



## Republic of Kosovo: Kosovo KEK-01/Prishtina

PROJECT INFORMATION	CASE INFORMATION
<i>Institution:</i> IFC	<i>Case Name:</i> Kosovo KEK-01/Prishtina
<i>Project Name &amp; Number:</i> Kosovo KEK (#29107)	<i>Complainant:</i> Confidential
<i>Company:</i> Kosovo Energy Corporation (KEK)	<i>Date Filed:</i> August 25, 2011
<i>Sector:</i> Advisory Services <i>Commitment:</i> US\$2,022,508	<i>Concerns:</i> Social & environmental impacts of privatization
<i>Region:</i> Europe and Central Asia	<i>Status:</i> Open
<i>Country:</i> Republic of Kosovo	<i>Phase:</i> Closed

### **Complaint**

IFC Advisory Services is assisting the Government of Kosovo with the possible unbundling and privatization of the electricity distribution functions of Kosovo Energy Corporation, the country's publicly owned utility (known by its Albanian acronym, KEK) via private sector participation (PSP). The objective of the project is successful completion of the bidding process, with selection of a reputable private operator. The project was approved by IFC in December 2009, and disclosed in January 2010 with an estimated total budget of just over US\$2 million.

In August 2011 the CAO received a complaint regarding the privatization of KEK's electricity distribution functions. The complainants contend that access to information regarding the privatization was not adequate enough to allow people to address potential adverse impacts of the process, and that failure to conduct an appropriate Social and Environmental Assessment did not take into account project impacts on relevant members of the community and workforce, and the environment. The complainants requested that CAO keep their identities confidential.

### **CAO Action**

In September 2011 the CAO found the complaint eligible for further assessment and CAO's Ombudsman team conducted two field trips to Pristina in November 2011. Numerous stakeholders affirmed their willingness to engage in a collaborative process to address the issues raised in the complaint. However, after a thorough discussion of the CAO mandate, functions, services, and processes, the complainants informed CAO that they considered their interests (and those of the Kosovar public) would be best served by CAO's compliance function. Therefore, the CAO Ombudsman concluded its involvement and the case was formally transferred to CAO's compliance team in January 2012. The ombudsman assessment report is available in English and Albanian.



CAO Compliance conducted an appraisal to ascertain whether an audit of IFC's environmental and social due diligence for the project is merited. CAO's appraisal report, completed April 2012, found that the complainants' concerns related to IFC's due diligence were initially identified by IFC. However, at initial review, disclosure of information and community consultation were not highlighted by IFC as an issue of concern (nevertheless, IFC endeavored to foster communication between the Government of Kosovo and local NGOs). At appraisal, it was unclear whether appropriate guidance existed as to ensure that IFC delineates the scope of Advisory Services projects, and the scope of its due diligence review, so that the subsequent impacts and outcomes of Advisory Services projects are consistent with the desired effects of IFC policy provisions.

The CAO found that a compliance audit could yield information or findings that might better inform IFC on guidance to staff and application of policies to future IFC Advisory Services projects.

CAO's audit report and IFC's response were released to the public on April 12, 2013. CAO's audit found IFC to be in material compliance with its policies. However, at the time, the procedures for IFC to apply these requirements were not prescriptive. CAO's audit noted that IFC did not have a structured approach to assess its Advisory Services clients' commitment to IFC's environmental and social goals.

Furthermore, CAO found that IFC was unable to assess to what degree its engagement was likely to lead to improved environmental and social outcomes, or meet its policy commitment to "do no harm". CAO considers that if IFC had assessed the environmental and social implications of the project to a greater extent, it could have provided better clarity to external stakeholders regarding IFC's project scope.

## **Status**

CAO's Monitoring report was released to the public on January 23, 2015. Overall, CAO finds that IFC's commitments and actions constitute a constructive approach to address the conclusions reached in the Audit Report. CAO determines that it has sufficient basis to close the audit at this stage.