



1st of August, 2019

Subject: Update on Kosovo’s classification as an “upper middle-income country” and its impact on the eligibility of the Kosova e Re Power Plant for DFC support.

To: The Overseas Private Investment Corporation – OPIC
Mr. David Bohigian, Acting President and CEO
Mr. Ryan Brennan, Vice President, Office of Investment Policy
Mr. William Kennedy, Office of Accountability Director
Board of Directors

CC: US Embassy Kosovo
US Department of State

From: Kosovo Civil Society Consortium for Sustainable Development

Dear Mr. Bohigian, Mr. Brennan and Mr. Kennedy,

We, and our supporters in the United States, are writing to follow up on our letter of 18 June, which urged you to reject the application of support for the Kosova e Re Power Plant (KRPP) lignite-fired power plant in Kosovo.

As you know, the BUILD Act creates a strong presumption against DFC financing projects in upper middle-income countries. At the time of our 18 June letter, Kosovo fell just short of the income levels necessary to be classified as an upper middle-income country. We noted, however, that based on economic trends, Kosovo was likely to be reclassified when the World Bank updated its classifications for 2019-2020. (Letter, Section 6.1).

On 1 July, the Bank published its updated income classifications for 2019-2020 and, as expected, Kosovo has been upgraded to an upper middle-income country.¹

The BUILD Act directs the DFC to restrict support in upper middle-income countries unless: (1) the President certifies to the appropriate Congressional committees that the investment advances the national economic or foreign policy interests of the United States; and (2) such support is

¹ <https://blogs.worldbank.org/opendata/new-country-classifications-income-level-2019-2020>



designed to produce significant development outcomes or provide development benefits to the poorest population of that country.

As we detailed in the letter, neither of those criteria can be reasonably met. This project would be economically ruinous for Kosovo, and particularly for its poorest citizens. (Letter, Section 2). The KRPP would impose substantial development and macroeconomic risks on ratepayers, the country and Government of Kosovo, (Section 2.2), even as cheaper and more economically efficient alternatives are available to meet Kosovo's energy needs. (Section 2.1). Households in Kosovo already pay a very high percentage of their income for energy services, and this project would drive up the overall price of electricity in Kosovo by at least a third and as much as 50 percent. This would put enormous additional strain on household finances, particularly for those with low and very low-incomes. (Section 2.2). Moreover, the project would impose additional economic risks on the Government and people of Kosovo, as the PPA requires the Government to assume all of the project risks. (Section 2.3).

Accordingly, the KRPP is not a sound development project, and will particularly burden Kosovo's poorest energy consumers. Moreover, it will put such destabilizing political and macroeconomic pressures on the Government that it cannot reasonably be said to be in the U.S. interest.

Considering this is the third letter we are writing to you and we have so far not had the opportunity to discuss this issue over a meeting or a skype conversation, I would kindly ask you to consider giving us a chance to talk whenever it is convenient for you.

To arrange this meeting please contact us on e-mail jeta@birm.eu.com, skype jetaxharra, or telephone +383 44 135 209.

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