



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

March 24, 2011

Mr. Robert Zoellick
President
The World Bank
1818 H Street, NW
Washington, DC 20433

Dear President Zoellick:

I am writing to follow-up on the Bank's proposed engagement with the Government of Kosovo on reforming the energy sector. As you know, it is Treasury's position not to support MDB financing of coal-fired power generation projects, except in very limited circumstances. The United States supports a continued role for the World Bank in financing construction of a new efficient 600MW coal-fired power plant in Kosovo, particularly because it would be part of a broader multi-donor program that would include energy efficiency and renewable energy components. Although we will need to review all of the documentation before coming to a final determination on a board vote, we believe that the project has strong merit and that the World Bank's engagement in Kosovo's energy sector would be both necessary and appropriate.

As a poor, landlocked country with no significant energy resources other than lignite, Kosovo has no real alternatives to a coal-fired power plant for base load power. The country urgently needs large-scale investment in this sector to support economic growth, promote fiscal sustainability and generate jobs. World Bank involvement can improve the efficiency and transparency of this project and encourage crucial reforms to the power sector as a whole.

Based on current, albeit limited information, Treasury staff have concluded that the proposed World Bank operation would be consistent with the December 2009 U.S. Guidance to MDBs for Engaging with Developing Countries on Coal-Fired Power Generation.

Treasury has been consulting with external stakeholders on this operation, and will continue to do so. Meanwhile, I would urge the Bank to move forward expeditiously to bring the project to the board for review.

Sincerely,

Marisa Lago
Assistant Secretary
International Markets & Development