

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

Approved by the Board of Directors on 23 September 2026¹

KOSOVO

KOSTT TRANSMISSION GRID STRENGTHENING

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2024), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the electricity Transmission System and Market Operator of the Republic of Kosovo ("KOSTT", the "Borrower" or the "Company"), a joint stock company and fully state-owned entity, incorporated in the Republic of Kosovo, are submitted for consideration by the Board of Directors.

The facility will consist of a senior unsecured corporate loan to KOSTT in the amount of up to EUR 25m, representing the first new corporate loan to the Company in over a decade. The operation will enable KOSTT to undertake critical upgrades to the electricity transmission network, strengthening the grid infrastructure across different regions of the country and enabling renewable energy connections, as well as improving system reliability and flexibility (the "Project"). The operation is expected to be 81% GET aligned. The Project's transition impact stems from *Resilient* and *Green* qualities.

Donor support for this operation has been provided by the Danish International Development Agency ("Danida"), the EU through the European Fund for Sustainable Development Plus ("EFSD+") and the EBRD's Shareholders Special Fund ("SSF"). The Project will benefit from an investment grant provided by Danida, which will finance the investment along with the proposed loan.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

DECISION FOR THE BOARD / KEY FACTS SUMMARY

DTM ID: 55387	Kosovo, KOSTT Transmission Grid Strengthening Project			
Client	Kosovo Electricity Transmission System and Market Operator, an existing client of the Bank and a joint stock company 100% owned by the Republic of Kosovo, responsible for the Kosovo's electricity transmission, system and market operations. [REDACTED]			
Project	Board approval is sought for the following transaction: a senior unsecured corporate loan of up to EUR 25m to KOSTT (the "Company" or the "Borrower"), to finance the replacement of transformers, rehabilitation of selected substations, and electricity transmission lines across different regions of Kosovo. The proposed tenor is up to 15 years[REDACTED]. [REDACTED]			
Key Covenanted Conditionality	[REDACTED]			
Material Credit Risk Mitigation	[REDACTED]			
Donor Support (other than credit risk mitigation)	Donor instrument	Short description of instrument	CCY & amount	Fund and Donor Name(s)
	Financial Assistance: CAPEX/OPE X grant	Investment Grant to cover a portion of total project costs of the project.	[REDACTED]	<i>Partnership for Green and Just Energy Transition in Kosovo (Denmark-EBRD Cooperation Account)</i>
	Technical Assistance	Environmental and Social Due Diligence - incl ESAP preparation.	[REDACTED]	<i>Shareholder Special Fund</i>
	Technical Assistance	Contamination Investigation	[REDACTED]	<i>Shareholder Special Fund</i>
	Technical Assistance	Technical Support and capacity building (Transmission Grid transformers), Client contribution: 0 And Feasibility Study and Technical Due Diligence for Network Renewal and procurement of Grid Transformers, Client contribution:0.	[REDACTED] [REDACTED]	<i>Partnership for Green and Just Energy Transition in Kosovo (Denmark-EBRD Cooperation Account)</i> <i>Shareholder Special Fund</i>
	Technical Assistance	Legal Due Diligence, Client contribution: 0.	[REDACTED]	<i>Partnership for Green and Just Energy Transition in Kosovo (Denmark-EBRD Cooperation Account)</i>
	Technical Assistance	Advance Procurement Advisor	[REDACTED]	AP programme and funding
Donor Support (other than credit risk mitigation)	Donor instrument	Short description of instrument	CCY & amount	Fund and Donor Name(s)
	Technical Assistance	PIU Support with Owner's Engineering Services , [REDACTED]	[REDACTED]	<i>Partnership for Green and Just Energy Transition in Kosovo (Denmark-EBRD Cooperation Account)</i>
	Technical Assistance	KOSTT Electricity Market Management System Design.	[REDACTED]	SSF
Existing Exposure (before risk transfer)	[REDACTED]			

Investment Plan (Uses of Funds)	[REDACTED]				
Financing Plan (Sources of Funds)	[REDACTED]				
TI qualities:	(i) Resilient (ii) Green			ETI:	65
Additionality:	The Bank provides long-term financing unavailable from local commercial banks and introduces an innovative blended-finance structure incorporating the EFSD+ FLRC. EBRD brings international best practice, technical expertise, and donor-funded assistance to strengthen project preparation and implementation and support KOSTT's digital transformation and cybersecurity resilience.				
Portfolio Class:	Public	Environment & Social Category:	Category B	Economic Governance:	NO
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	Gender Smart	Gender Aware	GET share:	81%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	Procurement	Public
Related IPAM case	N/A				

[REDACTED]

INVESTMENT PROPOSAL

1 STRATEGIC FIT AND KEY ISSUES

1.1 RATIONALE FOR BANK'S INVOLVEMENT

EBRD's longstanding relationship with KOSTT, combined with its extensive knowledge of and support to Kosovo's energy sector, enables the Bank to support the proposed transaction on a long-term commercial basis while promoting the efficient and effective delivery of the investment programme. EBRD's involvement is particularly important given the limited capacity and risk appetite of the local commercial banking sector to provide financing of the required scale and tenor.

The Company's investment plan has historically relied primarily on long-term sovereign loans provided by KfW, the Bank's 2014 commercial loan and several grants. The proposed transaction will therefore provide scarce long-term financing directly to KOSTT on a commercial basis, representing the Company's first new corporate loan in more than a decade. Beyond financing, the Bank's proposed participation introduces an innovative blended financing structure and promotes adoption of international best practices.

The Project is aligned with: 1. **Strategy for Kosovo 2022-2027** which prioritises support for Kosovo's Green Economy Transition and energy security and sustainability through investments in electricity transmission network infrastructure, renewable energy integration, and use of technical assistance; 2. **Energy Sector Strategy 2024-2028**, which supports the expansion and upgrade of network infrastructure, 3. **Green Economy Transition 2026-2030 Strategy** which focuses on aligning its activities with the principles of international climate agreements, 4. **EBRD's Digital Approach 2026-2030**, setting the Bank's new direction for using digital technology as a strategic enabler of transition impact while promoting the management of digital risks strengthening digital resilience and cybersecurity.

Kosovo's energy sector is undergoing a transformation, driven by the adoption of the Kosovo Energy Strategy 2022–2031. The sector remains heavily reliant on lignite, with over 90% of electricity generated by Kosovo A and B thermal power plants (commissioned more than 40 years ago), and the government has set ambitious targets for energy security, focused on diversification of energy sources through an increase in renewable energy capacity to 1.6 GW by 2031. The strategy is prioritising the integration of renewables, grid modernisation, and regional market coupling, notably with neighbouring Albania.

The Project is closely aligned with EBRD's broader strategic engagement in Kosovo's power sector and complements the Bank's recently completed technical assistance to the Energy Regulatory Office of Kosovo on the development of the Renewable Energy Support Mechanism (RESM), completed in May 2026. The RESM support established the regulatory, institutional and financing framework necessary to accelerate renewable energy deployment, including the creation of the Renewable Energy Operator (REO) and Renewable Energy Support Fund, for which KOSTT plays a central role as owner of the transmission infrastructure system, market operator and REO.

The Project is assessed under the Resilient transition quality as it will strengthen the reliability, flexibility and security of Kosovo's electricity system through transmission network modernisation, increased capacity to accommodate renewable energy generation implementation of the Electricity Market Management System (EMMS), and enhancements to cybersecurity aligned with international standards. Additionally, under the Green transition quality, the Project will improve energy efficiency by reducing transmission losses and facilitating greater utilisation of renewable energy generation, resulting in material reductions in CO₂ emissions.

EBRD financing of up to EUR 25m alongside a EUR 5.25m grant from Danida will fund critical rehabilitation, replacement CAPEX and digital upgrades. The investments will reinforce substations, upgrade transformers and transmission infrastructure, helping KOSTT maintain the N-1 security standard as electricity flows increase. They will also reduce outages, congestion and technical losses, improve system reliability and efficiency, and enhance KOSTT's ability to manage variable renewable generation, maintain frequency stability and reduce curtailment.

Lessons learned from previous EBRD-financed transmission infrastructure projects demonstrate the importance of strong implementation arrangements, early procurement planning and sustained institutional capacity support. [REDACTED] Accordingly, the Project incorporates a dedicated Project Implementation Unit ("PIU"), supported by experienced consultants, and procurement has been structured into a limited number of contract packages to simplify implementation and reduce interface risks.

1.2 KEY PARTIES SUMMARY

1.2.1 Borrower

Shareholders/UBO summary	KOSTT, a joint stock company fully owned by the Republic of Kosovo and the direct counterparty under the proposed transaction. Shareholder rights are currently exercised via the Ministry of Finance (with responsibility expected to transfer to the Ministry of Economy in the mid-term). KOSTT operates as Kosovo's sole electricity transmission system and market operator pursuant to licences issued by the Energy Regulator Office ("ERO") and since 2024, the Company has taken the competences of the Renewable Energy Operator ("REO").		
Existing Client:	Yes	Category:	Public
Financial Overview	KOSTT has consistently demonstrated a robust ability to generate earnings and operating cash flow, underpinned by its regulated monopoly position, an established cost-recovery tariff framework and support by the Government of Kosovo. [Redacted]		
Market presence/position	KOSTT is the sole TSO of the country and directly responsible for the operation and development of the national transmission grid. The Company manages ca. 1,410 km of transmission lines and 37 substations and performs a critical role in maintaining security of supply and facilitating regional electricity trade. KOSTT is expected to play an increasingly important role in regional market integration and in accommodating the substantial renewable energy capacity additions planned under the strategy.		

1.2.2 Overall client relationship overview

The relationship with KOSTT remains strong and constructive[REDACTED].

1.3 MEASURING IMPACT

Transition Impact Monitoring Indicators

TI indicator(s), primary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Operational performance of the client: efficiency	As a result of reductions in transmission losses, the Project will also lead to a highly efficient operational performance in terms of costs. Over 15 years, the company is expected to save cumulative EUR 4.4m (ca. EUR 290k p.a.) resulting from transmission losses reductions. [REDACTED]	0	290000	[REDACTED]
1.2	Practices of the relevant stakeholder improved (system reliability)	The Project will improve the operational performance of KOSTT as transmission system and market operator through reduced outages and network losses implementation of a new Electricity Market Management System (EMMS), and enhanced cybersecurity practices aligned with relevant international standards. The EMMS will automate and centralise market processes and data management, improving efficiency, transparency and coordination across market participants by December 2028. <u>Compliance with N-1 criteria to be achieved in at least two substations,</u>	0	2	[REDACTED]

		with envisaged transformer replacement and installation, i.e. in: - Prizreni 3 substation: Transformer replacement to increase transmission capacity from 83 MVA to 114 MVA improving efficiency and achieving compliance with N-1 criteria; Timeline Year End 2030 - Gjilan 5 substation: Installation of second transformer to improve security of supply and be compliant with N-1 criteria. Timeline Year End 2030			
1.3	Number of new/improved electricity/energy service(s) connections	The Project will facilitate the integration of new RES by strengthening transmission corridors in areas where significant new RES capacity is planned.	0	4	[REDACTED]
1.4	Improved cybersecurity standards / Advisory & Policy Indicators	[REDACTED]The Project will align the Company with the NIS2 Directive, Network Code on Cybersecurity (NCCS), and the Commission Delegated Regulation (EU) 2024/1366 and EBRD's SIG Cybersecurity Management Approach.	No	Yes	[REDACTED]
1.5	Demonstrated quantitative evidence of client's improved cyber resilience/ Advisory & Policy Indicators	1. Reduction in the number of known vulnerabilities facing the Internet and 2. reduction in the number of system misconfigurations facing the Internet.	No	Yes	[REDACTED]

TI indicator(s), secondary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	CO2e emissions reduced (tonnes/year)	Greenhouse gas emission reductions resulting from the Project are calculated at 3'148 tonnes annually.	0	3'148	[REDACTED]
2.2	Primary energy saved (GJ/year)	Primary energy will be reduced as a result of transmission losses reductions in the transmission infrastructure of KOSTT. Transmission losses are expected to be reduced by 3'736 MWh (13'448Gj) annually.	0	13'448	[REDACTED]

TI Delivery Risks: While the Company has limited resources for implementing projects of this scale and complexity, the associated implementation risk is considered manageable. To mitigate this risk and support efficient project delivery, the Bank has structured a post-signing Technical Cooperation assignment to provide PIU support and implementation supervision, thereby strengthening the Company's execution capacity and helping ensure timely delivery of the Project in accordance with the planned schedule.

[REDACTED] Digital Approach: The Project is aligned with the Adaptation area of intervention outlined in the EBRD Digital Approach 2026-2030, as it will support the Company's digitalisation journey through a digital maturity assessment and design of an EMMS, which will support the company's operational resilience and the country's electricity network more broadly.[REDACTED]. The above-mentioned digital and cybersecurity components of the Project are in support of the Resilient and Green Transition Qualities as outlined above.

1.4 ADDITIONALITY

Identified triggers	Description
A subsequent transaction with the same client and in the same destination country (<i>repeat transaction</i>)	The Project is a subsequent transaction with an existing client in Kosovo. The engagement builds on the established relationship with the Company since the Bank's first loan in 2014. KOSTT has approached the EBRD to support critical investments required to modernise the transmission network and prepare the grid for integration of renewable generation capacity in accordance with high technical standards. The proposed Project supports a new stage of sector development driven by the RES expansion and increasing complexity, while there are similarities to the previous operation focused on strengthening KOSTT's institutional capacity, including on procurement and environmental standards. In addition to providing long-term financing that remains scarce in the local market, the Bank brings specialised technical and procurement expertise in transmission system development and digitalisation[REDACTED]. The Bank's continued engagement goes beyond financing and supports the TSO in delivering

	Kosovo's energy transition objectives while aligning the sector with evolving European market and regulatory standards.
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Additionality sources	Evidence of additionality sources
Financing structure: EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions, e.g. a longer grace period than the market average, restricted foreign currency financing etc. Such financing is necessary to structure the project.	The proposed EBRD financing addresses a market funding gap by providing long-term financing that is not available to KOSTT from commercial sources on reasonable terms and conditions. Local banks are unable to offer tenor and grace period aligned with the implementation profile and the nature of transmission grid infrastructure investments. The EBRD loan therefore provides a financing structure that matches the long-term nature of the Project and enables the timely execution of KOSTT's grid modernisation programme. Building on the Bank's role in providing Kosovo's first non-sovereign financing to a public utility, the proposed operation continues to demonstrate the viability of long-term non-sovereign financing for strategic infrastructure projects while supporting investments critical for grid reliability, absorption of new renewables and energy security.
Innovative financing instruments	The Project benefits from an innovative blended finance structure combining EBRD financing with the EFSD+ Hi-Bar FLRC and a Danida investment grant. This structure improves the affordability and bankability of strategic grid investments needed to enhance system resilience and support Kosovo's green transition, while limiting the financing burden on KOSTT and mitigating the impact on end-user tariffs. The combination of long-term financing and targeted concessional support enables the implementation of investments with significant climate and energy security benefits that would otherwise be difficult to finance on purely commercial terms, while safeguarding KOSTT's financial sustainability.
Standard-setting: helping projects and clients achieve higher standards: Client seeks/makes use of EBRD expertise on best international procurement standards.	The Bank will support the engagement of an experienced PIU consultant to assist KOSTT with procurement, tendering, contract negotiation and project implementation. This support will strengthen the Company's institutional capacity, ensure implementation in line with EBRD PP&R (Procurement Policies and Rules) and international standards, and contribute to the effective roll-out of the investment programme.
Standard-setting: helping projects and clients achieve higher standards: Client seeks/makes use of EBRD expertise on higher environmental standards. Risk Mitigation	KOSTT is leveraging EBRD expertise to strengthen environmental risk management for the investment and align with international E&S standards beyond local practice. The Bank has mobilised specialised ES expertise to help the Company mitigate environmental and social risks and develop appropriate E&S measures incorporated into the ESAP. This support will help KOSTT adopt international best practices in environmental management, remediation and monitoring, strengthening the Company's environmental performance and setting a benchmark for future infrastructure investments in Kosovo.
Standard setting: Digital alignment.	The Bank is supporting KOSTT's digital transformation and cybersecurity resilience through targeted technical

	cooperation focused on i) the design of an Electricity Market Management System and ii) enhancement of its cybersecurity framework. Recognising the need for specialised expertise and international best practice, KOSTT has sought EBRD support to develop a digital roadmap that will modernise market operations, strengthen institutional capabilities and facilitate further integration with regional and European electricity markets. The assignment will support the digitalisation of market operations, through improved data management, process automation, and real-time supervision. [REDACTED] Through these activities the Bank will help KOSTT manage key digital risks, align with international standards, enhance operational resilience and improve preparedness for an increasingly digitalised electricity sector.
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2 RISK PROFILE ASSESSMENT

[REDACTED]

2.1 FINANCIAL ASSESSMENT SUMMARY

2.1.1 Summary of Financial Risk Assessment

[REDACTED]

KOSTT's strong historical financial performance in 2024-2025 is expected to be sustained throughout the tenor of the loan, supported by the regulated cost-recovery framework and predictable cash generation. [REDACTED]

3 OTHER KEY CONSIDERATIONS

3.1 ENVIRONMENT & SOCIAL

3.1.1 Environmental and Social Issues

Category B (ESP 2019). The Project involves rehabilitation and strengthening of KOSTT's transmission network through upgrades of key 110 kV substations, replacement of ageing transformers, refurbishment of transmission equipment, and construction of a new 5.2 km underground double-circuit cable between Prizren 1 and Prizren 2. The investment will improve network reliability, reduce technical losses, strengthen security of supply, and support the integration of new renewable energy generation. Project activities are not located within or near any nationally or internationally designated protected areas.

The Environmental and Social Due Diligence (ESDD), comprising a corporate assessment and review of the proposed use of proceeds, identified a number of legacy environmental issues associated with KOSTT's existing assets. These include transformer oil leaks, inadequate secondary containment, absent or underperforming oil-water separators, underground tanks used to collect contaminated runoff, and weaknesses in hazardous waste management. Potential environmental risks include PCB-containing oils, asbestos-containing materials in older facilities, improperly managed battery waste, and localised soil contamination resulting from historical leakage incidents.

KOSTT does not currently operate a fully formalised Environmental and Social Management System (ESMS), although several environmental and social procedures and practices are in place. The ESDD identified gaps against EBRD Performance Requirements, including the need to establish a formal ESMS, strengthen management of hazardous materials and waste, improve contractor oversight, formalise worker and community

grievance mechanisms, enhance emergency preparedness, and update stakeholder engagement processes. To address these gaps, an Environmental and Social Action Plan (ESAP) has been agreed, including measures related to rehabilitation and installation of oil-water separators, PCB management, asbestos and hazardous waste management, remediation of contaminated areas, strengthening occupational health and safety management, and upgrading fire protection systems.

The principal environmental and social impacts are associated with construction activities and are expected to be temporary and site-specific. These include noise, dust, traffic disruption, temporary access restrictions, and community disturbance. Key occupational health and safety risks relate to electrical works, heavy lifting, transformer replacement, contractor management, and fire hazards associated with ageing infrastructure and oil-filled equipment. These impacts will be managed through implementation of construction management plans prepared by competent contractors procured in accordance with EBRD requirements, together with measures included in the ESAP.

During operation, the Project is expected to reduce network losses and enhance the reliability and resilience of Kosovo's transmission system. Biodiversity impacts are expected to be negligible as works will be confined to existing substations and infrastructure corridors. No impacts on protected areas, critical habitats, or cultural heritage assets are anticipated. A Chance Finds Procedure will be implemented for excavation works associated with cable installation.

The areas surrounding the substations are predominantly residential, commercial, and agricultural. Based on available information and site observations, no significant historical complaints, community health and safety incidents, or land-use conflicts associated with KOSTT facilities were identified. Media reviews identified trade union protests in 2025 concerning remuneration and working conditions. KOSTT management continues to engage with employee representatives. The ESAP requires establishment of a formal and accessible worker grievance mechanism to support early identification and resolution of workplace concerns.

PCB testing confirmed concentrations below the threshold triggering special management requirements under the Stockholm Convention. However, limited site investigations identified PCB-contaminated soil at the Gjakova 2 substation, with concentrations exceeding applicable intervention values. The environmental risk at this location was assessed as high. Further investigation and remediation measures have been incorporated into the ESAP. No groundwater contamination was identified. Based on the currently available information, remediation costs are expected to be covered through project contingencies, subject to confirmation following detailed site investigations.

No physical displacement or economic resettlement is anticipated, as substations are located on land used by the TSO and most works will be undertaken within existing operational footprints. Temporary access restrictions and limited easements may be required along the Prizren 1-Prizren 2 cable corridor and will be managed in accordance with national legislation and EBRD PR5. Potential impacts on land users will be further assessed during detailed design and route finalisation. Contractors will implement land entry and exit procedures, and any temporary or permanent land-related impacts will be managed through an EBRD-compliant land acquisition plan, as required.

Overall, the ESDD concluded that the Project will deliver significant environmental and social benefits through improved grid stability, reduced technical losses, and enhanced integration of renewable energy generation. The identified risks are typical of transmission network rehabilitation projects and are considered readily manageable through implementation of the ESAP and compliance with EBRD Performance Requirements. Subject to implementation of the agreed actions, the Project is expected to achieve compliance with applicable national and EBRD requirements and is considered acceptable for Bank financing.

KOSTT will be supported by a dedicated PIU, which will assist with the implementation of the ESAP, stakeholder engagement activities, and the operation of the project-level grievance mechanism.

Environmental and social information to be disclosed will include a Non-Technical Summary and Stakeholder Engagement Plan. The Bank will monitor implementation of the ESAP and associated management plans and undertake supervision activities, including site visits, as required.

3.1.2 IPAM

N/A

3.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on KOSTT, its directors, senior management and other relevant parties. [REDACTED]

3.3 OTHER ISSUES

3.3.1 Concessional Finance

The Project will benefit from [REDACTED] Danida investment grant and [REDACTED] first-loss guarantee under the EFSD+ Hi-Bar Programme [REDACTED]. The concessional financing is justified by the need to accelerate critical transmission investments required to support Kosovo's energy transition while maintaining affordability for end-users. The Danida grant reduces the upfront capital burden associated with the rehabilitation of substations, replacement of transformers and other network upgrades, while the EFSD+ First Loss guarantee de-risks the transaction, lowers the financing cost and improves the risk profile of the loan. This allows KOSTT to undertake the investment programme without placing undue upward pressure on regulated electricity tariffs. The Project will deliver substantial transition impact through improved system reliability and resilience, reduced transmission losses, modernised market operations and increased capacity to integrate renewable generation currently constrained by network limitations. The use of concessional finance is considered proportionate, does not crowd out commercial financing, and supports the long-term sustainability of the sector by facilitating investments that strengthen grid infrastructure, improve operational efficiency and create conditions for increased RES integration and private sector participation over time. Complementary TC will further enhance KOSTT's implementation, operational and institutional capacity, reducing reliance on future concessional support.

3.3.2 Technical Assistance support

Given KOSTT's [REDACTED] multi-component investment programme, a comprehensive package of Technical Cooperation (TC) support has been mobilised to strengthen project preparation, ensure compliance with the Bank's requirements, and facilitate the efficient implementation of the investment, along with supporting [REDACTED] KOSTT's digital journey. The TC programme has been designed to address key technical, legal, E&S, procurement [REDACTED] and digitalisation aspects of the Project, while enhancing the Company's institutional capacity and ensuring project bankability. The TC package includes: (i) a Feasibility Technical Study funded by SSF and Technical Due Diligence for the grid investments including climate resilience assessment, funded by Danida; (ii) Legal Due Diligence to support corporate, regulatory and financing documentation requirements funded by Danida; (iii) PIU support and supervision to support engineering design, implementation readiness and project execution to be funded by Danida and EFSD+Hi-Bar; (iv) [REDACTED]; (v) E&S Due Diligence, including preparation of the ESAP and the soil and groundwater contamination investigations to support environmental risk assessment

funded under the SSF; and (vi) an Advance Procurement Consultant to support procurement planning, preparation of tender documentation for the selection of the PIU Support Consultant and compliance with the Bank's procurement requirements. Collectively, these assignments have been critical in addressing capacity constraints within KOSTT, supporting the identification, preparation and structuring of the investment programme, strengthening project implementation arrangements, and ensuring alignment with the Bank's standards. The TC support is therefore considered essential to the successful delivery and sustainability of the Project.

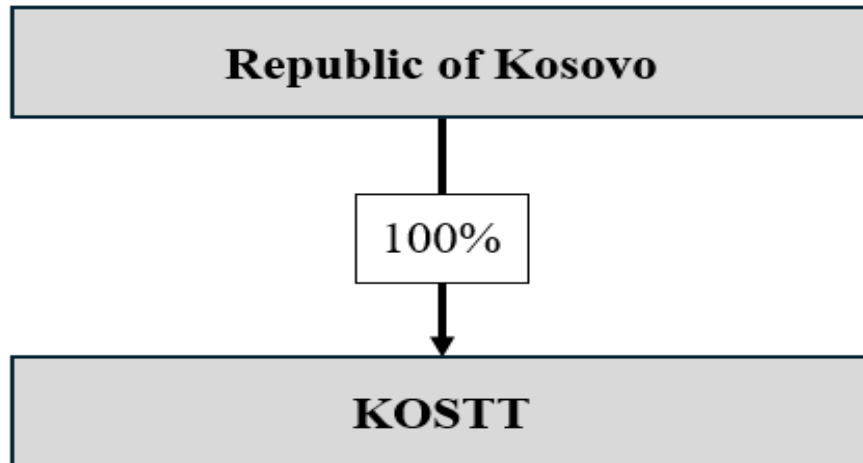
ANNEXES

Annex
1. Shareholding Structure
2. Green Assessment Summary (offline)
3. Transition Impact Scoring Chart
4. Summary of TI compliance
5. Procurement Implementation Summary

ANNEX 1. SHAREHOLDING STRUCTURE

KOSTT, the national transmission system operator of Kosovo, is fully owned by the Government of the Republic of Kosovo.

The Company is currently subject to reporting and oversight requirements administered by the Ministry of Finance. The responsibility for these functions is expected to transfer to the Ministry of Economy in the mid-term.



ANNEX 2. GREEN ASSESSMENT SUMMARY

SUMMARY

- The Project will finance the rehabilitation and modernisation of key electricity transmission infrastructure across Kosovo, including selected substations, transformers and transmission lines, as well as the implementation of a digital market operator platform. Investments will strengthen the transmission network reliability and operational efficiency.
- The Project is determined as **aligned with both mitigation and adaptation goals of the Paris Agreement**.
- The Project is attributed 81% **Green finance**.
- Climate-related financial risks have been assessed[REDACTED].

PARIS ALIGNMENT ASSESSMENT

For Direct finance projects

Alignment with the mitigation goals of Paris Agreement - General screening

The project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.

- The projects activity is included in the 'MDBs' aligned list' under the category "Electricity transmission and distribution, including energy access, energy storage and demand-side management".
- There are no activities included in the 'non-aligned list'.

Alignment with the adaptation goals of Paris Agreement

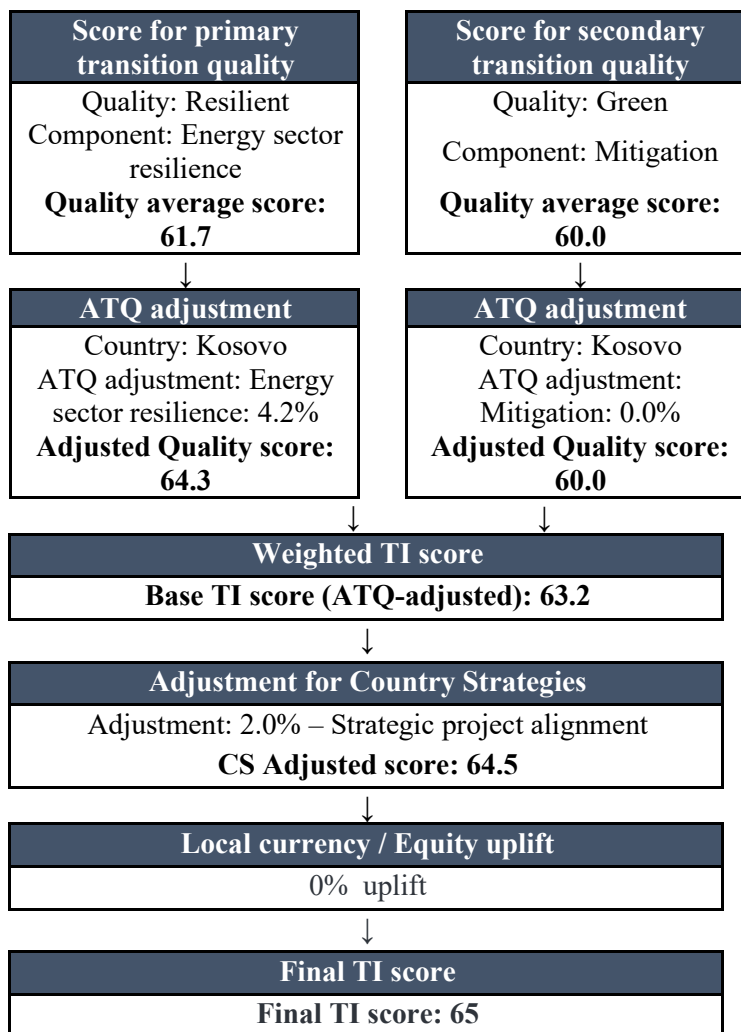
The project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. All material physical climate risks have been addressed.

GREEN FINANCE ATTRIBUTION

The Project is attributed 81% green finance. This share has been calculated in line with the Bank's methodology for greenfield and brownfield CAPEX supporting transmission of electricity. For brownfield CAPEX, applicable items have been assessed for reductions in technical losses as part of the Technical Due Diligence. For greenfield CAPEX, the GET share has been estimated based on the 10-year analysis of generation of electricity from all sources in Kosovo. The project will result in approximately 3.7 thousand MWh technical losses reduction per year, and estimated emission savings resulting from this loss reduction of over 3,100 tonnes of CO2 emissions/ year. For more information, please refer to the GET information table.

[REDACTED]

ANNEX 3. TRANSITION IMPACT SCORING CHART



ANNEX 4. SUMMARY OF TI COMPLIANCE
[REDACTED]

ANNEX 5. PROCUREMENT IMPLEMENTATION SUMMARY

Procurement classification – *Public sub-sovereign*

Project risk assessment:

Overall risk rating - *Moderate/High*

[REDACTED] - *[REDACTED]*

[REDACTED]

The Company's capacity assessment related risk - *Moderate*

KOSTT has adequate procurement capacity and manages its day-to-day procurement activities using its internal resources. The Company has implemented EBRD and other internally financed projects, including with KfW, and possesses some institutional capacity and familiarity with EBRD procurement policies, procedures, and documentation required to implement the Project.

The principal implementation challenge relates to ensuring compliance with the EBRD Procurement Policies and Rules, including the preparation and administration of procurement processes and contract management in the English language for multiple procurement processes. This represents a moderate procurement implementation risk, which will be mitigated through targeted support from experienced procurement, PIU and supervision consultants, who will assist the Company and the PIU with tender preparation, procurement implementation and contract administration, while supporting knowledge transfer and capacity building throughout Project implementation.

Contracts risk assessment - *Moderate/High*

The contracts to be financed under the Project are identified in the Procurement Plan. It is envisaged that three CAPEX contracts will be procured through multi-stage tendering procedures and implemented under Supply and Install conditions of contract. Given their technical nature and value, these contracts are considered to be of moderate to high complexity and carry a moderate level of implementation risk.

The principal contract management risk relates to the administration of multiple contracts procured under the EBRD Procurement Policies and Rules and implemented under EBRD Supply and Install conditions of contract. While the Company has adequate institutional capacity to manage the contracts, careful contract administration and coordination will be required to ensure timely implementation and compliance with the contractual requirements.

To mitigate this risk, a PIU Support Consultant will provide targeted assistance to the Company throughout Project implementation, particularly in relation to contract administration, procurement compliance and implementation monitoring, while complementing the Company's existing implementation capacity.

Project implementation arrangements:

KOSTT will be responsible for the overall implementation of the Project, including project management, procurement, contract administration, financial management, technical coordination, environmental and social compliance, and reporting to the Bank. A dedicated PIU will be established within KOSTT and will have overall responsibility for coordinating and managing all aspects of Project implementation throughout the execution period.

The PIU will be staffed with suitably qualified personnel and provided with adequate resources to oversee procurement processes, manage contracts, coordinate the activities of contractors and consultants, monitor implementation progress, and ensure compliance with the EBRD Procurement Policies and Rules, the financing agreements, and the applicable environmental and social requirements. The PIU will also be responsible for preparing the required progress reports and maintaining regular communication with the Bank.

Although KOSTT has a prior EBRD-financed operation as well as other internationally financed operations, the PIU will be complemented by targeted technical cooperation support, including procurement, PIU and supervision consultants, to assist with procurement implementation, contract administration and implementation monitoring, while supporting knowledge transfer and strengthening institutional capacity throughout Project implementation.

Procurement arrangements:

The CAPEX contracts will be financed from the proceeds of the Bank's loan, donor funds and KOSTT cashflows. These contracts will be procured in accordance with the Bank's Procurement Policies and Rules ("PP&R") and will be subject to prior review by the Bank.

It is envisaged that the CAPEX contracts will be procured through multi-stage tendering procedures using the Bank's latest standard procurement documents for works contracts. The contracts are expected to be implemented under the EBRD Conditions of Contract for Supply and Install. The procurement strategy and contract packaging have been designed to promote effective competition while ensuring efficient implementation of the Project.

To complement the Project Entity's procurement and implementation capacity, a PIU Support Consultant will provide targeted assistance with the preparation of procurement documentation, management of the procurement process and contract administration, in accordance with the Bank's PP&R.

The consultancy contract for PIU Support and Supervision will be procured in accordance with the provisions of the Bank's PP&R.

The contracts will be tendered via the EBRD Client e-Procurement Portal (ECEPP).[REDACTED]