agent Disbursement Certificate.
- (b) If any proceeds of the CFF Disbursement are to be deposited in a bank account, MCC has received satisfactory evidence that (i) the Bank Agreement has been executed and (ii) the Permitted Accounts have been established.

(c) Appointment of an entity or individual to provide Fiscal Agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of a Fiscal Agent Agreement, duly executed and in full force and effect, and the Fiscal Agent engaged thereby is mobilized.

(d) Appointment of an entity or individual to provide Procurement Agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of the Procurement Agent Agreement, duly executed and in full force and effect, and the Procurement Agent engaged thereby is mobilized.

(e) MCC is satisfied, in its sole discretion, that (i) the activities being funded with such CFF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating the implementation of this Compact and shall not violate any applicable law or regulation; (ii) no material default or breach of any covenant, obligation or responsibility by the Government, MCA-Kosovo or any Government entity has occurred and is continuing under this Compact or any Supplemental Agreement; (iii) there has been no violation of, and the use of requested funds for the purposes requested shall not violate, the limitations on use or treatment of MCC Funding set forth in Section 2.7 of this Compact or in any applicable law or regulation; (iv) any Taxes paid with MCC Funding through the date thirty (30) days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.8(c) of this Compact; and (v) the Government has satisfied all of its payment obligations, including any insurance, indemnification, tax payments or other obligations, and contributed all resources required from it, under this Compact and any Supplemental Agreement.

(f) For any CFF Disbursement occurring after this Compact has entered into force in accordance with Article 7: MCC is satisfied, in its sole discretion, that (i) MCC has received copies of any reports due from any technical consultants (including environmental auditors engaged by MCA-Kosovo) for any Activity since the previous Disbursement Request, and all such reports are in form and substance satisfactory to MCC; (ii) the Implementation Plan Documents and Fiscal Accountability Plan are current and updated and are in form and substance satisfactory to MCC, and there has been progress satisfactory to MCC on the components of the Implementation Plan for any relevant Projects or Activities related to such CFF Disbursement; (iii) there has been progress satisfactory to MCC on the M&E Plan and Social and Gender Integration Plan as defined in the PIA for the Program or relevant Project or Activity and substantial compliance with the requirements of the M&E Plan and Social and Gender Integration Plan (including the targets set forth therein and any applicable reporting requirements set forth therein for the relevant Disbursement Period); (iv) there has been no material negative finding in any financial audit report delivered in accordance with this Compact and the Audit Plan, for the prior two quarters (or such other period as the Audit Plan may require); (v) MCC does not have grounds for concluding that any matter certified to it in the related MCA Disbursement Certificate, the Fiscal Agent Disbursement Certificate or the Procurement Agent Disbursement Certificate is not as certified; and (vi) if any of the officers or key staff of MCA-Kosovo have been removed or resigned and the position remains vacant, MCA-Kosovo is actively engaged in recruiting a replacement.

(g) MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, this Compact or MCC Funding in accordance with Section 5.1 of this Compact.

ANNEX V

ADDITIONAL CONDITIONS PRECEDENT TO ENTRY INTO FORCE

In addition to the conditions precedent to entry into force set forth in Section 7.2 of this Compact, unless waived or deferred in writing by MCC, each of the following conditions must be met to MCC's satisfaction before this Compact enters into force:

- (a) The Government shall determine the ownership structure for the MFES Entity; and
- (b) MCA-Kosovo must establish for the JETA Project (i) an indicator to measure the Project Objective, including a definition, Baseline, and Target and (ii) a beneficiary analysis, in form and substance satisfactory to MCC.

ANNEX VI
ACRONYMS

ACRONYM	DEFINITION
ACFD	American Catalyst Facility for Development
aFRR	Automated Frequency Restoration Reserves
BESS	Battery Energy Storage System
CBA	Cost-Benefit Analysis
CFF	Compact Facilitation Funding
DFC	United States International Development Finance Corporation
DQR	Data Quality Reviews
ERO	Energy Regulatory Office
ERR	Economic Rate of Return
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
ESOC	Environmental and Social Oversight Consultant
EU	European Union
GHG	Greenhouse Gas
IFC	International Finance Corporation
IFC PS	International Finance Corporation Performance Standards
IQ	Impact Quotient
IT	Information Technology
ITT	Indicator Tracking Table
JETA	Just and Equitable Transition Acceleration
KOSTT	<i>Kosovë Operator Sistemi, Transmisioni Dhe Tregu</i>
LRP	Livelihood Restoration Plan
M&E	Monitoring and Evaluation
MESPI	Ministry of Environment, Spatial Planning and Infrastructure
mFRR	Manual Frequency Restoration Reserves
MW	Megawatts
MWh	Megawatt hours
NECP	National Energy and Climate Plan
NPV	Net Present Value
NREP	National Renewable Energy Plan
OECD	Organization for Economic Co-operation and Development
PIA	Program Implementation Agreement
PIR	Policy and Institutional Reforms
PPP	Public-Private Partnership
RAP	Resettlement Action Plan
SEP	Stakeholder Engagement Plan
SOE	State-Owned Enterprise
TIP	Trafficking in Persons
TSO	Transmission System and Market Operator
USAID	United States Agency for International Development

ANNEX VII DEFINITIONS

Activity has the meaning provided in Section B of Annex I.

Additional Representative has the meaning provided in Section 4.2.

American Catalyst Facility for Development Project or ACFD Project has the meaning provided in Section B of Annex I.

Annex has the meaning provided in Section 6.1.

Audit Guidelines has the meaning provided in Section 3.8(a).

Audit Plan has the meaning provided in Section 3.8(a).

Bank means the financial institution approved by MCC to hold MCA-Kosovo's Permitted Account.

Bank Agreement means an agreement, in form and substance satisfactory to MCC, between MCA-Kosovo and the Bank that sets forth the signatory authority, access rights, anti-money laundering and anti-terrorist financing provisions, and other terms related to MCA-Kosovo's Permitted Account.

Baseline has the meaning provided in Annex III.

Best Companies for Women Award Sub-Activity has the meaning provided in Section B of Annex I.

Board of Directors has the meaning provided in Section C of Annex I.

CDF Agreement has the meaning provided in Section 3.2(b).

CFF Disbursement has the meaning provided in the preamble to Annex IV.

CFF Disbursement Request means a Disbursement Request pertaining to CFF.

Compact has the meaning provided in the Preamble.

Compact Facilitation Funding or CFF has the meaning provided in Section 2.2(a).

Compact Goal has the meaning provided in Section 1.1.

Compact Records has the meaning provided in Section 3.7(a).

Compact Term has the meaning provided in Section 7.4.

Covered Provider has the meaning provided in the Audit Guidelines.

Disbursement has the meaning provided in Section 2.4.

Disbursement Request means a request by MCA-Kosovo to MCC for Program Funding or CFF, respectively, submitted in accordance with the Reporting Guidelines.

Energy and Climate Policy Support Activity has the meaning provided in Section B of Annex I.

Energy Arbitrage means the storing of energy at times of low value and deploying it at times of high value.

Energy Community Acquis means the European Union's key energy legislation in the fields of electricity, gas, security of supply, environment.

Energy Security means the uninterrupted availability of energy sources at an affordable price.

Energy Skills for the Future Activity has the meaning provided in Section B of Annex I.

Energy Storage Project has the meaning provided in Section B of Annex I.

Environmental and Social Management System or **ESMS** means a set of policies, procedures, tools and internal capacity to identify and manage an institution's exposure to the environmental and social risks of its clients, investees or stakeholders.

Environmental and Social Oversight Consultant or **ESOC** has the meaning provided in Section C of Annex I.

Environmental Guidelines has the meaning provided in Section 2.7(c).

ERR has the meaning provided in Annex III.

European Union Acquis means the body of common rights and obligations which constitute the body of European Union Law that are binding on all European Union countries.

Evaluation Component has the meaning provided in paragraph 1 of Annex III.

Excess CFF Amount has the meaning provided in Section 2.2(d).

Fiscal Agent has the meaning provided in Section C of Annex I.

Fiscal Agent Agreement means an agreement between MCA-Kosovo and the Fiscal Agent, in form and substance satisfactory to MCC, that sets forth the roles and responsibilities of the Fiscal Agent and other appropriate terms and conditions.

Fiscal Agent Disbursement Certificate means a certificate of the Fiscal Agent, substantially in the form provided by MCC.

Frequency Restoration Response Activity has the meaning provided in Section B of Annex I.

Governing Documents has the meaning provided in Section C of Annex I.

Government has the meaning provided in the Preamble.

Government Contribution has the meaning provided in Section 2.6(a).

Grant has the meaning provided in Section 3.6(c).

Implementation Letters has the meaning provided in Section 3.5.

Implementing Entity has the meaning provided in Section C of Annex I.

Implementing Entity Agreement has the meaning provided in Section C of Annex I.

Inclusive Energy Sector Workforce Activity has the meaning provided in Section B of Annex I.

Indicator Tracking Table or **ITT** has the meaning provided in Annex III.

Indicators has the meaning provided in Annex III.

Initial CFF Disbursement means the first Disbursement relating to CFF.

Inspector General has the meaning provided in Section 3.7(c).

Intellectual Property means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing, that are financed, in whole or in part, using MCC Funding.

International Accounting Standards Board has the meaning provided in Section 3.7(b).

Just and Equitable Transition Acceleration Project or **JETA Project** has the meaning provided in Section B of Annex I.

Livelihood Restoration Plans or **LRPs** means a plan that establishes the entitlements (e.g., compensation, other assistance) of affected persons and/or communities who are economically displaced by a project, in order to provide them with adequate opportunity to reestablish their livelihoods.

M&E Plan has the meaning provided in the first paragraph of Annex III.

MCA Act has the meaning provided in Section 2.2(a).

MCA-Kosovo has the meaning provided in Section 3.2(b).

MCC has the meaning provided in the Preamble.

MCC Contracted CFF Activities has the meaning provided in Section 2.2(f).

MCC Funding has the meaning provided in Section 2.3.

MCC Gender Policy means the MCC Gender Policy (including any guidance documents issued in connection with such policy).

MCC M&E Policy has the meaning provided in the first paragraph of Annex III.

MCC Program Closure Guidelines means the MCC Program Closure Guidelines (including any guidance documents issued in connection with such guidelines).

MCC Program Grant Guidelines has the meaning provided in Section 3.6(c).

MCC Program Procurement Guidelines has the meaning provided in Section 3.6(a).

MCC Website means the MCC website at www.mcc.gov.

MFES Entity has the meaning provided in Section B of Annex I.

Monitoring Component has the meaning provided in paragraph 1 of Annex III.

Multi-Functional Energy Storage Activity or MFES Activity has the meaning provided in Section B of Annex I.

Multi-Year Financial Plan Summary has the meaning provided in Part A of Annex II.

Operations Unit has the meaning provided in Section C of Annex I.

Party and Parties have the meaning provided in the Preamble.

Permitted Account has the meaning provided in Section 2.4.

Principal Representative has the meaning provided in Section 4.2.

Procurement Agent has the meaning provided in Section C of Annex I.

Procurement Agent Agreement means the agreement that MCA-Kosovo shall enter into with the Procurement Agent, in form and substance satisfactory to MCC, that sets forth the roles and responsibilities of the Procurement Agent with respect to the conduct, monitoring and review of procurements and other appropriate terms and conditions.

Procurement Agent Disbursement Certificate means a certificate of the Procurement Agent, substantially in the form provided by MCC.

Procurement Plan means the plan prepared by MCA-Kosovo for acquiring the goods, works, and consultant and non-consultant services needed to prepare and implement the Compact.

Program has the meaning provided in the Preamble.

Program Assets means any assets, goods or property (real, tangible or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding.

Program Funding has the meaning provided in Section 2.1.

Program Guidelines means collectively the Audit Guidelines, the Environmental Guidelines, the MCC Policy Guidelines for Accountable Entities and Implementation Structures, the MCC Program Grant Guidelines, the MCC Program Procurement Guidelines, the Reporting Guidelines, the MCC M&E Policy, the MCC Cost Principles for Government Affiliates, the MCC Program Closure Guidelines, the MCC Gender Policy, the MCC Operational Requirements and Milestones for Social Inclusion and Gender Integration, the MCC Guidelines for Economic and Beneficiary Analysis, the MCC Standards for Global Marking, the MCC Guidelines for Country Contributions, the MCC Counter-Trafficking Persons Policy, the Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC Operations, and any other guidelines, policies or guidance papers relating to the administration of MCC-funded compact programs, in each case, as such may be posted from time to time on the MCC Website.

Program Implementation Agreement or PIA has the meaning provided in Section 3.1.

Project has the meaning provided in Section 1.2.

Project Objective has the meaning provided in Section 1.2.

Provider means (a) any entity of the Government that receives or uses MCC Funding or any other Program Asset in carrying out activities in furtherance of this Compact or (b) any third party that receives at least US\$50,000 in the aggregate of MCC Funding (other than as salary or compensation as an employee of an entity of the Government) during the Compact Term.

Reporting Guidelines means the MCC Guidance to Accountable Entities on the Quarterly Disbursement Request Package.

Resettlement Action Plan or RAP means a plan designed to mitigate the negative impacts of the physical displacement of persons caused by project implementation.

Social and Gender Integration Plan means the plan prepared in accordance with the MCC Gender Policy and the MCC Operational Requirements and Milestones for Social Inclusion and Gender Integration, as further described in the Program Implementation Agreement.

Stakeholder Engagement Plan or SEP means a plan designed to guide consultations and communications with stakeholders of a project throughout the life of the project for the purpose of engaging with stakeholders in a culturally appropriate manner, all as more particularly described in IFC Performance Standard No. 1.

Stakeholders' Committee means one or more bodies of representatives from the private sector, beneficiaries, civil society and local and regional governments established by MCA-Kosovo as part of fulfilling the requirements of any stakeholder engagement plan, and to provide advice and input to MCA-Kosovo regarding the implementation of the Program.

Strengthening Pathways for Women in Energy Sub-Activity has the meaning provided in Section B of Annex I.

Sub-Activities has the meaning provided in Section B of Annex I.

Supplemental Agreement means any agreement between (a) the Government (or any Government affiliate, including MCA-Kosovo) and MCC (including, but not limited to, the PIA), or (b) MCC and/or the Government (or any Government affiliate, including MCA-Kosovo), on the one hand, and any third party, on the other hand, including any of the Providers, in each case, setting forth the details of any funding, implementing or other arrangements in furtherance of, and in compliance with, this Compact.

Target has the meaning provided in Annex III.

Taxes has the meaning provided in Section 2.8(a).

Threshold Program has the meaning provided in Section A.1 of Annex I.

United States has the meaning provided in the Preamble.

United States Dollars or USD or US\$ means the lawful currency of the United States of America.

Women in Energy Grant Sub-Activity has the meaning provided in Section B of Annex I.