

2010 Annual Programme — Project 1
Strengthening the Rule of Law

1. Basic information

- 1.1 CRIS number: 2010/ 022-452
 1.2 Title: Strengthening the rule of law
 1.3 ELARG statistical code: 01.24
 1.4 Location: Kosovo*

Implementing arrangements:

- 1.5 Contracting authority: European Commission Liaison Office to Kosovo
 1.6 Implementing agency: n/a
 1.7 Beneficiary:

Project activity	Beneficiary (institutions, target group, etc.)	Contact point responsible for project coordination
1. Support to the Kosovo Judicial and Prosecutorial Councils	Kosovo Judicial Council Kosovo Prosecutorial Council	Mr Fatmir Rexhepi Head of IT Department Kosovo Judicial Council
2. Strengthening institutions in the fight against trafficking in human beings and domestic violence	Ministry of Justice	Ms Valbona Jaha Safe House Manager Ministry of Justice
3. Establishment of the Kosovo Forensic Psychiatry Institute	Ministry of Health Ministry of Justice	Dr Gentian Çala Director, Psychiatric Centre Ministry of Health Dr Milazim Gjocaj Head of Medical Unit Correctional Department Ministry of Justice
4. Support for the implementation of intelligence-led policing in the Kosovo Police	Kosovo Police Ministry of Internal Affairs	Mr Kadri Arifi National Intelligence-Led Policing Coordinator Kosovo Police, Ministry of Internal Affairs
5. Improvement of the penitentiary system in Kosovo	Ministry of Justice	Mr Resmi Hoxha Commissioner of the Kosovo Correctional Service Ministry of Justice

Financing:

- 1.8 Overall cost (VAT excluded): EUR 15.552 million
 1.9 EU contribution: EUR 12.3 million
 1.10 Final date for contracting: 2 years after the signature of the financing agreement
 1.11 Final date for execution of contracts: 2 years after the final date for contracting
 1.12 Final date for disbursements: 1 year after the final date for the execution of contracts.

* Under UNSCR 1244/1999.

2. Overall objective and project purpose

2.1 Overall objective:

Support the efforts of Kosovo authorities to enforce the rule of law by strengthening the judiciary, promoting integrity of institutions, fighting various forms of crime and aligning with and implementing the EU *acquis*.

2.2 Project purpose:

1. Increase the independence and improve the performance of the judiciary by developing the performance, professionalism, independence and efficiency of the Kosovo Prosecutorial and Judicial Councils.
2. Build a safe house and strengthen institutions through procedures and systems to reduce trafficking and smuggling of human beings, protect trafficked individuals and victims of domestic violence and tackle organised crime in line with the national strategy on anti-trafficking.
3. Improve the treatment of mentally ill offenders by establishing a proper Forensic Psychiatry Institute.
4. Strengthen performance capability and improve the services of the Kosovo Police by implementing the intelligence-led policing concept and establishing a uniform intelligence information system.
5. Increase public safety by appropriately accommodating a potentially increased number of high-risk inmates and enable Kosovo authorities to handle the potential increase in convictions related to the readmission of persons with a criminal background from EU MS.

2.3 Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

Along with the rest of the region, Kosovo is embracing the European agenda, underpinned by the EU policy for the Western Balkans, namely the Stabilisation and Association Process (SAP). Almost all instruments under the SAP are open to Kosovo. The SAP dialogue provides a high-level forum for policy and technical dialogue, supplemented by technical sectoral workshops.

The European Partnership calls for the following action:

- ensuring that courts and prosecution offices are effective, independent, accountable and impartial, and free from political influence;
- strengthening the prosecutor's office to ensure that it is able to comply with the principles of autonomy and impartiality. Continuing to strengthen the Special Prosecutor's Office. Implementing an efficient witness protection scheme;
- fully implementing an automated case management system in all courts and prosecution offices;
- reducing the backlog of cases and enforcing civil court decisions;
- further developing legal education and training, particularly for judges, prosecutors and administrative personnel. Strengthening the administrative capacity, coordination and effectiveness of the judiciary and all law enforcement agencies. Ensuring the viability of a comprehensive legal aid system;

- improving the functioning of the judiciary, guaranteeing its independence, accountability, professionalism and efficiency and ensuring that the career development and recruitment of judges and prosecutors is based on technical and professional criteria and free from political influence. Ensuring that the Constitutional Court functions properly;
- improving the effectiveness of crime investigations. Adopting and implementing legislation to establish the KPS and strengthening its investigative and internal control capacities. Strengthening its leadership;
- further strengthening local capacity in the organised crime directorate within the KPS;
- drafting and adopting a government programme to promote women's rights in Kosovo as well as implementing the law on gender equality. Mainstreaming women's rights in all existing policies and legislation.

2.4 Link with the Multiannual Indicative Planning Document (MIPD)

The project has been designed on the basis of the objectives pursued under the MIPD 2009-2011 for Kosovo. The project supports its strategic choices. In particular, it addresses the following political objectives: (a) consolidating **the rule of law** by strengthening the judicial system and supporting police reform and the fight against corruption and organised crime, in close cooperation with the ESDP mission, to ensure a coordinated and mutually reinforcing approach; (b) enhancing Kosovo's capacities in areas related to **home affairs** and particularly policies related to money laundering, drug trafficking, and the fight against organised crime and terrorism.

2.5 Link with the National Development Plan

The Medium-Term Expenditure Framework (MTEF) for the period 2010-2012 sets out an analysis of the macroeconomic environment of Kosovo which provides the basis for a statement of the strategic policy priorities as agreed by the Government. It also presents a summary of the essential fiscal envelope or baseline against which the range of Government policy priorities will be assessed for funding.

The MTEF stresses that Kosovo operates with different legal systems in place. Legislation is not being implemented fully and the courts are undermined by a heavy backlog of cases. Legislation is not interpreted in a consistent manner by different judges. Investors require a stable and predictable legal environment. Kosovo commits to work in this direction in both the short and the long run. Thus, the rule of law is seen by the Government as key to faster integration with Europe. (See Annex IV)

2.6 Link with national/sectoral investment plans

Support to the Kosovo Judicial/ Prosecutorial Council

No sector strategy is currently available/not foreseen, but the creation of a KJC/KPC (at the moment) is mandatory by Laws.

Strengthening Institutions in the Fight against Trafficking in Human Beings and Domestic Violence

This project is directly linked to the National Strategies against Trafficking in Human Beings, Strategy on Organized Crime, Strategy on Crime prevention.

Establishment of Kosovo Forensic Psychiatry Institute

No sector strategy is currently available

Support the implementation of Intelligence Led Policing in Kosovo Police

This project is directly linked to the drafted Kosovo Police Criminal Intelligence Strategy, Strategy on Crime prevention.

Improvement of the Penitentiary System in Kosovo

This project is directly linked to the National Strategy on Organized Crime, Strategy on Crime prevention.

3. Description of project

3.1 Background and justification:

Activity 1. Support to the Kosovo Judicial and Prosecutorial Councils

The Kosovo Judicial Council (KJC) plays a crucial role in ensuring the independence, effectiveness and fairness of the Kosovo judicial system. Responsibility for internal control of the performance and ethical conduct of judges and prosecutors is assigned to the KJC. Currently, the KJC is responsible for both judges and prosecutors, while it is envisaged that in the future, with the approval of the package of four laws concerning the judiciary, including the Law on the Kosovo Judicial Council and the Law on the Prosecutorial Council, a new institution responsible only for prosecutors will be established: the Kosovo Prosecutorial Council (KPC). The KPC will have to determine its structure, policies and administration. The KJC and the KPC will have to coordinate services that are run jointly, whereas others will be established on a separate basis.

With regard to the KJC, the main areas to be improved are the following: (1) effectiveness, so that litigations can be settled promptly; (2) quality of judicial activities, which should meet minimum standards established by the KJC; (3) evaluation of the professional capacity of judges; (4) appointment, transfer and promotion of judges, particularly as regards supervisory positions; (5) independence and impartiality of the judicial functions; (6) disciplinary rules designed to ensure that the judicial activity is performed effectively, independently and in accordance with appropriate qualitative and ethical standards, and that any violations are dealt with timely and effectively. Procedural and organisational rules must be established in the above areas. Good practice, transparency and accuracy of the KJC's action must be sought. In particular, the KJC's Office of Disciplinary Counsel (ODC) and the Judicial Audit Unit (JAU) need to be strengthened and provided with clear rules for their functioning: the guiding principle in the field should be protection of the independence of the judiciary.

In order to effectively reinforce the justice sector, the KJC needs to be further supported in the use and completion of the CMIS system through the development of a database on convicted persons that is in line with European standards on criminal records.

Activity 2. Support for the safe house and the fight against trafficking in human beings and domestic violence

Trafficking in human beings (THB) is a manifestation of organised crime affecting Kosovo as an area of origin, transit and destination of victims of trafficking (VoTs), who are also reported as missing persons and often found in slavery (also in EU countries). Trafficking of human beings has different dimensions: generally VoTs are Kosovo Albanian young girls, with over 53% of Kosovar VoTs being minors. The overwhelming majority of Kosovo VoTs have been trafficked for the purpose of sexual

exploitation while some cases identified relate to forced labour and to begging/stealing (involving minors).

According to various OSCE reports on trafficking in human beings ‘the problem of trafficking in human beings (“trafficking”) continues to be a major human rights concern in Kosovo ..., in particular due to the lack of preparedness by the Kosovo authorities to handle these cases ..., victims are not receiving the basic guarantees provided by law, and frequently faced prosecution or the threat of prosecution ..., witness protection measures are rarely used ..., judges and prosecutors often fail to understand the legal definition of the crime of trafficking, or permit perpetrators to go unpunished’. Also the European Commission 2009 Kosovo Progress Report highlighted the need to step up the fight against domestic violence: ‘The establishment of domestic violence units and training of officers on assisting victims is a positive step in the police’s efforts to address domestic violence. However, high levels of domestic violence persisted. Many cases are not reported. Few reported cases of violence are prosecuted in court. The six shelter facilities are inadequate and do not provide a sufficient level of security. Delays in issuing protection orders remain an issue of concern. Overall, the institutional framework for the protection of women’s rights has been strengthened, but domestic violence remains widespread and is a serious concern.’

While the number of evidenced cases of THB may not appear too large, the fight against THB nevertheless needs to be prioritised as this is of strategic importance given that THB constitutes a criminal environment with which other serious crimes are often associated and linked (illegal trades such as drugs, smuggling, prostitution, etc.). The Kosovo Action Plan to combat trafficking in human beings (May 2005) provides for the reintegration/social inclusion with special needs of repatriated victims.

In Kosovo, victims/survivors of THB and domestic violence are often given protection through services delivered by NGOs. In general, all reintegration services for victims of trafficking/domestic violence are fragmented, location-limited, and project-based. Many projects are still in the pilot phase and a comprehensive analysis of the approach to social inclusion in terms of case management, assessment, evaluation, and continuous monitoring is therefore still lacking. Kosovo lacks alternative care programmes which ensure long-term social inclusion of victims, especially when families are not suitable for the respective child’s care and education. In addition, the current reintegration projects lack activities to empower survivors of trafficking for the purposes of successful social inclusion.

Finding alternative housing and care opportunities for Kosovo victims with a history of trafficking/domestic violence continues to be a problem. There are currently six shelters for women victims/survivors of domestic violence (Mitrovica/e, Gjilan/Gnjilane, Pejë/Peć, Prishtine/Pristina, Prizren, Gjakova/Đakovica) and two for victims/survivors of trafficking in human beings in Kosovo. Only one shelter for survivors of trafficking in human beings is run by the Ministry of Justice. These shelters usually provide counselling and training to female victims as well as temporary accommodation in situations where the victims cannot return to their original place of residence. The six shelter facilities are inadequate and do not provide a sufficient level of security.

The number of victims of both crimes varies in level, intensity, and frequency but from a comprehensive managerial/budgetary perspective, Kosovo has developed the approach that the victims should be treated in an integrated manner and with similar types of assistance (in terms of housing and protection in safe shelters, psychological assistance, health care), except for victims who require ad hoc witness protection and high-security measures. For this reason, in the long term, the Kosovo Government is to ensure a more coordinated approach in the delivery of services, especially in relation to the sustainability of solutions for the victims. Besides the general lack of knowledge of institutions

related to victims of THB/domestic violence, prosecutors and judges in particular reportedly often fail to properly investigate alleged cases.

Activity 3. Establishment of the Kosovo Forensic Psychiatry Institute

Pre-war judicial psychiatry services for less serious cases in Kosovo were provided by the Neuropsychiatry Clinic of the University Clinical Centre of Kosovo. More serious cases, including persons who had committed criminal acts with or without mental disorders, were referred for treatment to the central prison of Belgrade. Since September 1999, most psychiatric examinations have been conducted by Kosovo's University Clinical Centre (UCC) — Psychiatric Clinic, and were initially led by UNMIK. Persons undergoing judicial examinations are treated together with common psychiatric cases, and this gives rise to major organisational, professional and ethical problems.

Currently, ordinary psychiatric cases are physically separated from mentally ill offenders awaiting examination, and only one hall serves this purpose. There is a space (unit) with three rooms (11 beds), sanitary facilities, and a narrow corridor without a hallway. The cases neither have a place for exercise, nor places for visits by relatives nor a room for consultation with their lawyers. The expertise and treatment are provided by mental health professionals (psychiatrists, psychologists, nurses) without special skills or knowledge of forensic psychiatry. The 2007 report of the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) recommended that this unit, including its staff, be reorganised as a separate service.

Approximately 70 forensic examinations are currently carried out per year for criminal justice purposes. Since the beginning of 2008 and until now, 40 requests for mandatory treatment of mentally ill offenders have been addressed to the Psychiatric Clinic. Half of the cases resulted in hospitalisation and treatment in an ordinary psychiatric unit with other patients without any security measures.

All main judicial institutions have pointed out that there is an increasing demand for mental health services within the framework of different fields of criminal, civil, family and labour law. Moreover, during 2009 a judicial audit carried out by the Judicial Inspectorate of the Kosovo Judicial Council identified several weak points in the current delivery of forensic and mental health treatment, including poor communication between the judiciary administration and the psychiatric institutions; several cases requiring psychiatric evaluations before sentencing are not withdrawn from the courts and there is a lack of adequate facilities for professional expert treatment of mentally ill offenders.

Activity 4. Support for the implementation of intelligence-led policing in the Kosovo Police

Based on the recent assessment carried out by the EULEX mission on the quality of Kosovo Police (KP) services, the need for police reforms is deemed indispensable. The Ministry of Internal Affairs has initiated the process of reform with a view to boosting the efficiency and effectiveness of police services and enabling the KP to provide proper and timely policing services to the people of Kosovo. The assessment stressed in particular the need to strengthen the Kosovo Police intelligence capabilities. Furthermore, the European Commission Progress Report emphasises that the police still lack capacity to develop strategic planning and fully implement an intelligence-led policing (ILP) system. ILP has a direct impact on efficient and effective use of available resources and forces. ILP should be enacted as a core policing model combined with community policing, problem-oriented policing and neighbourhood policing approaches, based on three key elements of democratic policing: accountability, civilian oversight and transparency.

However, currently, the KP mainly adopts a conventional policing approach through random patrolling to deter offenders, rapid response to a wide variety of calls for police help and focus on follow-up investigation of crime. Furthermore, the assessment states that the KP reacts to events rather than trends, detects rather than prevents crime, acts reactively rather than proactively and responds rather than predicts.

Neither do job descriptions properly reflect the responsibilities and functions required by the ILP approach. Standard operating procedures (SOPs) are not entirely in line with the framework of ILP and have not been harmonised and properly enforced, which hampers the flow of information. An overall culture change is needed within the KP as well as expert training for specific staff. The number of staff working with the different police intelligence issues is inadequate. The training system within the KP does not fully support the ILP approach, resulting in insufficient basic knowledge on ILP, and does not sustain the need for expert training in the different intelligence and analysis segments.

ILP relies heavily on a proper IT infrastructure, whereas the current IT infrastructure does not support an adequate intelligence process. Currently, the information is scattered. In some cases the information is not available at all and in most cases not in due time. There are no properly secured databases and other IT equipment. In particular, the Kosovo Police Information IT System (KPIS) and the Criminal Intelligence System (CIS) need to be upgraded, properly secured and the level of access determined in the light of data protection requirements. Budget constraints have so far had an adverse effect on the implementation of ILP within the KP. A coordinated support and partnership approach needs to be adopted by the international institutions to lead the KP towards successful implementation of ILP.

In this regard, with the support of international organisations, initially the OSCE and the Swedish National Police Board, and currently the EULEX mission, the Kosovo Police has undertaken and will continue to undertake actions to successfully implement intelligence-led policing throughout the organisation. As a result, the Kosovo Police Criminal Intelligence Strategy has been drafted and preparatory activities have been deployed by the KP Intelligence-Led Policing Project Manager.

In the course of fulfilling the necessary preconditions for this activity, the KP is being strongly supported by EULEX. Using a programmatic approach, the KP and EULEX have developed an action plan that determines the activities and implementation timeframes. The activities that will be undertaken by the Kosovo Police under the mentoring and supervision of EULEX include: (a) development of intelligence-led policing methods within the KP in accordance with EU standards; (b) revision and harmonisation of laws and regulations to meet international ILP standards; (c) revision and adjustment of the KP organisational staffing structure to meet the ILP standard; (d) redefinition of KP job descriptions and standard operating procedures to meet the ILP standard; (e) strengthening of the KP's partnership with other organisations and institutions to upgrade the flow of information; (f) ILP awareness raising and culture building within the KP.

In parallel, this project will support the upgrading of IT infrastructure within the KP, in particular through:

- (a) upgrading of the Kosovo Police Information System;
- (b) upgrading of the Criminal Intelligence System; and
- (c) training of KP staff to use the upgraded systems.

Further to this, the development and delivery of suitable basic, refresher and specialist training curricula in accordance with the ILP requirements will be supported by the Twinning project via the Kosovo Centre for Public Security Education and Development.

Activity 5. Improvement of the penitentiary system in Kosovo

The Kosovo correctional service was transferred to the Ministry of Justice in early 2006. EULEX is monitoring, mentoring and advising it. Whereas the general conditions at Dubrava prison are satisfactory (fewer than 1 000 out of 1 200 places are currently occupied), the security standards in Dubrava are not yet sufficient, as demonstrated by the escape of high-security detainees in August 2007. The staff are not yet able to respond to crisis situations. Also, Dubrava prison is situated in a quite remote area (2 h travel time to Prishtina/Pristina), which creates many logistical problems for the correctional service, the police and the judiciary. In addition to Dubrava, there is a smaller facility in Lipjan/Lipljan prison (Pristina/Prishtina region) for females, juveniles and detainees with short sentences and six detention centres for pre-trial detainees in Prishtina/Pristina, Lipjan/Lipljan, Pejë/Peć, Gjilan/Gnjilane, Prizren and Mitrovica. Kosovo Serb convicted criminals are currently housed at the Mitrovica/Mitrovicë detention centre, which is not appropriate for this purpose. Prishtina/Pristina requires a bigger detention centre as the current capacity of 66 is insufficient.

Due to the growing number of prisoners the need for enhanced prison facilities was clearly identified as a priority area for Kosovo, for which IPA assistance should be provided. In this regard, a feasibility study for prisons was financed through the IPA 2007 programme, to be followed up by the construction of a high-security prison as clearly disclosed in the IPA 2008 programme. The IPA 2008 Project 'Improvement of the Penitentiary System' has the objective of enabling the Kosovo authorities to cope with a potential increase of convictions due to the readmission of a significant number of persons with a criminal background from the EU Member States, thereby minimising the risk for public security associated with these persons.

Following a first version of the feasibility study presenting options for the location of the future high-security prison, in June 2009 the MoJ identified the final site (Podujeva/Podujevo municipality) and ECLO received written evidence that the land ownership had effectively been transferred to the MoJ. The feasibility study is being finalised by March 2010 taking into account the new location, which had not been among the options considered in the first version of the feasibility study.

The first version of the feasibility study highlighted clearly that the cost estimates at the time of the programming for IPA 2008 will not be sufficient to finance the construction of the prison, for which the final estimate amounts to between EUR 9 and 10 million. Thus, EUR 3 million will be funded, as planned originally, through IPA 2008, while the Government of Kosovo (GoK) will provide the co-financing of EUR 3.5 million. Such commitments were incorporated into a Memorandum of Understanding signed by the Ministry of Justice, the Ministry of Economic Affairs and Finance and ECLO in November 2009. Nevertheless, these secured funds may not suffice to complete the works and carry out the necessary supervision and the shortfall has to be provided for under this project. The MoU stipulates equal financing of any remaining costs.

The pooling of funds under joint management makes it necessary to establish a trust fund out of which the project will be managed. The trust fund to be established therefore needs to be managed by an international implementing partner. Such an arrangement allows other donors to contribute to the trust fund and the operation to thus become a multi-donor action. All contributors to the trust fund enter into a contribution agreement with the implementing partner. UNOPS has been identified by both ECLO and the MoJ as a suitable implementing partner to manage the trust fund due to its vast experience in building prisons. UNOPS is a non-profit international organisation that is able to provide its clients with the legal and administrative framework needed to ensure successful project implementation, building on knowledge of UN systems and processes and links established with organisations within and outside the UN. Furthermore, the UNOPS portfolio includes maximum, high, medium and low security prisons, remand centres, juvenile/female detention centres and open/closed

rehabilitation centres. UNOPS is currently involved in prison construction and refurbishment projects in Afghanistan, Guatemala, Liberia, Palestine, Somalia and Sudan.

3.2 Assessment of project impact, catalytic effect, sustainability and cross-border impact

Activity 1. Support to the Kosovo Judicial and Prosecutorial Councils

The project will be critical for further reforms in the area of justice and the rule of law. It is expected that completion of this project will help to strengthen the independence and impartiality of the judiciary and that it will significantly improve the effectiveness of litigation settlements by the courts. It will establish procedural and organisational rules in the area of mechanisms for evaluating professional capacities of judges and prosecutors, appointments, transfers and promotion of judges and will establish disciplinary rules designed to ensure that the judicial activity is performed effectively, independently and in accordance with appropriate qualitative and ethical standards, and that any violations are dealt with timely and effectively.

The technical improvement with regard to a criminal records database will improve the ability of authorities to fight organised crime and take appropriate preventive and detention measures. At the same time, it will support the EULEX mandate.

Activity 2. Support for the safe house and the fight against trafficking in human beings and domestic violence

This project will provide for better protection of victims of human trafficking and of domestic violence. Not only will there be a safe environment created which encourages participation in judicial proceedings. An institutional framework involving different institutions will also be set up that should provide assistance to victims through all stages of the protection and reintegration process. This project will support the implementation of the Anti-Trafficking Strategy.

Activity 3. Establishment of the Kosovo Forensic Psychiatry Institute

Through the construction of a Forensic Psychiatry Institute, mentally ill offenders will be accommodated in an appropriate environment and structure. The implementation of the Criminal Code and the Criminal Procedural Code will be made possible through courts handing down decisions on mandatory treatment. This will be a milestone in ensuring respect for human rights, the right to an appropriate judgment and the right to humane treatment.

Through the delivery of professional care treatment the risk of suicides and repeat offences by mentally ill offenders will be reduced. Finally, public safety will be improved through the setting-up of a mandatory treatment facility with high security standards.

Activity 4. Support for the implementation of intelligence-led policing in the Kosovo Police

The project will boost the effectiveness and efficiency of the Kosovo Police by allowing timely and accurate exchange of the information/intelligence/analysis to be used for interpreting criminal environments. This will make it possible to positively influence the respective decision-makers so that they efficiently and effectively direct all available sources and resources in order to combat crime and to achieve a positive impact on criminal environments.

Activity 5. Improvement of the penitentiary system in Kosovo

Through building a high-security prison near Pristina, Kosovo authorities will be in a position to increase public safety by appropriately accommodating an increased number of high-risk inmates. The

new high-security prison will also allow other prison facilities to function better as their operations will be less disturbed by difficult high-risk inmates.

The project will be regularly monitored and the impact evaluated.

3.3 Results and measurable indicators:

Activity 1. Support to the Kosovo Judicial and Prosecutorial Councils

Expected results:

1. The structure and efficiency of the KPC and the KJC are strengthened, allowing the institutions to effectively perform their tasks.
 - 1.1. Appropriate strategy, statutes, procedures and regulations/secondary legislation are in place.
 - 1.2. Appropriate structures are in place within the KJC and the KPC, in particular the functioning of the ODC/JAU.
2. A functioning fair and transparent system for evaluating the professional capacity of judges and prosecutors is in place.
3. The process of appointment, transfer and promotion of judges and prosecutors is independent and transparent, in line with the model established by the EU-funded vetting and re-appointment project.
4. Disciplinary procedures are carried out in a timely, effective and professional manner.
5. The KPC and the KJC are equipped with an in-house resource centre including selected literature such as EU law and case-law and online access to relevant databases.
6. A criminal records database is set up, preferably linked to the existing CMIS, with restricted access and in compliance with data protection standards.

Measurable indicators:

1. Statutes and internal rules of the KJC and the KPC are put into operation.
2. Operating procedures in managerial, organisational and administrative matters are implemented.
3. Secondary legislation/sublegal acts for the implementation of the Laws on the KJC and the KPC are adopted.
4. Planning strategy for both institutions is adopted.
5. Increased number of inspections and evaluations carried out per year by the KJC and the KPC.
6. Standard operating procedures for evaluating prosecutors/judges are implemented.
7. All KPC and KJC staff in charge of the evaluation process are trained in evaluation procedures.
8. Findings of peer assessments on the quality of evaluations carried out by the KJC and KPC ODC/JA Units.
9. Standard operating procedures for the appointment, transfer, promotion and career development of prosecutors/judges are compliant with EU standards.
10. Performance-based indicators are developed.
11. Existing career development plans for judges and prosecutors are based on the training schemes as developed within the EU-LER project.
12. All KPC and KJC staff in charge of career development are trained in applicable procedures.
13. Standard operating procedures for disciplinary procedures are applied.
14. All KPC and KJC staff in charge of disciplinary processes trained in applicable procedures.
15. Findings of peer assessments on the quality of disciplinary procedures.
16. The resource centre of the KPC and the KJC contains relevant books, subscriptions to journals, official gazette, court decisions.

17. End users have online access to relevant databases.
18. Criminal records database is in place and use.
19. Regulation for the use of the database is in place and in compliance with EU data protection standards.

Activity 2. Support for the safe house and the fight against trafficking in human beings and domestic violence

Expected results:

1. Standards and procedures are in place for the establishment of a national coordination system to assist victims of violence and trafficking.
2. The general public is more aware of the risks of trafficking/domestic violence, and victims are informed about existing remedies and services.
3. Safe house is established in accordance with EU standards.
4. A functioning scheme for reintegration of victims is in place.
5. A scheme for legal and psychological assistance to victims is set up.
6. Efficiency of repressive measures against trafficking and domestic violence is enhanced.

Measurable indicators:

1. Policy/legislative instruments are in place and meet European standards.
2. Standard operating procedures are designed and implemented effectively at all stages of the process.
3. Integrated model designed for the prevention, assistance, protection and reintegration of victims, including roles and responsibilities of all stakeholders.
4. MoUs are signed between all institutions involved in order to ensure proper coordination of all actors delivering protection/assistance to victims and involved in protection.
5. Number of awareness campaigns conducted.
6. An increased number of victims deciding to receive assistance.
7. Design and construction plan are prepared and implemented.
8. A Strategy and an Action Plan for economic reintegration are in place.
9. Adoption and implementation of a national reintegration programme for victims of trafficking.
10. All identified victims of trafficking have been offered a reintegration programme.
11. Increased number of victims successfully reintegrated.
12. Staff of local Centres for Social Welfare are trained in and more effectively in charge of social reintegration issues.
13. Reduction of repeat offences against victims involved in trafficking.
14. Increased number of victims deciding to lodge complaints against their offenders due to improved legal advice services.
15. Staff of legal aid office is trained and specialised in assistance to victims of trafficking/domestic violence.
16. All victims of trafficking/domestic violence are informed about their rights throughout the judicial procedure and properly assisted during the legal proceeding.
17. SOPs are developed for psychological assistance to all victims of trafficking/domestic violence.
18. Appropriate regulations on relevant actors' roles and responsibilities are defined and effectively in place.
19. Institutional mechanisms within the police created for investigating trafficking complaints/domestic violence.
20. Police investigators, judges and prosecutors in charge of trafficking/domestic violence cases are trained in cooperation with the KJI (EU-LER).

Activity 3. Establishment of the Kosovo Forensic Psychiatry Institute

Expected results:

1. Forensic psychiatric unit of 12 beds for forensic examination is set up in accordance with EU standards.
2. Forensic psychiatric unit of 24 beds for mandatory forensic treatment is set up in accordance with EU standards.
3. Different forensic psychiatric units are fully functioning (units for forensic examination, mandatory treatment and mobile forensic services).
4. Mobile forensic psychiatric services for provision of expertise and follow-up of mandatory treatment cases are in operation.
5. Capacities of staff including clinical and ambulatory forensic psychiatry staff enhanced and in line with EU forensic care standards/best practices.
6. Quality assurance system set up for mobile and clinical forensic psychiatry.

Measurable indicators:

1. The KFPI building is completed and functional.
2. Adequate number of health staff and correctional service staff working.
3. Standards and procedures for forensic psychiatric clinical and expertise services including for mobile units are in place.
4. Expertise and mandatory treatment adequately provided within the KFPI.
5. Curriculum for staff is designed and applied.
6. Number of staff trained and coached (approx. 40).
7. Training plan in place.
8. Number of audits performed.
9. Benchmarks used for individual and team performance are in place.
10. Continuous professional education plans at institutional and personal level in place and used.

Activity 4. Support for the implementation of intelligence-led policing in the Kosovo Police

Expected results:

Component A (managed by EULEX): Kosovo Police mentored and advised on the implementation of intelligence-led policing

1. Intelligence-led policing methodology implemented by the Kosovo Police.
2. Improved intelligence gathering culture among the KP.
3. Increased ability of the KP to plan proactive strategies and operations on the basis of the analysed intelligence data.
4. Better resource planning and more cost-effective policing.
5. Analytical capacities of KP officers strengthened and Coordination Group (especially analytical units) in place at local, regional and central level.

Component B (managed by ECLO): KP provided with IT equipment to support the implementation of intelligence-led policing

1. An effective and reliable single system in place within the KP for collating, analysing and distributing intelligence data.
2. Retrievable data available in a timely manner.
3. Kosovo Police Information System (KPIS) and Criminal Intelligence System (CIS) are in line with ILP standards.
4. KPIS and CIS access system is secured and in line with EU data protection standards.

Measurable indicators:

Component A

1. ILP programme implemented.
2. KP able to exchange technical information on matters related to protection and crime prevention.
3. All KP officers trained and able to use the upgraded databases.
4. Mechanism of Tasking and Coordination Group fully operational at local, regional and central level.

Component B

1. Secured and effective IT systems in place.
2. KPIS and CIS fully operational as secured database systems.
3. KPIS upgraded, commissioned, installed and functional.
4. All staff provided with adequate training (Twinning KCPSD).

Activity 5. Improvement of the Penitentiary System in Kosovo

Expected results:

A high-security prison in Podujeva/Podujevo built with a particular focus on vocational training and reintegration, and put at the disposal of the Kosovo authorities.

Measurable indicators:

1. Accommodation built for 300 category A prisoners in Podujeva/Podujevo municipality.
2. 80% of inmates benefit from measures that will facilitate their socio-economic reintegration.
3. Zero successful escapes of category A prisoners.

3.4 Activities:

Activity 1. Support to the Kosovo Judicial and Prosecutorial Councils

This activity will be implemented via a service contract and a supply contract. Through the service contract the structure and efficiency of the KPC and the KJC will be supported. The experts will assist the institutions in the development of their strategies, statutes, procedures and necessary regulations as well as secondary legislation. Further to this, a fair and transparent system for evaluating professional capacities of judges and prosecutors will be established and reinforced. In this regard, the disciplinary functions of the KJC and the KPC will also be established and strengthened. A criminal records database is to be set up, preferably linked to the existing CMIS, with restricted access and in compliance with data protection standards.

The supply contract, through a national contribution, will equip the KPC and the KJC with an in-house resource centre and selected literature, including EU law and case-law and online access to relevant databases.

Taking full account of the involvement of USAID in relation to the development of the KJC's capacities, a coordination mechanism (Judiciary Steering Committee) will be set up ensuring close coordination of the projects. The EU-funded project will have the lead in relation to Project Components II, III, IV, V and VI while it will have more of a complementary role in relation to Component I (improving/establishing KJC/KPC structure), where the bulk of actions will be performed under the USAID-funded project.

The project will be implemented over a period of 36 months.

Activity 2. Support for the safe house and the fight against trafficking in human beings and domestic violence

This activity will be implemented via two service contracts and a works contract. The issue of trafficking and domestic violence is complex and entails different dimensions. In order to support a holistic-comprehensive approach, mirroring the main pillars of the Anti-trafficking Strategy, this activity will primarily support the establishment of a coordination system involving all necessary institutions to assist victims of violence and trafficking. With regard to direct assistance to victims, the development of a multi-dimensional approach tailored to the specific needs of victims will be supported which includes the reintegration of victims into society.

The proper treatment of victims of trafficking/domestic violence is important in order to safeguard the interests of the victim and to enhance the confidence of victims in criminal justice proceedings and encourage their cooperation, especially in their capacity as witnesses. To this end, a new safe house will be built via a works contract with high-security features for the protection of victims. It is planned to be run by the Ministry of Justice. Experts recruited under the service contract will also train the safe house staff to deliver adequate services to victims. There will also be a small service contract for the supervision of the construction works.

The project will be implemented over a period of 30 months.

Activity 3. Establishment of the Kosovo Forensic Psychiatry Institute

This activity will be implemented via a service contract and a works contract. It aims to establish a health institution for the delivery of expertise and treatment of mentally ill criminal offenders. A Forensic Psychiatry Institute will be built within the Kosovo Psychiatry Clinic via a works and supervision contract. The Ministry of Justice and the Ministry of Health are both responsible for the operation of this Institute and have defined their responsibilities through a Memorandum of Understanding. Staff will be trained as a national contribution and with the assistance of the Psychiatric University Clinic of Basel. The proper functioning of the Institute will allow the Criminal Procedure Law and the Criminal Code of Kosovo to be implemented.

The project will be implemented over a period of 30 months.

Activity 4. Support for the implementation of intelligence-led policing in the Kosovo Police

This activity will be implemented via a supply contract. The purpose of the activity is to support the KP in fulfilling its mission and objectives, through better management control, a multi-agency approach to all issues of concern, and closer cooperation and coordination among all relevant agencies as a precondition for successfully combating all criminal activities and making proper use of all available sources and resources. The project is thus aimed at raising the quality of the police service by improving the collection, evaluation and analysis of police information. The project will ensure the availability of quality intelligence data in secured databases. It will enhance the use of police intelligence data at strategic, operational management and tactical levels. Furthermore, it will help the KP to react to trends, rather than to events, prevent rather than detect crimes and play a proactive rather than a reactive role.

EULEX will support the Kosovo Police through its mandate in the development and implementation of the intelligence-led policing concept in Kosovo and will prepare the KP for this improvement and change in police work. Through provision of the necessary IT equipment upgrading the Kosovo Police

Information System and the Criminal Intelligence System, these activities will be mutually reinforcing.

The project will be implemented over a period of 12 months.

Activity 5. Improvement of the penitentiary system in Kosovo

This activity will be implemented via a contribution agreement (grant to the trust fund) without a call for proposals. The exact scope of the works to be undertaken under this project will be determined by the results of the feasibility study and design work, being finalised in April 2010. The Ministry of Justice co-finances this project. The pooling of funds will be organised via a trust fund managed by an international implementing partner. UNOPS has been identified as the body with the requisite skills and experience to act as trust fund manager. UNOPS' tasks will be (i) to secure and manage the funds of the trust fund, and (ii) to implement the works and supervision of works in close collaboration with ECLO Operations teams, also ensuring adequate liaison with Kosovo line ministries (Ministry of Internal Affairs, Ministry of Justice and Ministry of Economic Affairs and Finance) as appropriate. For more detailed information on the use of joint management please refer to annex V.

3.5 Conditionality and sequencing:

Generally, project implementation is hampered by either insufficient qualified staff and resources allocated to (newly established) institutions or insufficient operational funds available in the government budget to allow appropriate implementation of the mandate of the department concerned. Often timelines for the adoption of legal instruments are not respected, leading to delays in implementation and causing difficulties in project implementation. Although there has been focus on establishing the legal frameworks in Kosovo, the capacity to enforce the laws has still received insufficient attention. An additional constraint is the lack of cooperation among different competent institutions to coordinate responsibilities, enforcement of legislation and efforts in the field. Full commitment of the national authorities is required to work towards achievement of the project objectives.

The project depends on the following conditions being fulfilled:

Activity 1. Support to the Kosovo Judicial and Prosecutorial Councils

- Political will to adopt and implement the legal framework necessary for ensuring the proper and independent functioning of the Kosovo Judicial Council and the Kosovo Prosecutorial Council.
- The necessary budget allocated for both institutions.
- Cooperation between Kosovo Judicial Council/Kosovo Prosecutorial Council and the Ministry of Justice.
- Cooperation and coordination with Kosovo Judicial Institute and with the EU-LER project.

Activity 2. Support for the safe house and the fight against trafficking in human beings and domestic violence

- Land allocated and the necessary building permits obtained before the project procurement process is initiated.
- Ministry of Justice ensures approval of feasibility study in a timely manner.
- Ministry of Justice bears all costs related to the certification of geo-mechanical studies and construction design carried out in full accordance with the Law on Construction.
- Coordination and cooperation mechanism in place between Ministry of Justice and Ministry of Labour and Social Welfare.

- Involvement of KIPA, KCPSD and KJI in the development and implementation of the training scheme.
- Participation of staff in training activities.
- The involvement of educational institutions, centres for social work, victim advocates and non-governmental organisations.

Activity 3. Establishment of the Kosovo Forensic Psychiatry Institute

- Land allocated and the necessary building permits obtained before the project procurement process.
- Ministry of Justice ensures that the feasibility study is approved in a timely manner.
- Ministry of Justice bears all costs related to the certification of geo-mechanical studies and construction design in full accordance with the Law on Construction.
- An inter-ministerial working group for the project implementation is established.
- Coordination and cooperation mechanism put in place between the judicial and health system.
- Strong commitment of all stakeholders, such as the police, correctional and probation service, social welfare and health services.

Activity 4. Support for the implementation of intelligence-led policing in the Kosovo Police

- Successful implementation of the concept of ILP within the Kosovo Police (KP) prior to the initiation of project procurement process.
- Kosovo Police and EULEX action plan on implementation of intelligence-led policing is fully implemented.
- Envisaged legislation is enacted (SOPs redrafted, necessary legislation reviewed, amended and introduced).
- Good cooperation among relevant stakeholders, specifically between KP and EULEX.
- High level of retention of trained/qualified KP personnel.

Activity 5. Improvement of the penitentiary system in Kosovo

- Feasibility study and design approved.
- Co-financing for the project initiated under IPA 2008 is available according to the MOU as well as further funds that become necessary.
- Ministry of Justice continues efforts to seek the assistance of other donors for contributing to the trust fund.

In the event that the above-mentioned conditions are not met, the European Commission Liaison Office to Kosovo reserves the right to suspend or cancel the project.

3.6 Linked activities

Key stakeholders and important players in the sector of the rule of law include the following:

The **European Union Rule of Law Mission in Kosovo (EULEX)** is the largest civilian mission ever launched under the Common Security and Defence Policy (CSDP). The central aim is to assist and support the Kosovo authorities in the field of the rule of law, specifically in the police, judiciary and customs areas. The mission is not in Kosovo to govern or rule. It is a technical mission which will monitor, mentor and advise whilst retaining a number of limited executive powers. EULEX works under the general framework of United Nations Security Resolution 1244 and has a unified chain of command to Brussels.

The CSDP mission will assist the Kosovo authorities, judicial authorities and law enforcement agencies in their progress towards sustainability and accountability. It will further develop and strengthen an independent and multi-ethnic justice system and a multi-ethnic police and customs

service, ensuring that these institutions are free from political interference and adhere to internationally recognised standards and European best practices. The mission, in full cooperation with the European Commission's assistance programmes, will implement its mandate through monitoring, mentoring and advising, while retaining certain executive responsibilities.

The **United States Agency for International Development (USAID)**, through its Kosovo Justice Support Programme, is assisting in the establishment of a sustainable, effective and independent judiciary. Through its Justice Support Programme, USAID works to strengthen the judiciary while at the same time boosting the public's trust in the system. Improving the administration of courts and professionalism of staff, USAID has introduced a 'model courts' programme, designed to assist in the implementation of new reforms in Kosovo's court administration. The model court approach will then be adopted by the Kosovo Judicial Council (KJC), which is responsible for effective court operations within an independent judiciary, and applied to the remaining courts. To facilitate the flow of cases, the KJC has adopted a system of acceptable time standards for cases, which allows the courts and the parties to better process cases through the litigation procedure. In addition, educational programmes for judges, prosecutors and court staff are helping legal professionals to develop practical skills, to better address ethical and professional dilemmas, to learn new areas of law and to provide better legal services to clients and the public at large. Enhancing respect for ethics and delivery of quality services, USAID is strengthening the Audit Section of the judiciary. This assistance includes training auditors to perform management studies and review court files to identify problems and monitor performance. Help is also provided to the Kosovo Judicial Institute to review and augment the ethics codes for judges, as well as provide ethics training for judges and prosecutors. Supporting a court system serving and representing all ethnic groups, USAID and the KJC have developed a strategy to address post-independence changes to the judicial system, including changes necessitated by decentralisation and local government reform. As the process of distinguishing the roles and responsibilities between judges and prosecutors is finalised, an Independent Prosecutorial Council is being established and equipped with the necessary tools, personnel, and training to build an effective public prosecutors service.

Through its Legal Profession Development Initiative, implemented by the American Bar Association Rule of Law Initiative, USAID is building on a previous Increasing Capacity of Legal Professionals programme (2004-2008). The objective is to help create a capable and well-regulated legal profession in Kosovo that meets the highest standards of integrity. The project further strengthens the ethical and competent performance of the legal sector through continued reform and further development of an independent Bar. Activities include additional focused work with the Kosovo Chamber of Advocates (KCA), an evaluation of and possible creation of an efficient and effective regulatory system for the Kosovo legal system, and a review and possible revision of the current legal framework impacting the practice of law in Kosovo. Challenges to legal reform and general developments in Kosovo's rule of law will be identified through assessment tools: the Legal Education Reform Index (LERI), Judicial Reform Index (JRI) and Legal Profession Reform Index (LPRI) as well as publications and other mechanisms that are designed to identify specific challenges to legal education and the legal profession.

The **International Criminal Investigative Training Assistance Programme (ICITAP)** under the US Department of Justice's plan for continuing support includes providing a Law Enforcement Advisor to the MIA and three additional consultants to help the MIA restructure itself. This is an ambitious programme dealing with administrative and strategic issues as well as looking into regional cooperation. Technical assistance is offered in integrated border management, anti-trafficking in human beings, financial crime investigations and policing across ethnic lines, and to the KCPSD. A

major programme aimed at providing an IT system across the rule of law sector is under preparation. ICTIAP are also providing a programme on police and prosecutor training.

The **Swiss Agency for Development and Cooperation (SDC)**, through its Establishment of a Notary System in Kosovo project, is contributing to the consolidation of the judicial system in Kosovo by supporting the development and implementation of an operational notary system. Technical input will be provided in drafting the secondary legislation and harmonising other legal provisions. The project will further facilitate the setting-up of the Kosovo chamber of notaries and a training system for notaries. It will lead to a more effective and efficient legal system, since the courts will be relieved of the bulk of non-contentious cases, and citizens will thus have better access to justice.

Through its Support to the Kosovo Correctional Services project, the SDC is contributing to the establishment of an impartial correctional system that functions in compliance with European prison rules. With a view to the organisational development of the prison system, a staff development system for PMD was created and is currently applied at different levels of the personnel hierarchy. Swiss support to the Kosovo correctional services also includes other components such as: establishing vocational training programmes, working possibilities for inmates, rehabilitation of prison infrastructure. The establishment of a cattle farm in Dubrava prison will be supported. The prison management and the agricultural unit will further be trained and prepared in managing the farm.

Through its Swiss & Liechtenstein Support Project to Mental Health in Kosovo, the SDC is also assisting the Psychiatric University Clinic Pristina (PUC-P) in becoming a learning resource centre for state-of-the-art psychiatric care that will actively train health professionals in Kosovo. It will further help the PUC-P to play an important role in transferring new ‘mindsets’ and treatment models in mental health and psychiatry to all levels of the healthcare system as well as to Kosovo society at large. The project will strengthen professional exchanges with the Psychiatric University Clinic Basel and establish a long-term institutional partnership between the two clinics.

The **Organisation for Security and Cooperation in Europe (OSCE)** represents the largest international civilian presence in Kosovo charged with the promotion of human rights and good governance. The Mission is responsible for institution- and democracy-building, and the promotion of human rights and the rule of law.

To help Kosovo’s judicial institutions better protect human rights and improve the quality of their services, the Mission monitors and reports on proceedings in the administrative, civil and criminal justice systems. The reports focus on their compliance with Kosovo law and international human rights standards and suggest concrete remedial actions for observed shortcomings. Issued periodically, the reports cover different areas of the law ranging from legal representation, to witness protection and property transactions. These reports draw the attention of judicial authorities to the observed shortcomings to help prevent them recurring. The Mission also organises workshops with judges to analyse reports and discuss recommendations for remedial actions. Similarly, the Mission proactively monitors the work of the police service. The legal system reports and the police conduct reports jointly provide a comprehensive overview of human rights compliance from arrest to adjudication.

To address the problem of internal and external trafficking in human beings to and from Kosovo, the Mission cooperates with a number of local partners. These include government bodies, such as the Kosovo inter-ministerial working group on anti-trafficking and the anti-trafficking coordinator, social workers, victim advocates and police officers, as well as non-governmental organisations that provide shelter and psycho-social support to trafficking victims. The Mission monitors their work for compliance with the applicable international human rights standards and rule of law and provides advice on how to improve their operations and ensure a coordinated approach.

Security and public safety institutions in Kosovo were created from scratch following the 1999 NATO intervention and the adoption of UN Security Council Resolution 1244. At that time, the OSCE was made responsible for training the new police service that would uphold human rights and democratic policing principles. To do so, it created an institution — the Kosovo Police Service School — that eventually evolved into the Kosovo Centre for Public Safety Education and Development. The Centre now caters for the educational and training needs of the police, border, correctional, and fire and rescue services, offering basic to advanced courses. The OSCE gradually handed over responsibility for training and the Centre’s management to local stakeholders, although it still supports the delivery of human rights and advanced training programmes. The Mission is also assisting the Centre in the process of obtaining accreditation as an educational institution. In parallel with training and helping to improve safety in local communities, the OSCE also proactively monitors the work of the police for their adherence to international human rights standards, and advises police structures on how to improve their practices. The Mission issues periodic reports that are presented to and analysed with all relevant officials, including high-ranking police officers and representatives of the Kosovo Ministry of Internal Affairs.

Together with the Mission’s legal system monitoring, security sector monitoring provides a comprehensive overview of human rights accountability in the justice and police sectors.

This project builds on previous EU assistance to the rule of law sector, particularly the following projects funded under the Instrument for Pre-Accession:

Name of project	Start End	Activities/results
IPA 2007-2009		
Legal education system reform	2009-2011	The overall objective of this twinning project is to strengthen the rule of law, ensure the independence and improve the efficiency of the judiciary in Kosovo by developing a sustainable legal education system and building up training capacities for law students, judges, prosecutors and advocates. The project aims to improve the capacity of the competent institutions to provide high-quality and sustainable legal education and training in compliance with European standards. Within the project, legal professionals will also be provided with compilations of applicable laws, published texts of court decisions and legal doctrine.
Standards for the Ministry of Justice	2009-2011	This Twinning project builds on the activities carried out under previous EAR projects. The overall objective of this project is to strengthen the administrative, policy making and legal drafting capacities within the Ministry of Justice and to reduce the backlog of cases in courts by setting up mechanisms for alternative dispute resolution, introducing arbitration proceedings and increasing the performance of the probation and correction services.
Asylum/migration/re-admission.	2009-2011	This Twinning project aims to enhance both the policy making skills in the Department for Citizenship, Asylum and Migration within the MIA and the practical handling of readmission/asylum cases (link to the housing facility under IPA 2007).
Supply for the Border and Boundary Police	2009-2010	An EU-compliant Border Management Information System is being set up that interconnects all border crossing points and regional command centres via a central system. Central, regional command and BCP databases have identical structures allowing seamless migration of data between databases, significant

		reduction of replication failures and enhanced scalability. Equipment (passport readers, vehicles, night-vision devices) will be procured to establish the authenticity of travel and other documents, detect metallic objects (weapons) carried on the person, identify suspected explosive or narcotic substances, examine vehicles, conduct observation and surveillance on the Green Border and establish a patrol's position on the Green Border (via GPS).
Improvement of the penitentiary system	2009-2011	The objective of the project is the construction of a high-security prison. The project aims to enable the Kosovo authorities to cope with a potential increase in convictions in the courts due to the readmission of a large number of persons with a criminal background from EU Member States, thus minimising the risk for public security associated with these persons.
Construction of the Palace of Justice building	2009-2012	After the July 2008 donor conference, funds have been allocated for the construction of a Palace of Justice building in or near Pristina. It will house a number of judicial institutions, including the district and municipal courts and prosecutorial office, the Kosovo Judicial Institute, the Kosovo Special Prosecutors Office, the Legal Aid Office and the Chamber of Advocates.
Strengthening the Kosovo Border and Boundary Police	2008-2010	This twinning project supports the Kosovo Border and Boundary Police with the aim of implementing integrated border management (IBM) policies, enhancing the efficiency of the flow of persons and goods through the borders, advancing adherence to EU human rights standards, fighting cross-border crime and enforcing laws related to the management of Kosovo's borders.
Support to the Anti-Corruption Agency	2008-2009	This EUR 1.0 million project is aimed at the development and enforcement of anti-corruption policies and a legal framework, in line with EU standards, together with increased public awareness, to effectively and systematically combat corruption in Kosovo's institutions.
Re-appointment of judges and prosecutors in Kosovo	2009-2010	The project objective is a onetime country-wide vetting and re-appointment process where all judges and prosecutors in Kosovo will be evaluated and selected based on merit, in terms of professional qualifications and experience, as well as professional and personal integrity.
Civil registration and unified address system	2010-2013	This project supports the Civil Registration Agency in the development of its functions and implementation of working processes with the aim to have all Kosovo citizens living in and outside Kosovo registered in the Registry Books and to develop one central register system to ensure the issuance of correct civil registration-related documents. It further assists Kosovo authorities in developing and implementing a unified address system for Kosovo with the goal of having an unambiguous address for all persons living in Kosovo.
Improved education in the public safety and security sectors	2010-2012	This twinning project aims to improve the basic and advanced training for police, customs, firefighters and penitentiary staff and will support the accreditation of the Kosovo Centre for Public Safety and Education, including setting up a higher education institution in line with the requirements of the Bologna process.

Integrated Ballistics Identification System (IBIS)	2010	The overall objective of this supply contract is to equip the Central Forensic Laboratory with the Integrated Ballistics Identification System (IBIS) that will help to improve the effectiveness of investigations and to contribute to reducing the backlog of cases in the Kosovo courts. Furthermore, the IBIS will enable the Forensic Laboratory to set up a database of all registered weapons and to exchange ballistic data with other law enforcement authorities.
Support to legal translators/interpreters and lawyer-linguists	2010-2012	The purpose of this project is to increase the efficiency and credibility of the administration, the justice system and the law enforcement authorities in Kosovo, by increasing the proficiency of legal translation/interpretation through the development of curricula and standards for translators/interpreters.
Juvenile justice	2010-2013	The overall objective of this project is to strengthen the rule of law in Kosovo through a better functioning and reformed juvenile justice system. In particular, it aims to ensure that children in conflict with the law, as well as victims and witnesses, are treated by the juvenile justice system in line with international and European standards. The project will be implemented by UNICEF.

3.7 Lessons learned

Although the overall impact achieved through previous assistance is satisfactory, a number of challenges remain: the large amounts of donor assistance delivered to some of the beneficiaries in the past were, due to insufficient absorption capacities, not always able to be used to the best possible extent. The simultaneous presence of several donors (in particular non-EU donors) with sometimes different agendas did not always lead to the necessary synergies. Also, the delivery of technical assistance through consultants, rather than civil servants, contributed to focusing on achieving short-term results rather than on sustainable capacity building.

4. Indicative budget (amounts in EUR million)

			TOTAL EXP.	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1 - Support to KJC/KPC			2.2	2.0	91	0.2	9	0.2				
Contract 1.1 Service	X		2.0	2.0	100							
Contract 1.2 Supply		X	0.2			0.2	100	0.2				
Activity 2 - Fight against THB and DV			2.1	1.8	86	0.3	14	0.3				
Contract 2.1 Service	X		0.9	0.9	100							
Contract 2.2 Service		X	0.1	0.1	100							
Contract 2.3 Works		X	0.8	0.8	100							
Contract 2.4 Supply		X	0.3			0.3	100	0.3				
Activity 3 – Kosovo Forensic Psychiatry Institute			1.752	1.5	86	0.252	14	0.252				
Contract 3.1 Works		X	1.3	1.3	100							
Contract 3.2 Service	X		0.452	0.2	44	0.252	56	0.252				
Activity 4 – Intelligence Led Policing			2.0	2.0	100							
Contract 4.1 Supply		X	2.0	2.0	100							
Activity 5 – High Security Prison			7.5	5.0	67	2.5	33	2.5				
Contract 5.1 – Grant		X	5.0	5.0	100							
Contract 5.2 – Grant		X	2.5			2.5	100	2.5				
TOTAL IB			3.352	3.1	92.5	0.252	7.5					
TOTAL INV			12.2	9.2	75	3.0	25					
TOTAL PROJECT			15.552	12.3	79	3.252	21					

NOTE: Amounts net of VAT

(1) In the Activities column use 'X' to identify whether institution building (IB) or investment (INV).

(2) Expressed in % of the **total** expenditure (EXP) (column (a))

5. Indicative implementation schedule (periods broken down per quarter)

Contracts	Start of tendering	Signature of contract	Project completion
Contract 1.1 - Service	Q1 2011	Q2 2011	Q2 2014
Contract 2.1 - Service	Q2 2011	Q3 2011	Q2 2014
Contract 2.2-Service	Q2 2011	Q3 2011	Q2 2014
Contract 2.3 - Works	Q3 2011	Q4 2011	Q4 2013
Contract 3.1 - Works	Q1 2011	Q2 2011	Q2 2013
Contract 3.2 - Service	Q2 2011	Q3 2011	Q3 2014
Contract 4 - Supply	Q1 2011	Q2 2011	Q3 2012
Contract 5.1 - Grant	Q3 2011		

6. Cross-cutting issues

Human rights, and in particular minority rights and participation, as well as gender issues will be mainstreamed within all activities and project deliverables. Planning and policy development in the rule of law sector must encompass the protection of human rights and the fight against corruption, trafficking in human beings and discrimination.

6.1 Equal opportunities

The project will ensure that men and women have equal access to all project deliverables. Law No 2004/2 on Gender Equality in Kosovo provides for the equal participation of females and males ‘in legislative, executive and judicial bodies of all levels and in public institutions’. Under Article 3.2 of this Law, equal participation of females and males is achieved where the participation of the particular gender in an institution or body or at a level of authority is 40%.

6.2 Environment

The project is expected to be neutral in terms of environmental impact. The project’s infrastructure component will be consistent with environmental implications as set out in relevant Regulations pursuant to the Law on Environmental Protection. This project aims also to promote environmental improvements through energy savings by implementing energy efficiency measures in buildings, including the use of alternative sources of energy.

6.3 Minorities

Failure to integrate Kosovo’s minorities can lead to further violations of human rights. Therefore, this project will aim to contribute to the establishment of multi-ethnic representation in the institutions benefiting from the project, which will address the ethnic groups fairly and equitably under the law, as well as other marginalised groups.

ANNEXES

- Annex I- Log frame in standard format
- Annex II- Amounts contracted and disbursed per quarter over the full duration of the programme
- Annex III- Description of institutional framework
- Annex IV - Reference to laws, regulations and strategic documents
- Annex V- Details per EU-funded contract

ANNEX I: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche		Programme name and number: Strengthening the rule of law	
		Contracting period expires: Ref to section 1.10	Disbursement period expires: Ref to section 1.12
		Total budget EUR 15.552 million	IPA budget: EUR 12.3 million
Overall objective	Objectively verifiable indicators	Sources of verification	
Support the efforts of Kosovo authorities to enforce the rule of law by strengthening the judiciary, promoting integrity of institutions, fighting various forms of crime and aligning with and implementing the EU <i>acquis</i> .	Ability of the institutions to comply with the European Partnership and the EP Action Plan	European Commission progress reports	
Project purpose	Objectively verifiable indicators	Sources of verification	Assumptions
<p>1. Increase the independence and improve the performance of the judiciary by developing the performance, professionalism, independence and efficiency of the Kosovo Prosecutorial & Judicial Councils.</p> <p>2. Strengthen institutions, procedures and systems to reduce trafficking and smuggling of human beings, and protect trafficked individuals and victims of domestic violence, in order to tackle organised crime in line with the national strategy on anti-trafficking.</p>	<ul style="list-style-type: none"> • KPC established • The effectiveness of KJC is enhanced • KJC/KPC function more in line with EU standards and best practices • The ability of institutions to comply with the Partnership Action Plan of the European Union in respect of the justice and protecting the rights of victims components 	<ul style="list-style-type: none"> • Publications and statistics of Ministry of Justice and other non-governmental and Parliament sources • European Commission Kosovo Progress Report • EULEX reports • Government reports • European Commission reports on Kosovo • Project reports • EULEX reports • KPC reports • KJC reports 	<ul style="list-style-type: none"> • Adoption of the relevant legislation • Full commitment of the BC to work towards the achievements of the project objectives • Political will to establish and strengthen the institutions • Adequate budget allocated for the two institutions • Coordination and cooperation mechanism put in place between MoJ and Ministry of Labour and Social Welfare. • Sufficient understanding between parties as to their respective roles and the extent of their authority • Adequate cooperation between all stakeholders

<p>3. Improve the treatment of mentally ill offenders by establishing a proper Forensic Psychiatry Institute.</p>	<ul style="list-style-type: none"> • KFPI in place with high standard of security • Expertise provided within KFPI and mandatory treatment within KFPI provided for a number of cases • Number of repeat offences committed by mentally ill persons decreased by 2015 	<ul style="list-style-type: none"> • MoJ reports • EULEX reports • MSLW reports • ACDEI reports • Strategy implementation reports of the MIA • European Commission Progress Report • Reports from KFPI • CPT reports • MoJ statistics • KJC statistics • MIA statistics • MoH statistics • EULEX reports 	<ul style="list-style-type: none"> • Political will to increase public safety • Creation of an interdepartmental working group for project implementation • Co-financing available • Land identified. Property issues clarified and allocated • Appropriate legal framework remains in place in order to facilitate proper functioning of forensic psychiatry
<p>4. Strengthen performance capability and improve the services of the Kosovo Police by implementing the intelligence-led policing concept and establishing a uniform intelligence information system.</p>	<ul style="list-style-type: none"> • KP uses intelligence data at strategic, operational management and tactical levels • KP able to exchange technical information on matters related to protection and crime prevention • KP officers trained and able to use the upgraded databases 	<ul style="list-style-type: none"> • Kosovo Police Annual Report • Ministry of Internal Affairs Annual Report • European Commission Progress Report • EULEX assessment reports • OSCE assessment reports • KP data analysis reports • Europol reports • Relevant statistics 	<ul style="list-style-type: none"> • Successful implementation of the concept for implementation of ILP at Kosovo Police • KP/EULEX action plan on implementation of intelligence-led policing fully implemented • EULEX closely monitors and advises the KP • Envisaged legislation enacted (SOPs redrafted, necessary legislation reviewed, amended and introduced) • Good cooperation among relevant stakeholders • High level of retention of trained/qualified KP personnel ensured
<p>5. Enable Kosovo authorities to cope with a potential increase in convictions, also related to the readmission of persons with a criminal background from EU</p>	<ul style="list-style-type: none"> • Numbers of detention places available • Number of successful escapes reduced 		<ul style="list-style-type: none"> • Feasibility study available • Co-financing has been made available

<p>MS, and improve public safety by appropriately accommodating an increased number of high-risk inmates.</p>		<ul style="list-style-type: none"> • Implementation reports • MoJ statistics • EULEX reports • European Commission reports 	
Results	Objectively verifiable indicators	Sources of verification	Assumptions
<p>1. a. The structure and efficiency of KPC-KJC strengthened, allowing the institutions to effectively perform their tasks. b. Appropriate strategy, statute, procedures, regulations/secondary legislation and structures in place. c. A transparent system of evaluation of the professional capacity of judges and prosecutors is in place. d. KPC-KJC are equipped with in-house resource centre provided with selected literature, including EU law and case-law and online access to relevant databases. e. A criminal records database is set up, preferably linked to the existing CMIS, with restricted access, in compliance with data protection standards.</p>	<ul style="list-style-type: none"> • Internal rules of KJC and KPC are put into operation • Statute of KJC/KPC is functional • Secondary legislation/sublegal acts are adopted • Planning strategy for both institutions is adopted • Increased number of inspections and evaluations carried out per year by KJC/KPC • All KPC and KJC staff in charge of evaluation process are trained in evaluation procedures • The resource centre within KPC-KJC contains relevant books, subscriptions to journals, official gazette, court decisions • End users have online access to relevant databases • Criminal records database is in place and used 	<ul style="list-style-type: none"> • KJC-KPC reports • EULEX reports • Courts' statistics • CMIS data • Specific surveys • Project publications and distribution list, reports on organised events, study visits • Project implementation and evaluation reports • Technical specifications 	<ul style="list-style-type: none"> • Adoption of the package of four laws • Budget for the two institutions secured • Political will to ensure authority and independence of KJC/KLC • Cooperation between KJC-KPC and MoJ • Trained people remain in service • Cooperation and teamwork of the different actors • Financing available • Cooperation and coordination with KJI • Coordination with EU-LER project

<p>2.</p> <p>a. Environment-building strand: Standards and procedures are in place for the establishment of a national coordination system to assist victims of violence and trafficking.</p> <p>b. Environment-building strand: The general public is more aware of the risks of trafficking/domestic violence, and victims are informed about existing remedies and services.</p> <p>c. Remedial strand: Safe house is established in accordance with EU standards.</p> <p>d. Responsive strand: A functioning scheme for reintegration of victims is in place.</p> <p>e. Responsive strand: A scheme for legal and psychological assistance to victims is set up.</p> <p>f. Responsive strand: Efficiency of repressive measures against trafficking and domestic violence is enhanced.</p> <p>3.</p>	<ul style="list-style-type: none"> • Policy/legislation instruments are in place and standard operating procedures are designed and implemented • Integrated model designed for prevention and victim assistance, protection and reintegration • MOUs are signed to ensure proper coordination • Results of the survey on public awareness • Number of awareness campaigns conducted • Design and construction plan are prepared and implemented • A strategy and an Action Plan for economic reintegration in place • Staff of legal aid office are trained • Specialisation in the field included in training plan of KJI and police academy (synergy with EU-LER) • Number of investigations of trafficking/domestic violence increased by 15% <ul style="list-style-type: none"> • Design and construction 	<ul style="list-style-type: none"> • Project implementation report • Provisional and final acceptance certificates • Site visit reports • Project survey • EULEX reports • EC reports • Statistics from MoJ reports • Ministry of Health reports • KJC report • Statistics on victims of trafficking referred by SHTQNJ and accommodated in the temporary safe house • Data on statements made by victims of trafficking in District Courts • Statistics on safe house and partners, for services provided during the repatriation procedure • Reports of the legal aid offices • Awareness-raising material produced within the project • Project reports • OSCE reports on human rights • Other ministerial and international stakeholders' monitoring reports • Rules of procedure of relevant ministries and stakeholders (actors) for the implementation of the law 	<ul style="list-style-type: none"> • Land acquisition is properly dealt with by the beneficiary before project starts • Coordination and cooperation mechanism put in place between Ministry of Justice and Ministry of Labour and Social Welfare • Sufficient understanding between parties as to their respective roles and the extent of their authority • Adequate cooperation between all stakeholders • Strong commitment of all stakeholders • Involvement of KIPA, police academy and KJI in the development and implementation of the training scheme • Co-financing available • Participation of staff in training activities • Educational institutions, centres for social work, victim advocates, and non-governmental organisations are involved in the system
--	---	--	---

<p>Component A:</p> <p>a. KPFI is established</p> <p>b. Forensic psychiatric unit of 12 beds for forensic examination is set up in accordance with EU standards</p> <p>c. Forensic psychiatric unit of 24 beds for mandatory forensic treatment is set up in accordance with EU standards</p> <p>Component B:</p> <p>a. Different forensic psychiatric units are organisationally set up and fully functioning</p> <p>b. Forensic psychiatric unit of 12 beds</p> <p>c. Forensic psychiatric unit of 24 beds for mandatory forensic treatment</p> <p>d. Mobile forensic psychiatric services for provision of expertise and follow-up of mandatory treatment cases</p> <p>e. Capacities of staff including clinical and ambulatory forensic psychiatry staff enhanced and in line with EU forensic care standards/best practices</p> <p>f. Quality assurance system set-up for mobile and clinical forensic psychiatry</p> <p>4. Component A managed by</p>	<p>plan are prepared and implemented</p> <ul style="list-style-type: none"> • Adequate number of health staff and correctional service staff working • Standards and procedures for forensic psychiatric clinical and expertise services including for mobile units are in place • Expertise and mandatory treatment appropriately provided within KFPI in a number of cases • Curriculum for staff is designed and applied • Number of staff trained and coached (approx. 40) • Number of audits performed • Benchmarks used for individual and team performance are in place • Continuous professional education plans at institutional and personal level <ul style="list-style-type: none"> • ILP programme implemented • KP able to exchange technical information on matters related to protection 	<ul style="list-style-type: none"> • Project implementation report • Provisional and final acceptance certificates • Site visit reports • KFPI reports • Treatment protocols • Curricula • Training records • Results of examination • Attendance list of trainees • Audit reports • Personnel records • Evaluation reports 	<ul style="list-style-type: none"> • Coordination and cooperation mechanism put in place between the judicial and health system • Sufficient understanding between parties as to their respective roles and the extent of their authority • Adequate cooperation between all stakeholders • Land acquisition is properly dealt with by the beneficiary before project starts • Willingness of each party to improve communication and information system • Strong commitment of all stakeholders, such as the police, correctional and probation service, social welfare and health services • Involvement of KIPA in the development and implementation of the training scheme • Budget allocation for continuous training activities • Participation of staff in training activities
---	--	---	---

<p>EULEX: Mentor and advise Kosovo Police on the implementation of intelligence-led policing</p> <p>a. Intelligence-led policing methodology implemented by KP</p> <p>b. Improved intelligence-gathering culture among the KP</p> <p>c. Improved ability of the KP to plan proactive strategies and operations on the basis of the analysed intelligence data</p> <p>d. Better resources planning and more cost-effective policing</p> <p>e. Analytical capacities of KP officers strengthened</p> <p>f. Mechanism of Tasking and Coordination Group (especially analytical units) at local, regional and central levels strengthened</p> <p>Component B managed by ECLO: KP provided with IT equipment to support the implementation of intelligence-led policing</p> <p>a. An effective and reliable single system for the KP for collating, analysing and distributing intelligence data in place</p> <p>b. Retrievable data information available in a timely manner</p> <p>c. Kosovo Police Information System (KPIS) and Criminal Intelligence System (CIS) are</p>	<p>and crime prevention</p> <ul style="list-style-type: none"> • All KP officers trained and able to use the upgraded databases • Mechanism of Tasking and Coordination Group at local, regional and central levels fully operational <ul style="list-style-type: none"> • Secured and effective IT systems in place • KPIS and CIS fully operational as secured database systems • KPIS and CIS upgraded, commissioned, installed and functional • All staff provided with certified training <ul style="list-style-type: none"> • Accommodation built for 	<ul style="list-style-type: none"> • Assessment report on the implementation of ILP at the KP • Project monitoring reports • Kosovo Police Annual Report • Ministry of Internal Affairs Annual Report • European Commission Progress Report • EULEX reports • KP data analysis • Europol reports • Relevant statistics • Mechanism of Tasking and Coordination Group reports • Training certifications • KPIS in place • CIS in place 	<ul style="list-style-type: none"> • Successful implementation of the concept for implementation of ILP at Kosovo Police • MIA/KP fully committed to fulfil the necessary preconditions • Planned legislation enacted • Good cooperation offered by all stakeholders • High level of retention of trained/qualified KP personnel ensured
---	--	--	---

<p>in line with ILP standards</p> <p>d. KPIS and CIS access system is secured</p> <p>5. A high-security prison in Podujevo built with a particular focus on vocational training and reintegration, and put at the disposal of the Kosovo authorities</p>	<p>some 300 category A prisoners in Podujevo municipality</p> <ul style="list-style-type: none"> • 80% of inmates benefit from measures that will facilitate their socio-economic reintegration • Zero successful escapes of category A prisoners 	<ul style="list-style-type: none"> • MoJ statistics • MSLW statistics • Media reports • EULEX reports 	<ul style="list-style-type: none"> • Feasibility study finalised • Co-financing has been made available for the IPA 2008 project • No other donors have been identified to contribute to the trust fund
Activities	Means	Costs	Assumptions
<p>1. Support to the Kosovo Judicial and Prosecutorial Councils</p> <p>2. Support for the safe house and the fight against trafficking in human beings and domestic violence</p> <p>3. Establishment of the Kosovo Forensic Psychiatry Institute</p> <p>4. Support for the implementation of intelligence-led policing in the Kosovo Police</p> <p>5. Improvement of the penitentiary system in Kosovo</p>	<p>1. One service contract. Standard procedures will be applied.</p> <p>2. Two service contracts and at least one works contract.</p> <p>3. One service contract and at least one works contract.</p> <p>4. At least one supply contract.</p> <p>5. At least one grant contract (contribution agreement with UNOPS).</p>	<p>EUR 2.0 million and EUR 0.2 million co-financing</p> <p>EUR 1.8 million and EUR 0.3 million co-financing</p> <p>EUR 1.5 million and EUR 0.252 million co-financing</p> <p>EUR 2.0 million</p> <p>EUR 5 million and EUR 2.5 million co-financing</p>	<p>Beneficiaries commit to the project with regard to budget allocations and staff</p> <p>Key legislation in place</p> <p>Organisational structure of beneficiary has been decided upon</p> <p>Co-financing ensured</p> <p>Continued political support</p> <p>Participation of staff in the implementation of the project</p> <p>Staff trained kept in service</p> <p>Land acquisition is properly dealt with by the beneficiary before project starts</p> <p>All necessary permissions are provided by the relevant authorities</p> <p>Coordination and cooperation mechanism in place</p> <p>Sufficient understanding between parties as to their respective roles and the extent of their authority</p> <p>Ownership of beneficiaries</p> <p>Successful implementation of the intelligence-led policing concept by Kosovo Police</p>

ANNEX II: Amounts (in EUR million) contracted and disbursed by quarter for the project

Contracted	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4
Contract 1.1 Service			2.0														
Contract 2.1 Service				0.9													
Contract 2.2 Service				0.1													
Contract 2.3 Works					0.8												
Contract 3.1 Works			1.1														
Contract 3.2 Service				0.4													
Contract 4.1 Supply			2.0														
Contract 5.1 Grant				5.0													
Total			5.1	9.0	12.3												
Disbursed	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Contract 1.1 Service			0.4		0.3		0.3		0.3			0.5			0.2		
Contract 2.1 Service				0.2				0.3			0.2			0.2			
Contract 2.2 Service				0.1													
Contract 2.3 Works				0.24		0.2			0.2			0.16					
Contract 3.1 Works			0.3		0.3			0.3			0.2						
Contract 3.2 Service							0.1		0.1			0.1			0.1		
Contract 4.1 Supply			1.2					0.8									
Contract 5.1 Works				5.0													
Total			1.9	7.44	8.04	8.24	8.64	10.04	10.64	10.64	11.04	11.8	11.8	12.0	12.3		

Annex III: Description of institutional framework

Ministry of Justice

The legal mandate of the Ministry of Justice (MoJ) is mainly based on UNMIK Regulations 2005/53 and 2006/26. A number of regulations and laws adopted by the Assembly of Kosovo before and after the declaration of independence, in particular those related to the Bar exam, notaries, mediation, legal aid, as well as the draft laws on courts, prosecutors, the KJC and the KPC have and will expand the Ministry's remit.

The Ministry is responsible for providing support services to the Office of the Public Prosecutor of Kosovo to ensure that the prosecutorial system functions effectively. In the meantime the Ministry, through the KJI, is responsible for providing training, including professional and vocational training, for prosecutors and organises qualifying examinations for prosecutors, lawyers (including trial attorneys) and other legal professionals. It is expected that, with the new legislation under preparation, the role of providing support services will be transferred to the KPC.

The Ministry was created in 2006 and is an amalgamation of structures from other ministries and UNMIK structures. Most of the departments were transferred without being adapted to the new status and are still functioning as before. Since its creation significant progress has been achieved, but a lot still needs to be done.

The MoJ has the following departments:

- Department of Legal Affairs
- Access to Justice Department
- Department of Missing Persons and Forensics (as well as the Forensic Institute operating separately)
- Correctional Service and Probation Service Department(s)
- Department of Central Administration.

There are some other units that are considered as departments although they have not been granted such status yet — such as the Litigation Department and Procurement Department, currently operating as Divisions under the Legal Affairs and Central Administration Departments respectively. In addition to the departments there are offices attached to the Permanent Secretary's Office, such as the Office for European Integration or the Public Information Office.

The Department of Access to Justice is responsible for the treatment of victims of crimes and the integration of minorities into the justice system. There are two main divisions in this Department, the Division for the Protection of the Victims of Crime and the Division for Judicial Integration. The main functions of this department are assisting minorities to access the justice system, and coordinating assistance to victims of violence and crime with the actual assistance provided by NGOs and other organisations. The MoJ does not perform a broader role of providing legal aid to all those who are in a need of legal services but cannot afford them (handicapped people, poor people, etc.).

The Division for Judicial Integration is well equipped and has 35 staff spread over 11 regional Court Liaison Offices. However, the services of these offices are not actually used by minorities.

The Division for Victims of Crime within the Department of Access to Justice is also well resourced. It has more than 40 staff working across 14 regional offices. They do not provide actual services,

except for maintaining one temporary safe house for victims, but coordinate the work of various NGOs.

Like its counterpart in many EU Member States, the Kosovo MoJ is responsible for correctional and probation policy and services. It performs these functions through the Correction Service, staffed with more than 1 700 employees (General Directorate: six detention centres, the Correctional Centre for Juveniles and Women, and one high-security prison with another one being planned) and the Probation Services, staffed with almost 70 employees (5 regional offices).

As to the setting-up of the Kosovo Forensic Psychiatric Institute, a Memorandum of Understanding between the Ministry of Justice and the Ministry of Health defines the respective roles and responsibilities of these two institutions concerning the delivery of services to mentally ill offenders.

Kosovo Judicial Council

The mandate of the Kosovo Judicial Council (KJC) is the development and maintenance of an independent judicial system which will provide services impartially to all citizens and which will be functional in all aspects of its organisation and operation.

This is to afford all citizens access to justice, which should be fair and efficient. The KJC is responsible for an accountable court system operating to the highest standards of honesty, integrity, professionalism and transparency.

Following the endorsement of the Constitution of Kosovo, Chapter VII (Articles 102 to 108) of the Constitution defines the powers, responsibilities and functions of the judicial system in Kosovo, such as:

- i. General principles of the judicial system in Kosovo;
- ii. Organisation and jurisdiction of the courts;
- iii. The Kosovo Judicial Council, which is responsible for determining the administrative policies, and providing management oversight for all courts;
- iv. Setting policy, issuing rules and guidelines for the judiciary;
- v. Recruitment, training, appointment, evaluation, promotion, transfer and discipline of judges and non-judicial personnel;
- vi. Exercise of responsibilities in relation to the appointment, development and training of judges.

Kosovo has initiated the process of appointment of judges and prosecutors by the Independent Judicial Commission and the Prosecutorial Council of Kosovo as well as the drafting of laws for the KJC, the courts, the Prosecutorial Council and the Attorney of the State, which will enable courts and prosecutors in Kosovo to be organised and structured.

Ministry of Internal Affairs

The Ministry of Internal Affairs (MIA) is a large multi-sector ministry. Its importance is underlined by the fact that its role and tasks are defined not simply at the level of laws, but even in a number of Articles of the Constitution of the Republic of Kosovo. The MIA is a new ministry established in December 2005. The process of establishment was followed by the transfer of competences not only from UNMIK, but also from the Ministry of Public Services (e.g. in the area of vehicle registration and driving licences). This process is not yet completed, since some of the functions are still to be transferred from UNMIK and the UNHCR (e.g. in the case of the refugee determination procedure).

The Ministry of Internal Affairs conducted a functional review between August 2008 and January 2009. In February 2007, the Government made the functional review and reorganisation of its

administrative structure a key objective of its newly published Public Administration Reform (PAR) Strategy and Action Plan.

The MIA's strategic plan for 2007-2010 defines its mission as 'to build, preserve and increase the safety of all citizens in Kosovo'.

In Kosovo, once the transfer of functions from UNMIK and other actors (e.g. the UNHCR) has been completed, the MIA will cover all major competencies which are found in ministries of internal affairs in the smaller EU Member States. These are:

preventing and combating crime; management of emergencies; population registration; citizenship issues; issue of identity cards, passports, citizenship documents, civil status documents, driving licences and vehicle registration documents; management of legal migration as well as dealing with illegal immigration; border control and border protection; asylum, subsidiary protection, temporary protection and refugee issues; and regulation of small arms, civil explosives, private security companies and civil aviation security.

Kosovo Police

One of the key factors in preventing and protecting the public against all forms of crime is the constant development and enforcement of the rule of law in Kosovo, for which the Kosovo Police needs further investment and support.

The strategic goal of the Kosovo Police is the establishment, development and deployment of an effective police force, professionally trained, fully equipped, sustainable, appropriately staffed for effective functioning and capable of ensuring security and peace in Kosovo, in compliance with the principles of democratic policing.

Based on recommendations deriving from the functional review of the Kosovo Police and the EULEX six-monthly report, the organisational structure plan of the KP was finalised and approved by the Ministry of Internal Affairs on 22 January 2010.

The Kosovo Police is currently developing a Strategic Development Plan which is expected to be adopted in May 2010. This plan aims to strengthen the concept of intelligence-led policing and of community policing. The KP signed a Memorandum of Cooperation with EULEX on full access to all Kosovo Police databases, in conformity with the legal provisions and specifics of each database. The new salary system for the KP was approved in November 2009 and entered into force on 1 January 2010.

The Law Enforcement Policy Department within the MIA will be established in 2010. It will be in charge of policy analysis, development and coordination in the priority areas of public order and security, such as terrorism, human trafficking or drugs trafficking. It will also be responsible for oversight of the Kosovo Police, the Kosovo Police Inspectorate and the Centre for Education and Development.

Recently a decision was taken by the Director-General that the Regional Intelligence Units should fall under the immediate supervision of the Directorate for Criminal Analysis, set to become in future the hub of police intelligence and analysis. As a consequence, the Ministry of Internal Affairs has appointed the Assistant to the Director-General for the Fight against Crime as the National ILP Coordinator. The ILP Task Force and Task Groups are being established to work on the implementation of activities which are preconditions for achieving EU standards on intelligence-led policing.

Annex IV: Reference to laws, regulations and strategic documents

Link with Accession Partnership/national programmes for the adoption of the *acquis*/European Partnership/Stabilisation and Association Agreement

Along with the rest of the region, Kosovo is embracing the European agenda, underpinned by the EU policy for the Western Balkans, namely the Stabilisation and Association Process (SAP). Almost all instruments under the SAP are open to Kosovo. The SAP dialogue provides a high-level forum for policy and technical dialogue, supplemented by technical sectoral workshops.

The European Partnership calls for the following action:

- ensuring that courts and prosecution offices are effective, independent, accountable and impartial, and free from political influence;
- strengthening the prosecutor's office to ensure that it is able to comply with the principles of autonomy and impartiality. Continuing to strengthen the Special Prosecutor's Office. Implementing an efficient witness protection scheme;
- fully implementing an automated case management system in all courts and prosecution offices;
- reducing the backlog of cases and enforcing civil court decisions;
- further developing legal education and training, particularly for judges, prosecutors and administrative personnel. Strengthening the administrative capacity, coordination and effectiveness of the judiciary and all law enforcement agencies. Ensuring the viability of a comprehensive legal aid system;
- improving the functioning of the judiciary, guaranteeing its independence, accountability, professionalism and efficiency and ensuring that the career development and recruitment of judges and prosecutors is based on technical and professional criteria and free from political influence. Ensuring that the Constitutional Court functions properly;
- improving the effectiveness of crime investigations. Adopting and implementing legislation to establish the KPS and strengthening its investigative and internal control capacities. Strengthening its leadership;
- further strengthening local capacity in the organised crime directorate within the KPS;
- drafting and adopting a government programme to promote women's rights in Kosovo as well as implement the law on gender equality. Mainstreaming women's rights in all existing policies and legislation.

Link with the MIPD

The project has been designed on the basis of the objectives pursued under the Multi-annual Indicative Planning Document (MIPD) for the years 2009-2011 for Kosovo. The project supports its strategic choices. In particular, it addresses the following political objectives: (a) consolidating **the rule of law** by strengthening the judicial system and supporting police reform and the fight against corruption and organised crime, in close cooperation with the ESDP mission, to ensure a coordinated and mutually reinforcing approach; (b) enhancing Kosovo's capacities in areas related to **home affairs** and particularly policies related to money laundering, drug trafficking, and the fight against organised crime and terrorism.

Link with the National Development Plan

The Medium-Term Expenditure Framework (MTEF) for the period 2010–2012 sets out an analysis of the macroeconomic environment of Kosovo which provides the basis for a statement of the strategic policy priorities as agreed by the Government. It also presents a summary of the essential fiscal envelope or baseline against which the range of Government policy priorities will be assessed for funding.

The MTEF stresses that Kosovo operates with different legal systems in place. Legislation is not being implemented fully and the courts are undermined by a heavy backlog of cases. Legislation is not interpreted in a consistent manner by different judges. Investors require a stable and predictable legal environment. Kosovo commits to work in this direction in both the short and the long run. **Thus, the rule of law is seen by the Government as key to faster integration with Europe.**

MTEF sector objectives in the field of law and order and the rule of law (Section 4.4):

Judiciary:

1. Drafting of laws and bringing them into line with current European standards in all areas, especially harmonisation with the Constitution.
2. Creation of legal options and conditions for an independently functioning prosecutorial and judicial system; greater efficiency in finding and identifying persons who went missing during the war.
3. Preventing trafficking of human beings and creating the conditions for the safe shelter of trafficking victims and reintegrating them into society.
4. Transferring new responsibilities and creating conditions for international cooperation in the field of extradition for those who have committed criminal acts and have been sentenced in other countries and for the extradition of non-Kosovo citizens to their respective countries.
5. Creating conditions and facilities in accordance with the European standards for protected witnesses and establishing high-security prisons for dangerous convicts and for the mentally retarded.
6. Establishing a strong legal and administrative framework for the organisation and functioning of the courts.
7. Developing and implementing effective procedures for the appointment, development, promotion and discipline of judges.
8. Establishing effective procedures and practices for managing the budget and finances in and for courts.
9. Creating an appropriate organisational structure and a set of policies and procedures for effective management of human resources, this being important for the functioning of the courts.
10. Eliminating backlog cases and timely resolving all identified cases in the courts.
11. Implementing and effectively using modern communication systems and information management.
12. Strengthening the capacity for research, analysis and statistical reporting in relation to court cases.
13. Establishing policies and procedures to ensure that judges and non-judicial staff will receive the necessary training to enable them to work more efficiently.
14. Developing and cultivating effective working relationships with other entities involved in the work of the courts, including participation in joint problem solving and policy development in the justice system.
15. Implementing the law aimed at combating and preventing crime and securing the life and property of citizens.

16. Observing and investigating serious criminal acts and the possibilities for combating information technology crimes.
17. Improving human capacity, in particular in terms of combating money laundering, investigating narcotics and the ability to combat corruption, organised crime and terrorism. Deploying the intelligence system at all levels, achieving the capacity necessary for legal eavesdropping of telecommunications.

Annex V: Details per EU-funded contract

Contracting arrangements:

Activity 1. Support to the Kosovo Judicial and Prosecutorial Councils

One service contract and at least one supply contract.

Activity 2. Support for the safe house and the fight against trafficking in human beings and domestic violence

One service contract and at least one works contract.

Activity 3. Establishment of the Kosovo Forensic Psychiatry Institute

One service contract and at least one works contract.

Activity 4. Support for the implementation of intelligence-led policing in the Kosovo Police

At least one supply contract.

Activity 5. Improvement of the penitentiary system in Kosovo

Contribution agreement with UNOPS (grant) without a call for proposals.

Project management and administration

Activity 5 will be implemented by the European Commission by joint management with the United Nations Office for Project Services (UNOPS), following Article 53d of the Financial Regulation and the corresponding provisions of the Implementing Rules. To this end, the Commission will conclude Contribution Agreements with UNOPS.

Prisons must meet international standards, and proper construction to rigorous standards requires specialist designers. UNOPS has the skills and experience to design and manage construction of prisons suitable for post-conflict, disaster-stricken or developing environments. The UN Standard Minimum Rules for the Treatment of Prisoners has defined leading practices in the management of penal institutions. The layout and details of facilities should offer inmates and staff proper access to water, air, sanitation and light. Incorrectly designed prisons can increase hazards to staff, inmates and the greater community as well as reduce the possibility of rehabilitating inmates. UNOPS designs and constructs prisons that conform to these Standard Minimum Rules in the most difficult locations.

The UNOPS Physical Infrastructure Design Unit (PIDU) has extensive prison design expertise grounded in a comprehensive understanding of prison and detention issues.

The UNOPS portfolio includes: maximum, high, medium, and low security prisons, remand centers, juvenile/female detention centers and open/closed rehabilitation centers. UNOPS is currently involved in prison construction and refurbishment projects in Afghanistan, Guatemala, Liberia, Palestine, Somalia and Sudan.

In the High Security Prison, UNOPS will work under the direction of the Steering Committee and the general guidelines of the Donors. UNOPS functions shall include receipt and management of funding as well as implementation of components II, Construction and III, Supervision of Works, in support to HSP project activities.

As the Trust Fund Manager of the HSP Trust Fund, UNOPS will be responsible for the effective, transparent and efficient management of the HSP accounts as authorized by the Trust Fund Steering Committee.

To this end it is expected that the TFM will:

- Receive contributions from Donors that wish to provide financial support to the Fund, through signature of the respective Donor contribution agreement(s).
- Register HSP funds in a central database and maintain financial records to reflect transactions related to the Trust Fund.
- Subject to availability of funds, disburse such funds in accordance with the Steering Committee's instructions in accordance with the budget set out in the approved Project Document.
- Disburse funds or any additional costs of the task that the Steering Committee may decide to allocate.
- Maintain separate ledger accounts to reflect all advances from proceeds of contributions and of all expenditures paid from these contributions.
- Consolidate statements and reports, based on submissions provided to the TFM , and provide these to the Steering Committee and to each Donor that has contributed to the Fund Account.
- Provide final reporting, including notification that the Fund has been fully expended or has been wound up.
- Prepare annual budgets for presentation to the Steering Committee.
- Monitor expenditures to ensure that funding is spent for the intended purpose.
- Carry out auditing and monitoring & evaluation activities at the expense of the HSP Trust Fund as the case might be.
- Promptly suspend or cancel disbursements to any recipients of funds under the HSP Trust Fund in the event the Steering Committee notifies UNOPS of non-compliance with terms and conditions of such agreements and/or the abovementioned MoU;

The European Commission Liaison Office in Pristina will manage the procurement, implementation, quality control, reporting and coordination with EULEX and other donors. A Project Steering Committee will be responsible for the overall direction of the project and comprise representatives of the beneficiary institutions and the Commission Office. Monitoring will be performed centrally by the Commission. The project may be evaluated at the interim or ex-post stages under the supervision of the Commission's Evaluation Unit. The project may be audited by the Court of Auditors, in line with standard European Commission procedures.

2010 Annual Programme — Project Fiche 2
Governance

1. Basic information

- 1.1 CRIS number:** 2010/022-452
1.2 Title: Governance
1.3 ELARG statistical code: 01.23
1.4 Location: Kosovo*

Implementing arrangements

- 1.5 Contracting authority:** European Commission Liaison Office to Kosovo
1.6 Implementing agency: n/a
1.7 Beneficiary:

Project activity	Beneficiary (institutions, target group, etc.)	Contact point responsible for project/activity coordination
Project against economic crime in Kosovo	Overall Coordination Counterpart: Office for Good Governance, Human Rights, Equal Opportunities and Gender Issues (OGG) at the Office of the Prime Minister of Kosovo. Anti-corruption Coordinator: Kosovo Anti Corruption Agency (KAA) and Anti-money laundering Coordinator: Financial Intelligence Centre (FIC)	Mr Habit Hajredini, Head of the Office, Mother Theresa Street Room N-319 38000, Pristina, Kosovo habit.hajredini@ks-gov.net
Enhancing human rights protection in Kosovo	Main beneficiary: Ombudsperson in Kosovo Other beneficiaries: Human rights adviser to the Office of the Prime Minister, Human Rights Units in the relevant ministries and municipalities, Office for Good Governance (OOG), possibly other relevant institutions, depending on adoption of the Human Rights Law, and civil society organisations	Mr Sami Kurteshi — Ombudsperson, ++377 44955 821, skurteshi@ombudspersonkosovo.org

Financing

- 1.8 Overall cost (VAT excluded):** EUR 2.2 million
1.9 EU contribution: EUR 2.0 million
1.10 Final date for contracting: 2 years after signing the financing agreement
1.11 Final date for execution of contracts: 2 years following the final date for contracting
1.12 Final date for disbursements: 1 year after the final date for execution of contracts

* Under UNSCR 1244/1999.

2. Overall objective and project purpose

2.1 Overall objective

To contribute to democracy and the rule of law by preventing and controlling corruption, money-laundering and financing of terrorism and improving implementation of standards under the European Convention on Human Rights (ECHR), of the standards and findings of the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) and of the Framework Convention for the Protection of National Minorities (FCNM) in Kosovo.

2.2 Project purpose

This project will serve two main purposes:

- Strengthening institutional capacity to counter corruption, money-laundering and financing of terrorism in Kosovo in accordance with European standards based on thorough assessments and recommendations for improving and streamlining of reforms targeting economic crime.
- Build the capacity of institutional and non-institutional human rights stakeholders to apply and ensure compliance with European human rights standards in Kosovo.

2.3 Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

Project against economic crime in Kosovo

Kosovo is participating in the Stabilisation and Association Process (SAP) and the associated dialogue which is divided between seven sub-committees. As part of the Stabilisation and Association Process, the **European Partnership** and the inclusion of Kosovo, as defined by United Nations Security Council Resolution 1244/99, is intended to provide additional, tailored support to the authorities in order to realise the European aspirations of the Western Balkan countries¹. The aim is to identify priority areas in which further efforts and reforms are needed, calling, in particular, for Kosovo's legislation to be brought into line with that of the Community. It also provides a reference framework for financial assistance from Community funds. In order to guarantee a secure, democratic and multi-ethnic Kosovo, its short- and long-term priorities are based on the standards laid down by Resolution 1244/99 of the United Nations Security Council. They consist of certain key priorities involving political, economic and legislative criteria. In addition this project is directly linked to the Strategy on Anti-Corruption and on Crime prevention

The short-term key priorities set in the European Partnership relate to respecting the rule of law, human rights, guaranteeing democratic governance and provision of public services and setting up a transparent and accountable public administration while the fight against corruption, organised crime and terrorism must be continued. Other criteria relate to the need to focus on the fight against organised crime, terrorism and corruption, alongside parliament and elections, public administration and the judicial system as political criteria.

Enhancing human rights protection in Kosovo

Chapter 2.2 'Human rights and protection of minorities' of the 2009 European Commission (EC) Progress Report stated that some progress had been made in the area of human rights, but that the institutional framework for compliance with international human rights norms in Kosovo needed to be significantly strengthened. Ensuring full respect for human rights is a key European Partnership priority.

¹ http://europa.eu/legislation_summaries/enlargement/western_balkans/r18015_en.htm.

2.4 Link with the Multiannual Indicative Planning Document (MIPD)

Project against economic crime in Kosovo

The Multi-annual Indicative Planning Document (MIPD) for 2009-11 describes corruption, money-laundering, terrorism and organised crime as threats to the aims of EC assistance, which need to be taken seriously. Furthermore, the transition assistance and institution-building objectives/choices in the MIPD relate its political criteria to the support that needs to be given to the fight against corruption and organised crime. One expected result would be stronger governance confirmed, *inter alia*, by an increase in the number of corruption cases detected and successfully prosecuted and in the quality of policy and legislation drafted and implemented, measured against specific benchmarks. The MIPD also fosters cross-cutting issues such as strengthening good governance by introducing monitoring, evaluation and control mechanisms. Civic and practitioner-targeted awareness campaigns involving the wider public are, in turn, expected to contribute to the fight against corruption and money-laundering.

The Multi-annual Indicative Planning Document (MIPD) for 2009-11 describes anchoring the rule of law and a powerful judiciary as important to achieve the aims of EU transition and institution-building assistance.

Enhancing human rights protection in Kosovo

The transition assistance and institution-building objectives/choices in the MIPD relate its political criteria to the support that needs to be given to consolidation of the rule of law and of civil society and to promoting human rights and protecting minorities. One expected result would be stronger governance confirmed, *inter alia*, by a decrease in the number of cases detected and successfully dealt with along with an increase in the quality of policies and legislation drafted and implemented, measured against specific benchmarks. The MIPD also fosters cross-cutting issues such as strengthening good governance by introducing monitoring, evaluation and control mechanisms. Civic and practitioner-targeted awareness campaigns involving civil society are, in turn, expected to contribute more meaningfully to greater protection of human rights in Kosovo.

2.5 Link with National Development Plan

Project against economic crime in Kosovo

Council Regulation (EC) No 533/2004 on the establishment of European partnerships in the framework of the stabilisation and association process contains a special annex where the EU states the priorities and action that should be taken for approximation of Kosovo to the EU. The European Partnership clearly states that implementation of standards for Kosovo is a general short-term priority. Besides standards, the EU has identified other short-term and medium-term priorities.

Enhancing human rights protection in Kosovo

The Council Decision 2008/213/EC on the principles, priorities and conditions contained in the European Partnership with Serbia including Kosovo contains a special annex where the EU states priorities and actions for Kosovo to be undertaken for the approximation of Kosovo to the EU. The European Partnership clearly states that implementation of Standards for Kosovo is a general short-term priority. Besides the Standards, the EU has identified other short-term and medium-term priorities which do not belong to Standards

3. Description of project

3.1 Background and justification

Project against economic crime in Kosovo

Economic crime — including corruption, money-laundering, financing terrorism, trafficking in human beings, cybercrime and other forms of financial and organised crime — are serious concerns in Kosovo. In response, the Council of Europe has been supporting Kosovo for a number of years in the form of technical cooperation activities focusing on legislative drafting, training and policy advice, with the cooperation of the United Nations Mission in Kosovo (UNMIK), the Organisation for Security and

Cooperation in Europe (OSCE) and the recent European Union Rule of Law Mission in Kosovo (EULEX Kosovo). This has included drafting the (provisional) criminal and criminal procedure codes, specific legislation concerning prosecution and investigation procedures, legislation against corruption and money-laundering, capacity-building for the Anti-Corruption Agency and training on use of special means of investigation, financial investigations, witness protection and other measures against organised crime. The programme proposed will build on these and the other tangible achievements made thanks to other technical assistance, support and advice from the EU, OSCE, UNMIK, UNDP and other organisations.

The conclusions of the European Commission's 2009 Progress Report on Kosovo confirm that Kosovo still faces major challenges. Although it has made further progress towards establishing and consolidating the rule of law, it still needs to improve the functioning and independence of its judiciary. It needs to establish a track record in the fight against corruption, money-laundering and organised crime by demonstrating practical results. Kosovo also needs to strengthen the capacity, independence and professionalism of its public administration and to improve its business environment, including regulation, supervision and corporate governance.

Results of a preliminary needs assessment on economic crime (corruption and money-laundering/counter-terrorism) by the Council of Europe (CoE) in October 2009 revealed a significant number of remaining issues connected with strengthening the rule of law by taking effective measures against corruption, money-laundering and other forms of economic crime.

The Kosovo' Anti-corruption Agency (KAA) is now operational since its establishment in 2006 and has managed to increase and strengthen its capacities, and as of recently is operating under a new amended law². KAA is in charge of policy formulation as well as monitoring the implementation of the anti-corruption action plan and of the control processes related to conflict of interests, declaration of assets. The Office of Good Governance, Human Rights, Equal Opportunities and Gender Issues (OGG) is in charge of coordinating other corruption and good governance efforts in a cross-sectoral approach. However, some issues of competences, institutional and human capacities and financing of political parties remain still a challenge in terms of coordination and synergies.

At the same time, the Financial Investigation Unit (FIU) and the Financial Intelligence Centre (FIC) seem to have been facing numerous capacity-building and human resource challenges since they were established. Their operations have been financed mainly by international assistance providers. Although some measures have been taken, corruption and money-laundering remain prevalent in Kosovo. In recent years significant steps have been taken in Kosovo to bring the legal and institutional framework to combat economic crime into line with international standards.

It remains to be assessed whether the overall legal framework, including the latest legal reforms, meets the international and European standards, including the levels of implementation. The legislative framework has been amended many times, but still requires streamlining and/or remains vague at certain levels.

New draft criminal and criminal procedures codes are being finalised and are expected to be presented to the Assembly in 2010. An Anti-Corruption Strategy and Action Plan for 2009-11 appears to be the leading strategy paper. Monitoring of the measures taken to implement it has been entrusted to the Anti-Corruption Agency in accordance with the new law.

The current legislation on anti-money laundering and countering terrorism financing (AML/CTF) is based on an UNMIK³ Regulation which lays down the basic principles. A new draft AML/CTF law has undergone the Council of Europe's expert review twice and is currently before the Assembly for consideration. Drafting of the new law is 'sponsored' by the Ministry of Economic and Financial Affairs, which is responsible for its final shape, but has been strongly supported by EULEX, which gave technical advice on the drafting process, and reviewed by the Council of Europe and other

² Law Nr. 03/L-159 on the Anti-corruption Agency of Kosovo, decreed on 19 January 2010.

³ UNMIK Regulation No 2005/42 of 30 August 2005 amending UNMIK Regulation No 2004/2, as amended, on the deterrence of money-laundering and related criminal offences.

international experts in order to ensure its approximation with the European standards on AML/CTF. The CoE's support in this matter has been greatly appreciated by all players and should be continued.

The new law on the administration of confiscated and seized property, adopted on 31 July 2009, seems *prima facie* to introduce the necessary provisions (third-party confiscation, reversal of the burden of proof, etc.) and should therefore be useful for further development of the assets recovery system. However, the police and prosecutors office would still require further awareness of this new law and of the tools offered by UNMIK Regulation No 2005/42⁴.

As far as the financial sector is concerned, the Central Bank of Kosovo (CBK)⁵ is the sole supervisor and regulator of the financial institutions in Kosovo. There is no capital market in Kosovo and all banks are primarily retail banks. Around 80% of them are owned by foreign financial institutions. Even though Kosovo has a predominantly cash economy, confidence in the banking system is steadily increasing by around 20% per year. All banks have compliance officers and apply a risk-based approach against money-laundering and financing of terrorism. The governing authorities of the CBK are convinced that the risk of money-laundering and financing of terrorism in the banking sector is low, as this sector is well organised and has strict AML/CTF rules. However, this point of view is not shared by the police who have valid reasons to believe that banks are used for money-laundering. Insurance companies have no compliance officers, as they believe that the risk of money-laundering is very low, since all their transactions go through banks (policies can be paid for by bank transfers only or purchased online and there are no cash transactions). Around 86% of policies are for car insurance; hence, the amounts involved are not significant. Strict investment limits are imposed on the insurance sector. Pension funds have been affected by the crisis (10.4% drop), as they mainly invest on international markets (95%). Again, according to the CBK governing authorities, the greatest risks of money-laundering should be sought in the informal sector. Training has been organised for CBK staff and compliance officers, in some cases together with FIC staff and/or the police.

Enhancing human rights protection in Kosovo

Turning to the second activity under this project, the 2009 EC Progress Report confirms that full respect for human rights is a key priority for the European Partnership. To this end, the institutional framework for compliance with international human rights norms in Kosovo needs to be significantly strengthened. The Council of Europe (CoE) has been working on the same objective in Kosovo since 1999 and has well-established relationships with the local institutions. To follow up the numerous capacity-building and monitoring activities to promote the standards of the ECHR, the CPT and the FCNM, the CoE has received requests from all partners to implement a comprehensive human rights project with the aim of capacity-building, legislative harmonisation and closer cooperation between the different stakeholders working on human rights in Kosovo and across Europe.

The aim of this activity is **to improve implementation of the ECHR, of CPT standards and findings and of FCNM standards in Kosovo.**

The CoE has enjoyed a unique position in Kosovo due to the direct applicability of the ECHR within Kosovo legal framework. In addition, separate arrangements with UNMIK in 2003 made it possible to implement two other major CoE conventions, namely the FCNM and the CPT. Since then, missions to Kosovo by **the monitoring bodies under these instruments** have led to publication of reports, including recommendations to improve the situation of individual communities and prevent ill-treatment in places of detention.

A restricted memorandum from **the Rapporteur of the Political Affairs Committee of the Parliamentary Assembly of the Council of Europe**, Mr von Sydow, followed by an information note on his fact-finding visit to Kosovo (21-26 February 2010), concluded that the CoE should step up its involvement in Kosovo. It highlighted that the justice sector has fewer resources than the police and lacks appropriate training for judges and prosecutors who completed their studies before 1999 and are

⁴ UNMIK Regulation No 2005/42 amended UNMIK Regulation No 2004/2 on the deterrence of money-laundering and related criminal offences.

⁵ There are a total of 74 institutions, including 8 banks, 11 insurance companies, 2 pension funds and 15 micro-financial institutions.

no longer up to date with the relevant law. It has also established that the ECHR, the FCNM and the CPT are no guarantee of effective protection, because the general knowledge of these instruments amongst the legal profession and the judiciary is limited and people are not fully aware of these instruments or of the rights they confer.

The report by the **Council of Europe Commissioner for Human Rights** on his special mission to Kosovo (23-27 March 2009), as a basis for future cooperation and follow-up, considered strengthening the Ombudsperson Institution in Kosovo (OIK) a priority for protection of human rights.

Between 1 September 2005 and 30 June 2008, the CoE implemented a comprehensive capacity-building project on **'Support for the Ombudsperson Institution in Kosovo'**, funded by the Swedish International Development Cooperation Agency (SIDA). This included training on the ECHR and other human rights treaties, with a special focus on non-discrimination, minority and gender issues, plus non-human-rights activities such as training courses to improve the writing, reporting and language skills of the staff and establishment of a case-law database and a document management system.

On 4 June 2009, the Kosovo Assembly elected Mr Sami Kurteshi as the Ombudsman for Kosovo. Mr Hilmi Jashari is currently the Deputy Ombudsman. The three other deputies — one from the Kosovo Albanian community, one from the Kosovo Serb community and one from a non-majority community — are expected to be elected shortly. Regardless of ethnicity, the Ombudsman and his deputies must be independent of the authorities and Assembly and credible partners for all the people of Kosovo.

This project builds on the achievements of the SIDA project, while at the same time taking into account the new challenges faced by the OIK in particular as regards monitoring places of detention.

The aim is to bring the regulatory and institutional framework for human rights closer into line with European human rights standards and to increase the capacity of the OIK, the human rights adviser to the Office of the Prime Minister, institutions such as the Human Rights Units in the relevant ministries and municipalities, the Advisory Office on Good Governance and civil society organisations on reporting requirements and skills.

While reforms of the legal framework for protection and promotion of human rights have been underway for several years, including under the guidance of international intergovernmental organisations, there has been no process of assessing the effectiveness and impact of such reforms: key institutions exist in most areas, but their status varies significantly (independent or ministry-run institutions). In some cases, skills still need to be tailored to the regulations. Inter-agency cooperation and coordination need to be streamlined and steered to ensure effective protection of human rights and to consolidate the rule of law.

The powers of staff employed in the main Kosovo institutions need to be increased, especially in relation to implementation of European standards. The CoE and EU standards, along with those of other relevant organisations, should serve as a reference framework for benchmarking and assessment of measures to prevent or respond to violations of human rights in Kosovo.

The strength of the CoE is that standard-setting activities in this field are backed up by **monitoring and technical cooperation**. The findings of the CoE monitoring mechanisms set up under the instruments applicable to Kosovo should be taken as a starting-point to assess the measures to be taken against breaches of human rights and rule of law standards in Kosovo and to assist with preparation of the legislative and regulatory framework necessary to secure the reforms needed.

3.2 Assessment of project impact, catalytic effect, sustainability and cross-border impact

Project against economic crime in Kosovo

A concerted effort by the EU and the CoE, based on the experience from the many successful joint projects in this area, would be an appropriate approach to ensure that European standards and practices are clearly followed in Kosovo. Such efforts would contribute to coherent anti-corruption and money-laundering reforms in Kosovo, also to the benefit of EULEX Kosovo, thus making the results of the reforms more sustainable and bringing them into line with European standards.

The powers of staff employed in the main Kosovo institutions need to be increased, especially in relation to implementation of European standards. The standards of the Council of Europe, of the European Union and of other relevant organisations should serve as a reference framework for benchmarking and assessment of measures against economic crime and, more specifically, corruption and money-laundering in Kosovo. In general, the strength of the Council of Europe is that standard-setting activities in this field are backed up by **monitoring** and **technical cooperation**. However, Kosovo cannot participate in, and thus benefit from, these monitoring bodies. Nevertheless, the experience acquired and criteria applied by the Council of Europe's monitoring mechanisms — such as the Group of States against Corruption (GRECO)⁶ and the Committee of Experts on the Evaluation of Anti-Money-Laundering Measures and the Financing of Terrorism (MONEYVAL)⁷ — are expected to be useful if specifically tailored to Kosovo.

These models should be the reference framework for assessing measures against corruption and money-laundering in Kosovo and preparing recommendations for reform. In due course, such recommendations for reform will be unified and streamlined and, thus, have an impact and serve for:

- assessing and benchmarking current measures against economic crime (corruption, money laundering and terrorism financing); and
- providing recommendations and tools for leading the reforms necessary to tighten up the measures against economic crime in Kosovo⁸.

In terms of catalytic effects, for the first time a specially designed programme will have the purpose, strategy and resources to undertake periodic thorough assessments in Kosovo on issues related to economic crime and, more specifically, corruption and money-laundering. The assessments will cover institutional, legal, policy and resource matters divided into separate themes mostly modelled on the Council of Europe's mechanisms (GRECO and MONEYVAL).

Once embedded as a core functioning benchmarking and assessment system, those periodic assessments will enhance Kosovo's and international capacity to perform supporting and monitoring roles in the area of economic crime (corruption and money-laundering).

Furthermore, the impact and sustainability of this dimension will be enhanced by the part of the project (assessment reports/recommendations) focusing on providing clear and specific recommendations and guidelines on preventing and fighting corruption and money-laundering.

⁶ www.coe.int/greco.

⁷ www.coe.int/moneyval.

⁸ Measures will be taken to ensure that in the end such action and recommendations will be discussed in consultations and shared with leading technical assistance and aid groups (by the Council of Europe, the World Bank, the IMF, the European Union, EULEX, the UN and UNDP, etc.) in order to streamline and improve reforms targeting economic crime in Kosovo in line with European standards.

Enhancement of Human Rights Protection in Kosovo

The human rights component aims at improving the implementation of the ECHR, CPT and FCNM and related standards by the following means: strengthening the knowledge by institutional and non-institutional human-rights related actors; building their capacity to apply and ensure respect for these standards in Kosovo; and contributing to the correct reporting by these actors on the human rights situation in Kosovo, including the monitoring of the enforcement by the same actors, notably the Ombudsperson Institution. .

While assessing and benchmarking under ECHR, CPT and FCNM modelled mechanisms; it will support and enhance the institutional capacities of the relevant Kosovo structures to report on certain standards in the human rights field. It can be safely assumed that the strengthening of these key mechanisms will not only serve one sector but rather ensure that solid reporting mechanisms are set up and applied in line with European best practices. The training activities creating long-term capacity for effective peer support and engagement in the monitoring and reporting process of all relevant stakeholders will allow for large horizontal and sustainable impact of the project. It will enable peer-to-peer dialogue and good practice exchange among professionals, practitioners as well as equivalent institutions in other countries.

Developing and implementing monitoring and reporting mechanisms in the area of human rights will enable Kosovo to compare its performance with other countries in the region as well as other CoE member states and thus further enhance its integration in the international community.

3.3 Results and measurable indicators

As mentioned above, there will be two main activities under this project:

1. Project against economic crime in Kosovo;
2. Enhancing human rights protection in Kosovo.

The results and measurable indicators for the two activities are as follows:

Activity 1: The project against economic crime in Kosovo will have two components:

Component 1: Assessment of anti-corruption measures

Expected results

- Assessment reports on the level of compliance by applicable regulations and practices with European standards (based on the experience acquired and criteria applied by GRECO and other relevant bodies of the Council of Europe).
- Kosovo institutions capable of supporting and applying peer assessments on anti-corruption measures based on the European monitoring mechanisms methodology.
- Recommendations on regulatory, institutional and policy matters, based on the periodic assessments of measures against corruption.
- Final assessment and compliance reports published and disseminated in English, Albanian and Serbian.

Measurable indicators

- One compliance matrix established and approved by the Steering Committee.
- Terms of reference for ‘Assessment of measures against corruption’ approved by the Steering Committee.
- First assessment report on anti-corruption measures available.
- Second assessment report on anti-corruption measures available.

- Kosovo institutions produce all the data and information necessary to enhance understanding and assessment tools on anti-corruption measures.
- Recommendations of the first compliance report available to Kosovo authorities.
- Recommendations of the second compliance report available to Kosovo authorities.
- Group of practitioners and institutional experts in the field of anti-corruption measures and good governance identified and trained to manage and follow up international assessment mechanisms/exercises.
- Number of reports published and translated and number of institutions to which they are disseminated.

Component 2: Assessment of measures against money-laundering and financing of terrorism

Expected results

- Assessment reports on the level of compliance by applicable regulations and practices with European standards (based on the experience acquired and criteria applied by MONEYVAL and other relevant international bodies).
- Kosovo institutions capable of supporting and applying peer assessments on measures against money-laundering and financing of terrorism based on the European methodology or other international assessment mechanisms.
- Recommendations on regulatory, institutional and policy matters, based on the international cooperation mechanisms for the periodic assessments.
- Final assessment and compliance reports published and disseminated in English, Albanian and Serbian.

Measurable indicators

- Compliance matrix established and approved by the Steering Committee by month 6.
- Terms of reference on ‘Assessment of measures against money-laundering and financing of terrorism’ approved by the Steering Committee.
- First assessment report on measures against money-laundering and financing of terrorism available.
- Second assessment report on measures against money-laundering and financing of terrorism available.
- Kosovo institutions produce all the data and information necessary to enhance understanding and assessment tools on measures against money-laundering and financing of terrorism.
- Recommendations of the first compliance report available to Kosovo authorities.
- Recommendations of the second compliance report available to Kosovo authorities.
- Group of practitioners and institutional experts in the field of measures against money-laundering identified and trained to manage and follow up international assessment mechanisms/exercises.
- Number of reports published and translated and number of institutions to which they are disseminated.

Activity 2: Enhancing human rights protection in Kosovo

Expected result 1

- Human rights regulatory and institutional framework in line with European human rights standards.

Measurable indicators

- Kosovo institutions produce all the necessary data by the end of the project.
- Legislation in line with European human rights standards is put in place.
- At least three awareness-raising conferences on human rights organised for and in collaboration with relevant human rights institutions.

Expected result 2

- The Monitoring capacity of the OIK and civil society strengthened.

Measurable indicators

- Increase in the number of human rights complaints handled by the OIK.
- At least two monitoring visits on application of European human rights standards by two selected civil society organisations and two good-quality level reports on their findings drafted.
- At least 60% of the staff members of the human rights institutions trained in drafting reports, notes and official documents referring to European human rights standards; and

3.4 Activities

Activity 1: The project against economic crime in Kosovo will include the following activities:

Component 1- Assessment of level of compliance and of the measures against corruption in Kosovo:

Two periodic assessments (every 12 months) in line with the standards introduced to evaluate the level and quality of measures against corruption, in accordance with the:

- Twenty Guiding Principles for the Fight against Corruption (Resolution (97) 24);
- Criminal Law Convention on Corruption (ETS⁹ No 173) and its Additional Protocol (ETS No 191);
- Civil Law Convention on Corruption (ETS No 174);
- Recommendation on Codes of Conduct for Public Officials (CM Recommendation No R (2000) 10);
- Common Rules against Corruption in the Funding of Political Parties and Electoral Campaigns (CM Rec (2003) 4).

- Activity 1.1: Initiate proceedings to support the launching of the periodic assessments of measures against corruption.
- Activity 1.2: Organise two periodic assessments of measures against corruption at a 12-month interval.
- Activity 1.3: Prepare a compliance matrix and set priorities for corruption assessments.
- Activity 1.4: Support Kosovo institutions to enhance their reporting capacity in line with the assessment methodology on measures against corruption.
- Activity 1.5: Support Kosovo institutions to develop mechanisms for collecting and processing the data necessary for reporting on anti-corruption reforms.
- Activity 1.6: Prepare and introduce recommendations based on the assessments and ensure a unified understanding of the proposed reforms and measures.
- Activity 1.7: Publish, translate, disseminate and raise awareness of the final assessment and compliance reports in English, Albanian and Serbian.

Component 2 - Assessment of level of compliance and of measures against Money-laundering and financing of terrorism:

Undertake two periodic assessments (every 12 months) in line with the standards introduced to evaluate the level and quality of measures against money-laundering and financing of terrorism in accordance with the:

⁹ European Treaty series of the Council of Europe.

- 40 + 9 Financial Action Task Force (FATF) Recommendations;
- UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention);
- United Nations Convention against Transnational Organised Crime (Palermo Convention);
- Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (Strasbourg Convention);
- United Nations Convention for the Suppression of the Financing of Terrorism;
- Relevant UN Security Council Resolutions on the freezing of terrorist assets;
- Directive 2005/60/EC of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money-laundering and terrorist financing;
- Commission Directive 2006/70/EC laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of politically exposed person and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.

- Activity 2.1: Organise two periodic assessments of measures against money-laundering and financing of terrorism.
- Activity 2.2: Prepare a compliance matrix and set priorities for assessments of money-laundering and financing of terrorism.
- Activity 2.3: Support Kosovo institutions to enhance their reporting capacity in line with the assessment methodology on measures against money-laundering and financing of terrorism.
- Activity 2.4: Support Kosovo institutions to develop mechanisms for collecting and processing the data necessary for reporting on reforms of measures against money-laundering and financing of terrorism.
- Activity 2.5: Prepare recommendations based on the assessments.
- Activity 2.6: Support and promote conclusion of the necessary bilateral or multilateral MoUs or participation by key institutions in relevant international networks (e.g. the Egmont Group).
- Activity 2.7: Publish, translate, disseminate and raise awareness of the final assessment and compliance reports in English, Albanian and Serbian.

The main operating methods will be based on established and agreed specific terms of reference (ToR) for assessment of each component. Those ToRs will be the guiding principles for the assessment methodology, steps, use of assessment outcomes and compliance procedures. They will also provide timelines and procedures for endorsement of final assessments and compliance reports, including recommendations from the highest authorities relevant to each specific institution. The operational aspects will involve: reviews; collecting information via questionnaires; on-site visits enabling assessment teams on measures against corruption, money-laundering and terrorism to solicit further information during high- and technical-level discussions; and assessment rounds with key domestic players. The progress made and solutions found to difficulties encountered during the project will be discussed regularly by the Project Steering Committee.

Activity 2: Enhancing human rights protection in Kosovo

Component 1: Aligning the regulatory and institutional framework for human rights with European human rights standards

Activity 1.1: Mapping of relevant human rights actors at central and local level and their capacity (training needs and stakeholders analysis). This activity involves needs assessment visits and reports to identify the human rights-related actors, testing their capacity to absorb the results of the project, including the production of all necessary data at the end of the project.

Activity 1.2: Support to the completion of the legal framework related to human rights, as necessary; This activity involves providing legislative expertise followed by round tables on draft legislation related to human rights.

Activity 1.3: Capacity building for the relevant Kosovo institutions on reporting requirements and skills.

An initial training course to select future trainers from human rights institutions, using e-learning methodology. Through a rigorous selection process based on testing and the level of participation during the initial phase, representatives of these institutions will be selected to take part in the ToT phase.

ToT training sessions on substantive ECHR, FCNM and CPT issues and on methodology, including e-learning, for future trainers. The ToT sessions are aimed at establishing a pool of national trainers able to provide subsequent ECHR, FCNM and CPT training themselves to their peers. They will offer assistance on drafting and job simulations.

Subsequent ECHR, FCNM and CPT cascade training seminars for staff working in human rights institutions in Pristina and other municipalities. They will be conducted by those trainers who successfully passed the tests organised at the end of each ToT session

Activity 1.4: Support to the development of systematic consultation with the civil society and of reporting mechanisms within Kosovo institutions in line with European human rights standards

Working meetings between human rights institutions, the OIK and civil society representatives to establish human rights reporting mechanisms.

Awareness-raising conferences for representatives of human rights institutions on the ECHR, FCNM and CPT.

Working visits to the CoE, including the European Court of Human Rights (ECtHR). It will further increase the understanding of the functioning of the ECHR, the FCNM and the CPT, thus making them less abstract for the participants.

Placements in and exchanges with similar institutions in EU/CoE member states.

Round tables between human rights institutions and non-governmental actors, such as the OIK and the civil society, on practical aspects related to the implementation of human rights standards.

Translation and publication in Albanian and Serbian of human rights training materials. The translated version of these materials relevant to the work of human rights institutions will be distributed to all the institutions throughout Kosovo.

Component 2: Strengthening the monitoring capacity of the OIK and civil society.

Activity 2.1: Capacity building for OIK on reporting requirements and skills

Training seminars for the OIK staff on how to carry out preventive visits against ill-treatment to places of deprivation of liberty and on reporting. They will include assistance on drafting and job simulations.

Working visits of the staff of the OIK to the CoE, including the ECtHR. It will further increase the understanding of the functioning of the ECHR, the FCNM and the CPT, thus making them less abstract for the participants.

Placements in and exchanges with Ombudsman institutions in EU/CoE member states.

Activity 2.2: Awareness-raising for civil society organisations on CoE conventions and their implementation

Round tables on the consultation process between human rights institutions and the civil society in implementing and reporting on human rights standards to be held in the municipalities of Kosovo.

Workshops for the civil society on the ECHR, FCNM and CPT and their implementation to be held in the municipalities of Kosovo. They will include assistance on drafting and job simulations.

Translation and Publication in Albanian and Serbian of human rights training materials. The translated version of these materials relevant to the work of human rights institutions will be distributed to all the institutions throughout Kosovo.

Activity 2.3: Enabling the OIK to carry out preventive visits against ill-treatment to places of deprivation of liberty reflecting the applicable European and international standards.

Contacting Arrangements

Both activities under this project (1. Project against Economic Crime in Kosovo and 2. Enhancing Human Rights Protection in Kosovo) will be implemented through contribution agreements with Council of Europe.

A concerted effort of the EU and the CoE, based on the experience of many successful joint projects in this area would be an appropriate approach to ensure that European standards and practices are clearly followed when applied in Kosovo. Such an effort would contribute to coherent anti-corruption and money laundering reforms in Kosovo, also to the benefit of EULEX mission in Kosovo, thus make reform results more sustainable and bring them in line with European standards

3.5 Conditionality and sequencing

Project against Economic Crime in Kosovo

The Office of Good Governance, Human Rights, Equal Opportunities and Gender Issues (OGG) at the Office of Prime Minister and relevant Ministries will be the office that will assign the two Project Directors/Liaisons as referred above. Moreover, the OGG and the OIK will ensure coordination and implementation support at the senior level of all activities and deliveries of this project. This office and the relevant Ministries office will ensure that Assessment and Compliance reports related to anti-corruption are analysed through the assessment sessions (facilitated and organised by this project) but also followed up and politically supported by the relevant institutions involved in these assessments.

The three months prior to the start of specific activities will be the inception phase of the project. This period is used for project start-up activities, initial contacts and networking, drafting the workplan and timetable and hiring the local and international staff and experts/consultants. At the end of the first three months (inception phase), a launch event will be organised to provide information and instructions and to announce the main expected deliverables and beneficiaries for the project, along with details of project implementation.

Adequate staffing resources should be mobilised at central and municipal level to carry out the project tasks.

3.6 Linked activities

The project builds on previous technical assistance and cooperation programmes in Kosovo over the last five to six years to combat economic and serious crime (corruption, money-laundering, financing of terrorism, trafficking in human beings, cybercrime and international cooperation on criminal matters). More specifically, the activities organised previously under PACO Impact, PACO Kosovo, CARDS and PROSECO will be expanded and their sustainability will be ensured by this project. In due course, it will support the work and capacity of key ministries and bodies in Kosovo (such as the Office of Good Governance, Human Rights, Equal Opportunities and Gender Issues (OGG), Ministry of Justice, Ministry of the Interior, Ministry of Financial Affairs and the judiciary) to address issues concerning reforms of measures against corruption, money-laundering and financing of terrorism, based on a single analysis of those assessment reports and recommendations for improvements.

This project will build on previous and current assistance and support from the EU and other international organisations for the rule of law and good governance, particularly for the following:

Name of project	Start/End	Activities/Results
Support for the anti-corruption institutions of Kosovo (IPA 2007) EUR 1.0 million	2/2009-1/2011	This project aims to develop and enforce anti-corruption policies and a legal framework in line with EU standards and to raise public awareness, in order to combat corruption in Kosovo's institutions effectively and systematically.
Strengthening the human resources and institutional capacity of the local public administration in Kosovo (IPA 2009) EUR 6.5 million	2010-12	This project will support development of professional administrative capacity for implementation of the European Partnership action to ensure more effective and efficient service delivery and dialogue with citizens.
Improvement of the IT system for taxation (IPA 2009) EUR 5.0 million	2010-12	This project will improve the capacity of the IT system in the Tax Administration and move ahead with transforming it into a modern administration by delivering a new IT system which will bring the revenue collection mechanisms closer to the EU systems and foster good governance by introducing a monitoring, evaluation and control mechanism, thus increasing transparency and contributing to the fight against corruption.
Strengthening the rule of law in Kosovo (IPA 2009) EUR 15.35 million	2009-12	This project aims to strengthen the rule of law in Kosovo by means of further reforms of the relevant institutions and alignment with and implementation of the <i>acquis communautaire</i> and other European standards in the areas of justice, freedom and security.
Twinning with the Ministry of Justice (IPA 2009) EUR 2.4 million	2009-11	This twinning project is building on the activities carried out under previous European Agency for Reconstruction projects. In addition to capacity-building, this project is also seeking to develop mechanisms for arbitration, juvenile justice and a bailiff system in order to reduce the backlog of cases in courts.
Rule of law: institutional capacity-building project (USD 300 000)/UNDP	2007-10	1) Capacity-building in justice institutions. 2) Capacity-building for improved judicial practices. 3) Improved knowledge on access to justice in Kosovo. 4) Increased knowledge on transitional justice amongst practitioners.
Kosovo Justice Support Programme/USAID	2009-11	Improving the administration of courts and professionalism of staff. Enhancing respect for ethics and delivery of quality services. Establishing a court system serving and representing all

		ethnic groups. Building an effective public prosecutors service.
Kosovo Civil Society Strengthening Programme Institute for Sustainable Communities	2009-10	Capacity-building and advocacy. Outreach and inclusion of Kosovo Serb and other minority NGOs. Improving the legal and regulatory framework for NGOs.
Access to justice/UNDP (USD 1.63 million)	2009-11	The project aims to improve access to justice by providing legal aid and information and raising awareness at community level.

Numerous initiatives and permanent international advisory and monitoring mechanisms have been established to fight corruption, money-laundering and financing of terrorism. These will serve as inter-linked models, networks and initiatives for delivery of this project:

FATF — the Financial Action Task Force — is an intergovernmental body with worldwide membership whose purpose is to develop and promote national and international policies to combat money-laundering and financing of terrorism. The FATF is a policymaking body set up in 1989 to generate the political will necessary to bring about legislative and regulatory reforms in these areas. The FATF has published its forty recommendations on money-laundering and nine special recommendations on financing of terrorism in order to set standards and meet its objective. It has also produced the methodology for mutual evaluation, which is used by MONEYVAL too.

MONEYVAL — the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money-Laundering Measures (formerly PC-R-EV) — was established in 1997. This evaluation and peer pressure mechanism reviews the anti-money-laundering measures (including confiscation) and measures to counter the financing of terrorism in Council of Europe Member States (and applicants which wish to adhere to the terms of reference) which are not members of the FATF. The evaluation is based on the common AML/CFT methodology, agreed between MONEYVAL and the IMF and the World Bank. The evaluation reports evaluate the efficiency of the measures in place and make recommendations for improvements.

GRECO — the Group of States against Corruption — is a monitoring body of the Council of Europe which aims to improve its members' capacity to fight corruption by monitoring their compliance with the undertakings which they have given in this field. In this way, it will contribute to identifying deficiencies and insufficiencies in national mechanisms against corruption and to prompting the legislative, institutional and practical reforms necessary in order to prevent and combat corruption better. GRECO is responsible, in particular, for monitoring observance of the Guiding Principles for the Fight against Corruption and implementation of the international legal instruments adopted under the Programme of Action against Corruption (PAC). Since the Criminal Law Convention on Corruption also includes provisions concerning confiscation of proceeds, GRECO monitors this field too. Its findings, conclusions and recommendations can be a valuable source of information on the deficiency of confiscation measures in a given country.

CARIN — the Camden Asset Recovery Inter-Agency Network (CARIN) — is an informal network for improving cooperation on all aspects of tackling the proceeds of crime. Specifically, CARIN aims to increase the effectiveness of members' efforts to deprive criminals of their illicit profits by means of inter-agency cooperation and information-sharing. Membership is open, in principle, to the EU Member States, but other States can have observer status and take part in CARIN's work (in the Western Balkan region Slovenia is a member and Croatia has observer status).

The **Egmont Group**¹⁰ was established in 1995 when a group of Financial Intelligence Units (FIUs) decided to establish an informal network to facilitate international cooperation. These FIUs meet regularly to find ways to cooperate, especially on exchanges of information, training and sharing of expertise. More specifically, they work on: expanding international cooperation on reciprocal exchanges of information and making it more systematic; increasing the effectiveness of FIUs by offering training and promoting staff exchanges to improve the expertise and capabilities of personnel employed by FIUs; fostering better and secure communication between FIUs by applying technology such as the Egmont Secure Web (ESW); fostering closer coordination and greater support between the operational divisions of member FIUs; promoting the operational autonomy of FIUs; and promoting the establishment of FIUs in conjunction with jurisdictions with an AML/CFT programme in place or in the early stages of development.

Enhancing human rights protection in Kosovo

Name of project (Amount EUR million)	Start End	Activities/Results
Promoting the Protection of Minority Rights in Kosovo (EIDHR 2007) (Humanitarian Law Center)	2009-2010	To contribute to combating discrimination, promoting the protection and development of equal participation of men and women from minority communities in the social, economic and political life of Kosovo within the broader context of strengthening human rights, political pluralism and democratic political participation in Kosovo
Trafficking Prevention for Vulnerable Youth & Women in Kosovo (EIDHR 2007) (Centre for Protection of Victims and Prevention of Trafficking in Human Beings)	2009-2010	To combat and forestall trafficking in human beings by raising awareness about the threat among the most vulnerable: 1,500 young people in primary schools (aged 12-15), and 500 girls dropped out of school and women (mothers of potential trafficking and gender-based violence victims), in rural areas of Kosovo. The project will also give vocational training to 30 selected young women to increase their capacity to resist trafficking and build independent lives. This project will increase the capacity of local NGOs in the area of trafficking in human beings, making the project itself more sustainable and continuously raising public awareness about counter-trafficking-in accordance with our mission.
Preventing torture and other forms of human rights violations in places of detention in Kosovo (EIDHR 2007) Kosovo Rehabilitation Centre for Torture Victims	2009-2010	1. To increase respect for human rights and humanitarian guarantees applicable to persons deprived of their liberty through independent monitoring of places of detention. 2. To build coalitions with national and regional civil society organisations as well as other relevant international actors with the common goal of combating ill-treatment in places of detention. 3. To advocate for legislative changes in the prevention of torture and ill-treatment.
Strengthening the participation of people with mental disabilities in Kosovo society (EIDHR 2007) (Kosovo Mental Disability Rights Initiative)	2009-2010	Strengthen the capacity of people with mental disabilities through Ne për Ne and Surviving Together; Establishing an independent Mental Disability Rights Committee; Raise public awareness about human rights of people with mental disabilities and the UN Convention of the Rights of Persons with Disabilities.
Research and Monitoring of the Implementation of the Law	2010-2011	To establish a monitoring mechanism for implementation of the Law on Gender Equality and to advocate for better

¹⁰ <http://www.egmontgroup.org>.

on Gender Equality (EIDHR 2008) (lawyers association NORMA)		realisation of human rights in general and women's rights in particular while increasing the professional and quality level of the competent authorities by application of the effective proceedings.
Women Together for Human Rights (EIDHR 2008) Caritas Kosovo	2010-2011	To bring together women from Mitrovica municipality irrespective of their ethnic, social or religious background to work on promoting their human rights. This contract aims in particular at (i) establishing 5 Multi-ethnic Women Groups in the municipality of Mitrovica engaged in Human Rights' activities; (ii) creating a Multi-ethnic Women Groups' Association co-ordinating activities for human rights in Mitrovica; and (iii) developing relevant pedagogical materials and sharing them with other groups and organisations.
Power Sharing – Basis for Coexistence in Kosovo (EIDHR 2008) Kosova Development Center	2010-2011	To improve the quality of life in multiethnic communities, through effective functioning of the model of consensual democracy, and to improve of decisions/instruments/strategies for protection of minorities' rights by the Law on Local Self-government and the Law for Protection and Promotion of Rights of Minorities in Kosovo.

3.7 Lessons learned

Previous experience of CoE technical assistance projects in Kosovo and in the region has, on the whole, been satisfactory. However, certain good practices and lessons learned are worth sharing and taking into account for future action in order to improve the impact and quality of assistance. These include:

- Close coordination between CoE and ECLO;
- Local ownership through maximum possible involvement of stakeholders throughout of project implementation and dialogue through peer involvement and advice exchange;
- Capacity building of local staff and institutional management concerned through direct and indirect “on job” involvement;
- Deep consideration of the historical, cultural and ethnic circumstances in the field of project activities;
- Ensure sufficient absorption capacities and ensure full contribution by the staff of local partners to the implementation of activities
- Avoid donor congestion when organising activities that may fall under the same theme umbrella with other donors and technical assistance providers;
- Sufficient financial planning of activities as well as support and management time for project team (in Kosovo and in Strasbourg) in order to ensure smooth and quality result oriented actions;
- Ensure follow up and information dissemination when delivering project results in order to maintain the momentum as well as ensure continuation of reforms.
- Sharing information and planning with other governmental and non-governmental organisations in Kosovo and in the region in order to avoid duplication, but also ensure joint partnerships and coordination of efforts.

4. Indicative budget (amounts in EUR million)

			TOTAL EXPENDITURE	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION (CoE)	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1 — Economic crime			1.1	1.0	91						0.1	9
Contract 1: contribution agreement with CoE	X		1.1	1.0	91						0.1	9
Activity 2 — Human rights			1.1	1.0	91						0.1	9
Contract 2: contribution agreement with CoE	X		1.1	1.0	91						0.1	9
TOTAL IB			2.2	2.0	91						0.2	9
TOTAL INV												
TOTAL PROJECT			2.2	2.0	91						0.2	9

NOTE: Amounts net of VAT

(1) In the Activities column use 'X' to identify whether institution building (IB) or investment (INV).

(2) Expressed in % of the **total** expenditure (EXP) (column (a))

5. Indicative implementation schedule (periods broken down by quarter)

Contracts	Start of tendering	Signature of contract	Completion of project
Contribution agreement with CoE	N/A	Q2 2011	Q3 2012
Contribution agreement with CoE	N/A	Q2 2011	Q3 2012

6. Cross-cutting issues

6.1 Equal opportunities

The project will take what measures are available to promote the requirements of the gender equality and a more active participation of women in this sector area as well as emphasise ethical and training dimension in avoiding and preventing gender discrimination.

Important as it is to promote a numerical gender balance in the institutions involved and in the activities planned, it is even more important to address gender mainstreaming in the substance of this project. Public authorities play a unique role in ensuring gender equality, not least in changing stereotypes about women. To mainstream gender issues into all activities in the programme, special emphasis should be placed on, *inter alia*:

- Mainstreaming gender in the training planned on the two components of the project.
- Planned awareness-raising campaigns for civil servants and civic education on human rights issues should be gender-specific and include women's rights issues, not least in relation to laws on violence against women and trafficking.
- Advice given on draft legislation should include the specific needs of national minorities and how to mainstream gender equality.
- The focus on equal opportunities, gender equality and children in the Human Rights Units should be sharpened. They should be provided with the ability to address specific issues concerning gender discrimination among minorities and to conduct gender awareness-raising activities, including women's rights.

6.2 Environment

Environmental issues shall be actively mainstreamed throughout the project.

6.3 Minorities

This project intends to encompass the entire relevant administration/population with no discrimination. It will include measures to involve all minority groups in Kosovo as much as possible and to provide information and support in the minority languages recognised under UNSC Resolution 1244/99. The human rights activity is expected to give the various minorities in Kosovo equal opportunities to achieve a higher level of professionalism with the aid of the ToT selection process;

ANNEXES

- Annex I- Log frame in standard format
- Annex II- Amounts contracted and disbursed per quarter over the full duration of the programme
- Annex III- Description of institutional framework
- Annex IV - Reference to laws, regulations and strategic documents
- Annex V- Details per EU-funded contract

ANNEX 1: Logical framework matrix in standard format

Title: Governance		Programme name and number: IPA 2010	
		Contracting period expires: See Section 1.10	Disbursement period expires: See Section 1.12
		Total budget: EUR 2.2 million	IPA budget: EUR 2.0 million
Overall objective	Objectively verifiable indicators	Sources of verification	
To contribute to democracy and the rule of law by preventing and controlling corruption, money-laundering and financing of terrorism in Kosovo and improving implementation of the ECHR, CPT and FCNM standards in Kosovo.	<ul style="list-style-type: none"> ▪ The ECHR, the CPT and the FCNM standards are implemented and applied better by human rights stakeholders in Kosovo. 	<ul style="list-style-type: none"> • Project final report. • CoE monitoring bodies' reports. • EU reports. • NGO/OSCE reports. 	<ul style="list-style-type: none"> - Political support for the project. - Cooperation of the relevant institutions. - Availability of experts. - Absorption capacity.
Project purpose	Objectively verifiable indicators	Sources of verification	Assumptions
<p>Strengthen institutional capacity to counter corruption, money-laundering and financing of terrorism in Kosovo in accordance with European standards based on thorough assessments and recommendations.</p> <p>This specific project aims at building the capacity of human rights stakeholders (institutional and non-institutional) to apply and ensure compliance with European human rights standards in Kosovo.</p>	<ul style="list-style-type: none"> ▪ Higher levels of compliance with international standards. ▪ Increased and improved reporting, investigation, prosecution and judgment of corruption and money-laundering offences. ▪ Increased seizure and confiscation of criminal proceeds. ▪ Increased public awareness and support. ▪ Increase in references to European human rights standards in official documents and reports. ▪ OIK and selected civil society organisations are able to monitor and report on the human rights situation in line with European HR standards. 	<ul style="list-style-type: none"> ▪ Corruption assessment reports. ▪ Money-laundering assessment reports. ▪ Survey results. ▪ Official statistics. ▪ European Commission Progress Reports. ▪ Project reports. ▪ CoE monitoring bodies' reports. 	<ul style="list-style-type: none"> - Political will at all levels, including ministries and parliament, to engage in the fight against corruption, money-laundering and financing of terrorism. - Continued understanding and support of policy-makers and decision-takers. - Kosovo authorities are prepared to follow up the results of the assessment and to implement its recommendations. - Cooperation of the relevant institutions. - Availability of experts. - Absorption capacity. <p>Risks</p> <ul style="list-style-type: none"> ▪ Political instability; ▪ Contradicting interests between partner institutions; ▪ Lack of common goals and priorities among the stakeholders within the same reforms; ▪ Economic instability affecting the capacity of the stakeholders to implement the recommendations; <p>Lack of cooperation between</p>

			independent institutions and governmental structures
Results	Objectively verifiable indicators	Sources of verification	Assumptions
<p><i>Project against economic crime in Kosovo</i></p> <p>Component 1: Assessment of level of compliance and of anti-corruption measures in Kosovo</p> <p>Result 1.1 Assessment reports on the level of compliance by applicable regulations and practices with European standards (based on the experience acquired and criteria applied by GRECO and other relevant bodies of the Council of Europe).</p> <p>Result 1.2 Kosovo institutions understand and are capable of supporting and applying peer evaluations on anti-corruption measures based on the European monitoring mechanisms methodology.</p> <p>Result 1.3 Specific recommendations issued, when relevant, on regulatory, institutional and policy matters, based on the periodic assessments of measures against corruption.</p> <p>Result 1.4 Final assessment and compliance reports published and disseminated in English, Albanian and Serbian.</p> <p>Component 2: Assessment of level of compliance and of measures against money-laundering and financing of terrorism</p> <p>Result 2.1 Assessment reports on the level of compliance by applicable regulations and practices with European standards (based on the experience acquired and criteria applied by MONEYVAL and other relevant international bodies).</p>	<p>Fighting Economic Crime in Kosovo</p> <p>Component 1</p> <ul style="list-style-type: none"> • Compliance Matrix established in the first year of the project • 1st Assessment report on Anti-corruption available by the end of first year of the project; • 2nd Assessment report on Anti-corruption available by the end of second year of the project; • Mechanism established within Kosovo institutions for provision of data and information necessary for assessment of implementation of anti-corruption measures; • At least one comprehensive compliance report by Kosovo institutions by the end of the project; • Group of practitioners and institutional experts in the field of anti-corruption and good governance has been identified and trained to manage and follow up international assessment/mechanisms exercises as such; • Number of reports published, translated and number of disseminated institutions. <p>Component 2</p> <ul style="list-style-type: none"> • Compliance Matrix established and approved by the Steering Committee by month 6; • Terms of Reference on “Measures against money laundering and financing of terrorism Evaluation/Assessment” prepared and approved by Steering Committee • 1st Assessment report on Measures money laundering and financing of terrorism ready; • 2nd Assessment report on Measures money laundering and financing of terrorism ready; • Kosovo institutions produce all necessary data and information to enhance understanding and assessment 	<ul style="list-style-type: none"> ▪ Official statistics. ▪ Three assessment session reports and compliance matrix. ▪ Project progress reports. ▪ Official gazette. ▪ Experts’ reports evaluating the results of tests and quality of drafting. ▪ Experts’ reports evaluating the quality of monitoring reports. ▪ OIK annual report. ▪ External evaluation. 	<ul style="list-style-type: none"> ▪ Kosovo authorities are prepared to follow up on the results of the assessment and implement its recommendations ▪ Kosovo authorities at all levels will be able to effectively co-operate with the project. ▪ Willingness of partner institutions to extend co-operation and adapt their policies, in line with the European standards; ▪ Government continues to pursue policy of European integration and to implement recommendations stemming from the assessment reports; ▪ Staff working on relevant anti-corruption structures is available to participate and provide peer review and follow up in terms of procedural assessments; ▪ Staff availability and continuity; ▪ Adequate supply of expertise and advice by the Council of Europe. ▪ Permanent international advisory and monitoring mechanisms established in relation to the fight against corruption will serve as inter-linked models, networks, and initiatives in terms of deliveries and regional out reaching of networks

Result 2.2

Kosovo institutions understand and are capable of supporting and applying peer evaluations on measures against money-laundering and financing of terrorism based on the European methodology or other international assessment mechanisms.

Result 2.3

Specific recommendations issued, when relevant, on regulatory, institutional and policy matters, based on the international cooperation mechanisms for the periodic evaluations.

Result 2.4

Final assessment and compliance reports published and disseminated in English, Albanian and Serbian and documentation used.

Enhancing human rights protection in Kosovo

Result 1. Human rights regulatory and institutional framework in line with European HR standards.

Result 2. Monitoring capacity of the Ombudsperson Institution in Kosovo (OIK) and civil society strengthened.

tools on anti-money laundering and financing of terrorism;

- 1st Recommendations Compliance Report available by Kosovo authorities;
- 2nd Recommendations Compliance Report available by Kosovo authorities
- Group of practitioners and institutional experts in the field of anti-money laundering has been identified and trained to manage and follow up international assessment/mechanisms exercises as such;
- Number of reports published, translated and number of disseminated institutions.

Enhancing Human Rights Protection in Kosovo

Component 1

- Kosovo institutions produce all necessary data by the end of the project;
- A legislation is put in place in line with European human rights standards;
- At least three awareness-raising conferences on human rights are organised for and in collaboration with relevant human rights institutions;

Component 2

- The number of human rights complaints handled by the OIK increases by 10%;
 - At least two monitoring visits on the application of European human rights standards are carried out by two selected civil society organisations and two reports on their findings are drafted by them;
 - At least 60% of the staff members of the human rights institutions trained in drafting reports, notes and official documents referring to European human rights standards.
- Kosovo institutions produce all the necessary data by the end of the project.
 - Legislation in line with European human rights standards is put in place.
 - At least three awareness-raising conferences organised for human

	<p>rights institutions.</p> <ul style="list-style-type: none"> ▪ At least 60% of the staff members of the human rights institutions trained to a good quality level on drafting reports, notes and official documents referring to European HR standards. ▪ At least two monitoring visits on application of European HR standards by two selected civil society organisations and two good-quality level reports on their findings drafted. ▪ Increase in the number of human rights complaints handled by the OIK. ▪ At least four publications on human rights standards published and distributed. 		
Activities	Means	Costs	Assumptions
<p>1. Fighting Economic Crime in Kosovo</p> <p>2. Enhancing Human Rights Protection in Kosovo</p> <p><i>Component 1: Alignment of the human rights regulatory and institutional framework with European human rights standards</i></p> <p>Activity 1.1: Mapping of relevant human rights actors at central and local level and their capacity (training needs and stakeholders analysis).</p> <p>Activity 1.2: Support to the completion of the legal framework related to human rights, as necessary;</p> <p>Activity 1.3: Capacity building for the relevant Kosovo institutions on reporting requirements and skills.</p> <p>Activity 1.4: Support to the development of systematic consultation with the civil society and of reporting mechanisms within Kosovo institutions in line with European human rights standards</p> <p><i>Component 2: Strengthening monitoring capacity of OIK and civil society</i></p>	<ul style="list-style-type: none"> • Contribution agreement with Council of Europe. • Contribution agreement with Council of Europe. 	<p>Total European Commission budget: EUR 1.0 million Total CoE contribution: EUR 0.1 million</p> <p>Total European Commission budget: EUR 1.0 million Total CoE contribution: EUR 0.1 million</p>	<p>Adequate staffing resources mobilised at beneficiary (central and municipal) level to carry out project tasks.</p>

<p>Activity 2.1: Capacity building for OIK on reporting requirements and skills</p>		
<p>Activity 2.2: Awareness-raising for civil society organisations on CoE conventions and their implementation</p>		
<p>Activity 2.3: Enabling the OIK to carry out preventive visits against ill-treatment to places of deprivation of liberty reflecting the applicable European and international standards.</p>		

ANNEX II: Amounts (in EUR million) contracted and disbursed by quarter for the project

	2010	2011				2012				2013				2014
Contracted	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Activity 1		1.0												
Activity 2		1.0												
Cumulated		2.0												
Disbursed														
Activity 1			0.3				0.35		0.35					
Activity 2			0.3				0.35		0.35					
Cumulated			0.6	0.6	0.6	0.6	1.3	1.3	2.0					

ANNEX III: Institutional framework

Project against economic crime in Kosovo

As an intergovernmental organisation, the **Council of Europe** draws on the experience of its 47 Member States and its more than 200 European conventions, notably concerning the rule of law. The CoE operates in Kosovo under UNSC Resolution 1244 (1999). Although neutral with regard to the status of Kosovo, the CoE's decision-making bodies (the Parliamentary Assembly and the Committee of Ministers) have both attached particular importance to ensuring implementation of CoE standards, norms and best practice in Kosovo in their recent decisions. With a Secretariat Office in Pristina since 1999, the CoE is well placed to cooperate with all relevant partners in Kosovo and to provide infrastructure for project management on the ground.

Beyond that, the OGG is still in charge of coordinating all efforts and policy reforms concerning anti-corruption and good governance in line with international standards, while the Kosovo Anti-Corruption Agency is now in charge of the implementation and monitoring aspects of the new 2009-11 Anti-Corruption Strategy and Action Plan. As the OGG has policy adviser status in the Office of the Prime Minister, it will be the main counterpart/liaison institution on this project. The OGG was the first anti-corruption body created since the introduction of Provisional Institutions of Self-Government in Kosovo (PISG) and now has a complex role ranging from protection of human rights to governance, democracy and gender equality. The office advises the government on general anti-corruption and good governance policies (since it is attached to the Office of the Prime Minister), in addition to the creation of other important institutions such as the Kosovo Anti-corruption Agency. The Kosovo Anti-Corruption Agency is an independent body in charge of developing and implementing anti-corruption policies. The **Kosovo Anti-Corruption Agency (KAA)** was established in 2006 but did not come into operation until February 2007, with a modest budget and number of staff. The director is selected by the Assembly of Kosovo and submits an annual report to the Assembly. The KAA currently has the number of staff envisaged in the budget plan (35 officials). The Agency's remit focuses mainly on fighting and preventing corruption and educating citizens and officials in the area of anti-corruption. However, the new Law on the Anti-Corruption Agency, adopted in January 2010, clarifies the duties and powers of the Agency, which, to some extent, were not clearly defined when it was set up. The KAA is accountable to the Assembly of Kosovo and to the Oversight Commission of the Assembly.

As regards the institutional setting, the **Financial Intelligence Centre (FIC)** is the classical form which the FIU takes in Kosovo. It is run by EULEX within its limited executive powers. The staff consist of five international officers, including the Director, his deputy (both from the Guardia di Finanza) and an IT expert (plus two vacancies), two local administrative staff, one local IT expert, seven local analysts (including liaison officers with the customs and tax administration), one local legal officer and a local deputy director. The FIC has signed Memoranda of Understanding (MoUs) with the FIUs of Montenegro, the former Yugoslav Republic of Macedonia and Albania. Two other MoUs are being negotiated (with Slovenia and Italy). The FIC is an administrative FIU and receives suspicious transaction reports (STRs) and reports of other transactions from 10000 euros upwards. Local staff have received training, mainly organised by the US Treasury (eight seminars on financial investigations and analysis). Preparations are under way for handing over to the Kosovo authorities by the end of 2010.

These will be the three main institutions involved in coordinating issues relating to all structures and assessments relevant to measures against corruption and money-laundering, given their specialised mandates. In addition, other institutions and beneficiaries will be involved in peer reviews and discussions. Moreover, the **Ministry of Justice** will be involved and interlinked with all exercises and action taken under this project, especially its deliverables, which will provide all the necessary information and advice for the Ministry of Justice when launching legislative reforms in line with the recommendations made in the assessments.

As regards the **financial sector**, the Central Bank of Kosovo (CBK) is the sole supervisor and regulator of financial institutions in Kosovo^{***}. It covers all financial institutions except casinos (not regulated so far) and two banks in the Serb-populated area which are licensed by the National Bank of Serbia (NBS). These two banks pose a potentially high risk, as it is not certain if they report to the FIU of Serbia and are effectively supervised by the NBS. CBK has signed an MoU with the FIC and they organise joint on-site inspections which have proved quite successful (two sanctions against banks have been imposed so far). CBK has 34 inspectors, of whom 15 specialise in inspecting banks and some in AML/CTF.

As regards **law enforcement**, the police has a specialised unit to fight organised crime — five policemen at HQ dealing with ‘integrated cases’, i.e. cases where the organised crime element has been established. There are also three economic crime investigators at HQ and two in each region (25 posts in all, but some are vacant). On certain cases these staff cooperate with EULEX police. There have also been examples of joint investigations. The police have received some training on AML/CTF, but far from sufficient. The same goes for cybercrime. The police face serious problems with international cooperation, which is based on private contacts only. There are no institutionalised links. Criminal statistics are not public and are not satisfactory. The police investigated about 30 money-laundering cases in 2009, 15 of which were initiated by the FIC. The quality of cases received from the FIC varies. There are also money-laundering cases linked with corruption and trafficking (financial investigation is the best way to reveal terrorism financing and trafficking schemes). The police has no access to typologies except to those it detects itself. A new procedure introduced makes it possible to conduct financial investigations in parallel to criminal investigation for all economic crimes (previously, this was possible for organised crime only).

Enhancing human rights protection in Kosovo

The Office on Good Governance, Human Rights, Equal Opportunities and Gender Issues (OOG) was established within the Office of the Prime Minister in 2002. It coordinates human rights issues within the line ministries and municipalities and monitors their performance.

The **Ombudsperson Institution in Kosovo (OIK)** was established in 2000 under United Nations Interim Administration Mission in Kosovo (UNMIK) Regulation No 2000/38, which was replaced by UNMIK Regulation No 2006/06 in February 2006. Under the new Regulation, the OIK has a mandate to investigate complaints against local authorities, but can no longer investigate complaints against international administrative bodies in Kosovo. It was also given a mandate to address alleged human rights violations or abuses of authority by public authorities in Kosovo and to monitor the policies and laws adopted by local authorities to ensure compliance with human rights standards and with the requirements for good governance.

^{***} There are 74 institutions in all, including eight banks, 11 insurance companies, two pension funds and 15 micro-financial institutions.

ANNEX IV: Laws, regulations and strategy papers

Project against economic crime in Kosovo

Recently, a package of relevant legislation was adopted in Kosovo, in particular:

- Law No 03/L-128 on internal audit, adopted on 13 October 2009;
- Law No 03/L-141 on the administration of confiscated and seized property, adopted on 31 July 2009;
- Law No 03/L-155 amending Law No 02/L-133 for prevention of conflicts of interest when exercising public functions, adopted on 10 December 2009;
- Law No 03/L-159 on the Anti-Corruption Agency, adopted on 19 January 2010;
- Law No 03/L-151 on the declaration and control of the origin of the assets and gifts of high public officials, adopted on 2 March 2010;
- Ordinance of the Ministry of Justice on international cooperation on legal matters, issued in September 2009;
- Code No 03/L-109 (Customs and Excise Code of Kosovo), adopted in 2008.

Enhancing human rights protection in Kosovo

- Constitution of Kosovo
- Strategy and Action Plan on Human Rights 2009-2011
- Strategy for the Integration of Roma, Ashkali and Egyptian Communities and Action Plan
- National Plan for Persons with Disabilities
- Strategy for Children Rights
- Law 2004/2 on Gender Equality
- Law 2004/3 , the Anti-Discrimination Law
- Law 03/L-047 on the Promotion and Protection of Rights of Communities and Their Members
- Law No. 02/L-17 on Social and Family Services
- Law No. 03/L-022 on Material Support for Families of Children with Permanent Disability
- UNIK regulation 2004/46, Law on Execution of Penal Sanctions
- Law 03/L-134 on Freedom of Association in Non-governmental Organisations
- Law 02/L-37 on the Use of Languages

ANNEX V: Details per EU-funded contract

This project will be implemented by the European Commission by joint management with the Council of Europe following Article 53d of the Financial Regulation and the corresponding provisions of the Implementing Rules. To this end, the Commission will conclude Contribution Agreements with the Council of Europe.

Both activities under this project (the project against economic crime in Kosovo and enhancing human rights protection in Kosovo) will be implemented by the Council of Europe. Joint management is considered to be an optimal arrangement drawing on the previous cooperation of the two institutions.

A concerted effort of the EU and the CoE, based on the experience of many successful joint projects in this area would be an appropriate approach to ensure that European standards and practices are clearly followed when applied in Kosovo. Such an effort would contribute to coherent anti-corruption and money laundering reforms in Kosovo, also to the benefit of EULEX mission in Kosovo, thus make reform results more sustainable and bring them in line with European standards.

2010 Annual Programme — Project Fiche 3
Public Administration Reform

1. Basic information

- 1.1 CRIS number: 2010/022-452
 1.2 Title: Public administration reform
 1.3 ELARG statistical code: 01.34
 1.4 Location: Kosovo*

Implementing arrangements

- 1.5 Contracting authority (EC): European Commission Liaison Office to Kosovo
 1.6 Implementing agency: n/a
 1.7 Beneficiary:

Beneficiary institution	Contact person
Ministry of European Integration (MEI)	Edon Cana, Permanent Secretary, Ministry of European Integration (MEI)
Kosovo Assembly	Ismet Krasniqi, Permanent Secretary, Kosovo Assembly
Statistical Office of Kosovo (SOK)	Mr Nait Vrenezi, Chief Executive Officer, Statistical Office of Kosovo (SOK)

- 1.8 Overall cost (VAT excluded)¹: EUR 12.7 million
 1.9 EU contribution: EUR 5.5 million
 1.10 Final date for contracting: 2 years after the signature of the financing agreement
 1.11 Final date for execution of contracts: 2 years after the final date for contracting
 1.12 Final date for disbursements: 1 year after the final date for the execution of contracts

2. Overall objective and project purpose

2.1 Overall objective

The overall objective of this project is to support the Assembly and the Government of Kosovo to meet the challenges of EU integration by increasing capacities to build a professional and effective civil service and strengthening Kosovo's statistics system.

2.2 Project purpose

- To enhance administrative capacity in the Assembly to ensure that the Presidency and Assembly Committees fulfil their tasks properly and to improve technical competences in relation to EU approximation and implementation of EU best practices.

* Under UNSCR 1244/1999.

- To generate a core group amongst the new generation of civil servants who are prepared and determined to implement reforms in public administration, in particular those required for EU integration.
- To strengthen Kosovo's statistics system by enabling SOK to carry out the population and housing census.

2.3 Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

This project responds to the priorities set in the **European Partnership**, especially those designed to meet the political criteria. In particular, it responds to one of the **key priorities** set in the European Partnership, namely to '*increase executive oversight by, and accountability and transparency within, the Assembly*' and '*strengthen the Assembly's own administrative capacity*'. The European Partnership also sets a **short-term priority** for the Assembly reflecting the need to '*enhance checks on EU compatibility of all new legislation*'. It also responds to the **mid-term priority** in the area of public administration based on the need to '*proceed with a sustainable public administration reform while respecting budgetary constraints*'.

The project also corresponds to the short-term priority established by the European Partnership, to "ensure democratic governance of, and delivery of public services to, all people of Kosovo, *establishing a professional, accountable, accessible, representative public administration free from undue political interference*".

The **2009 European Partnership Action Plan (EPAP)** also acknowledges that the legislative function of the Assembly is an important factor in setting the pace for achieving the standards necessary for EU membership. The EPAP stresses that, although the administrative capacity of the Assembly corresponds to the present challenges, continuous recruitment and training of additional staff remains a priority. ***In addition, the 2008 European Partnership*** highlights the following short-term priorities in the field of statistics:

- Strengthen the administrative capacity of the Statistical Office and improve its operational and financial independence. Ensure the reliability of the statistics, including that survey respondents provide quality data to the Statistical Office in a timely manner, free of charge and continue developing economic statistics and accelerate the development of social statistics.

In addition, it also sets the following priorities for the medium term:

- Increase cooperation and coordination within Kosovo's statistics system, develop a quality management system and document and standardise production and dissemination procedures.

According to the **European Commission's 2009 Progress Report on Kosovo**, published in October 2009, Assembly Committees need to improve their administrative capacity and technical skills to scrutinise legislation. The Commission Report concludes that the capacity both to scrutinise draft legislation and to monitor implementation after adoption need further improvement. It also states that parliamentary oversight of government needs to be enhanced. The 2009 report recognises that some progress has been made in the area of statistics, even though Kosovo's statistical infrastructure remains weak. The Statistical Office of Kosovo is still unable to produce sufficient statistics on the economy to underpin effective policy-making. It has insufficient administrative and coordination capacity to conduct major surveys. The same Progress Report underlines that overall, public administration is very weak in Kosovo. Ensuring the delivery of public services to all people in Kosovo and establishing a professional, accountable, accessible and representative public administration will be the key to managing complex developments and European integration agenda.

2.4 Link with the Multiannual Indicative Planning Document (MIPD)

The project will reflect the **main priorities and objectives of the Multiannual Indicative Planning Document (MIPD)** for the period 2009–11. The document stresses that EU assistance should focus, in particular, on institution-building and that gradual approximation to the *acquis* in specific sectors should also be achieved.

The section of the MIPD describing the strategic objectives for IPA assistance during the period 2009–11 recognises that Kosovo has yet to build up an administration that can match the requirements which will come with increased responsibilities. At the same time, institution-building challenges in the wider context require urgent attention, including a competent and professional public administration.

Component I — ‘Transition assistance and institution-building’ — under axis 1 (‘Political criteria’) sets the following priority:

- Improving the performance of Kosovo’s public administration and pursuing the civil service reform should be priorities of EU assistance, so as to create an effective and professional public administration at all levels which is able to design and implement a coherent and interconnected body of legislation and to provide efficient public services across Kosovo in a transparent and accountable manner.

In addition, the MIPD for 2009-11 identifies statistics as a priority area to be developed for Kosovo to meet European standards and build up a sustainable Kosovo with a clear European perspective.

2.5 Link with National Development Plan

The Medium-Term Expenditure Framework (MTEF) for 2010-12 establishes the relation between the reform and national development planning processes and the EU perspective for Kosovo. According to the MTEF, the objective of both achieving increasing integration with the region and of strengthening partnership with the EU remains the overriding strategic priority.

The MTEF establishes four main priorities, namely: economic growth, status settlement and international recognition, accountability systems and social considerations. It is also closely linked to the Public Administration Reform Strategy in the area of European Integration.

The MTEF for 2009-11 mentions the census as one area needing budget support from donors.

2.6 Link with national/sectoral investment plans

In 2009 the Assembly of Kosovo adopted a **Resolution on Kosovo’s priorities and strategies for EU integration**. Since then the Assembly has been adopting annual **European Integration Action Plans**. The second was adopted in February 2010 and reflects the challenges identified and recommendations made by the European Commission’s 2009 Progress Report on Kosovo.

The **Public Administration Reform Strategy (PARS) for 2007-12** and the associated **Action Plan** were approved by the Government in March 2007. The Strategy identified eight strategic policy areas on which public administration reform should focus. This project aims to assist the Kosovo institutions with implementing the reform strategy, specifically in the

form of advancing development, approximation and implementation of policies and legislation in line with EU standards, as one of the main objectives of the PARS.

3. Description of project

3.1 Background and justification

Public administration reform (PAR) is essential to advance the standard of living of Kosovo's citizens and to support Kosovo's progress towards European integration. Both the 2008 and 2009 European Commission Progress Reports emphasise PAR as one of the preconditions for Kosovo's European integration aspirations, pointing out that 'Ensuring the delivery of public services to all people in Kosovo and establishing a professional, accountable, accessible, representative public administration free from political interference is a key European Partnership priority'.

The administration faces strong political interference at all levels, leading to an inadequately functioning public administration, weak at meeting the required standards for service delivery to citizens. Depoliticisation is therefore a precondition for establishing a permanent and accountable public administration. Implementation of PAR-related projects will take Kosovo closer to the EU requirements and strengthen the public administration. Even though, over the last nine years, progress has been made on developing the capacity of governance institutions in Kosovo, the administration is still weak.

The Public Administration Reform Strategy and the associated Action Plan highlight the strengths and weaknesses of the human resources component of the comprehensive public administration reform. A suitable legal framework is in place to ensure equal opportunities, but it has not been adequately implemented. This has led to unfair representation of certain gender, ethnic and age groups and of persons with limited abilities, especially in managerial posts. Other remaining challenges are to improve the communication infrastructure, which plays a vital part in ensuring transparency, and, most importantly, to improve the civil service by ensuring a higher level of professional integrity and thus help to limit politicisation of the civil service. One factor contributing to this situation is the lack of a proper education system in Kosovo that meets the demands and needs of the public administration by offering advanced studies on fields related to EU affairs. ***Component 1 of this project*** will therefore aim at strengthening the public administration by providing opportunities for young Kosovars to study in EU countries. This is imperative, as these young professionals will be recruited to work in Government departments with the aim of building a sound system of public administration that meets the demands of EU-driven processes.

On the other hand, according to the 2009 European Commission Progress Report, the capacity of the Assembly of Kosovo to scrutinise draft legislation and monitor implementation after adoption likewise needs further improvement. The Commission report also points out that parliamentary oversight of the executive needs to be enhanced. The administrative reform is one of the key priorities of Kosovo on the path to European integration and the reform of the Assembly administration is one of the most important steps in that process. Up until now the Assembly of Kosovo has received support from the EU and other donors for its activities, but in order to achieve more sustainable results and to respond to the new stage of the European integration process in Kosovo continued support is needed to drive forward proper reforms of its administrative capacity. Therefore, under ***component 2 of this project***, it is imperative to build the capacity of the administration of the Assembly of Kosovo in two main ways:

- improve the administrative capacity in the form of strengthening the Presidency and Assembly Committees' ability to fulfil their tasks in accordance with their mandates;
- build the capacity in the administration in relation to the EU approximation process and introduce EU best practices for performing the other tasks of the administration.

One of the bases for development of democratic societies that should ensure proper functioning of public administration are statistics. Official statistics play a dual role in the stabilisation and association process and in the EU accession process. First, an individual chapter of the *acquis* defines the harmonisation of statistics with EU standards and rules that has to be completed in the run-up to accession. Second, official statistics serve other policy areas by providing the information from which policies can be developed, changes monitored and impact assessed.

Population and housing censuses are one of the main pillars of national statistical systems and provide invaluable data for policy development, planning, research and other purposes. Building up a sustainable statistical system in line with EU and international standards is a demanding and lengthy process. Kosovo is at a very early stage of this process, and numerous major issues remain to be addressed.

The Ahtisaari status settlement proposal calls for a census date to be set one year after the proposal enters into force. On a recommendation from the European Commission and Eurostat, the population and housing census has been scheduled for 1 April 2011. It will take place in the same period as censuses are carried out in the rest of South-East Europe and other parts of Europe. Currently the lack of a population census is a major weakness of the statistics system in Kosovo. ***Component 3 of this project*** will therefore aim to strengthen Kosovo's statistics system by enabling SOK to carry out the 2011 population and housing census.

SOK has already taken sound, practical steps towards preparing the census. At the end of 2005, a technical assistance project was initiated to help with the preparations. In March 2006, an international monitoring operation (IMO) was established to ensure that the preparations follow international standards and requirements with the aim of enabling the entire population of Kosovo to participate in the survey and of obtaining widely recognised results. Two small-scale field tests were carried out in 2006 and 2008 to test the questionnaires and other census material, logistics, data-processing applications, etc. Both field tests were monitored by the IMO to make sure that international standards and requirements were applied.

A Multi-Donor Trust Fund has been set up in order to carry out the population and housing census in Kosovo in an efficient and transparent way. A Memorandum of Understanding (MoU) and a 'project document' will be signed by all the parties so that the responsibilities and management structures for the Fund are agreed jointly. For the time being, the only contributors to the Trust Fund are the Kosovo Government (GoK) and the European Commission Liaison Office. However, once the practicalities and responsibilities for management of the Trust Fund have been established in a project document, SOK will hold a donor meeting in order to secure further contributions. The total estimated budget for the census operation is EUR 11.3 million, which will be covered by Kosovo's national budget and contributions from donors. These contributions will be pooled together in a Multi-Donor Trust Fund. The Trust Fund will finance the activities provided for in the 'road map for the population and housing census in Kosovo' approved by the Kosovo Government. The Fund operator will be responsible for transparent and efficient use of the resources to ensure

effective implementation of the project. To make sure that the Trust Fund functions properly, a management board and technical secretariat will be established.

3.2 Assessment of project impact, catalytic effect, sustainability and cross-border impact

The project will have a positive impact by strengthening the administrative and technical capacity of Kosovo's institutions, particularly the Kosovo Assembly, the MEI and line ministries, but also other government institutions to improve their performance on priorities stemming from the European Partnership. The project will build the capacity of civil servants to implement their tasks by enhancing coordination and reporting mechanisms and improving systems to monitor translations and harmonisation of legislation. In addition, the project will build technical capacities by enabling civil servants and/or recent graduates who would afterwards work for the administration at least three consecutive years to complete relevant post-graduate degrees in EU universities.

Strengthening the public administration acts as a catalyst for further sector-specific initiatives that will speed up implementation of European standards and improve the quality of life for all citizens.

Component 3 is expected to improve the capacity of the Statistical Office of Kosovo to enable it to carry out the population and housing census successfully and fully in line with international recommendations.

The census will provide a comprehensive picture of the population and living conditions, which means that statistics in Kosovo could then be improved. This again will be essential for effective policy-planning and decision-making. The data collected from the census will be beneficial for several policy areas by providing the information from which policies can be developed, changes monitored and impact assessed.

3.3 Results and measurable indicators

Results and measurable indicators in relation to component 1

1.1 Civil servants and/or other graduates who have completed post-graduate degrees in EU universities in relevant technical fields and are subsequently employed by the Government of Kosovo.

Indicators:

- Approximately 50 candidates selected by a transparent process free of outside influence.
- The MEI signs MoUs with relevant GoK bodies to secure a budget allocation to employ 'young cell' students (YCS).
- Graduates who have completed Master's studies recruited to the Kosovo public administration.

1.2 Creation of a fully functioning alumni association.

Indicators:

- Alumni funded by utilising grants recovered from students who failed to fulfil their contractual obligations (reimbursed during 2010).

- Alumni association institutionalised within the MEI and producing policy papers to influence GoK policy choices.

Results and measurable indicators in relation to component 2

2.1 Improved capacity of the Assembly of Kosovo's administration, with regard to its tasks of supervising implementation of legislation and supporting the work of the Assembly.

Indicators:

- Assessment of current structure of the administration and recommendations for improvements made and applied.
- Amendment of the Statutes and organisation chart of the Assembly.
- Amendments made to the job descriptions of civil servants.
- Development and implementation of the training strategy linked with the career development plans of the Assembly civil servants.
- Assembly civil servants capable of multi-tasking.
- Timely and accurate functioning of the Assembly.
- Preparatory work carried out by the civil servants of the Assembly for the Commissions and plenary meetings meets the required standards.

2.2 Assembly's administration able to accomplish its tasks and responsibilities for approximation with EU legislation and check on compliance with the *acquis*.

Indicators:

- Assembly effectively monitors progress towards meeting EU and other policy priorities of the GoK.
- Implementation of the recommendations made in the European Commission Progress Reports.
- Administrative staff of the Assembly knowledgeable about relevant chapters of the *acquis communautaire* and capable of providing technical input.
- Procedures and instruments for approximation of legislation functional.

Results and measurable indicators in relation to component 3

3.1 Preparatory activities for population and housing census completed in accordance with international standards.

3.2 Communication and outreach campaign carried out.

3.3 Census, post-enumeration survey and dissemination of results of 2011 population and housing census completed.

Indicators:

- Census material agreed upon, prepared in all languages and printed.
- Census and fieldwork staff recruited and trained.
- Census office and logistics in place.
- Number of visibility events and regional meetings.
- Milestones in the communication and outreach action plan achieved.
- Number and quality of media reports.
- Results of census and post-enumeration survey available.
- Census results internationally recognised.

3.4 Activities

Activities for component 1 — one service contract

Activities to achieve result 1.1:

- Select at least 50 candidates for post-graduate studies in specific areas.
- Organise information and communication campaign; organise language courses.
- Organise placement of students in EU universities and internships and arrange employment contracts before students' departure.
- Supervise students during their studies and help them find a job on their return.
- Systematic incorporation of YCS into line institutions.
- Development of concise contracts between the GoK and YCS before they depart to universities.

Activities to achieve result 1.2:

- Improve the functioning of the alumni association and institutionalise the scheme within the MEI.
- Organise joint activities by alumni.
- Form a policy group of alumni, making an impact on the GoK's policy agenda in different fields.
- Lobbying by alumni acquainted with the PAR agenda for PA standards to be achieved and for depoliticisation of the PA.
- Involve alumni in the gap analysis of staff throughout all sectors of the GoK.

Activities for component 2 — one twinning contact

Activities to achieve result 2.1:

- Analyses and assistance to review the organisational structure and job descriptions of the administration of the Assembly of Kosovo.
- Analyses and support to assess the work plans and support for the Assembly Committees and the administrative support for plenary and procedural rules.
- Capacity-building in the areas of personnel, public procurement, budgeting, audit, certification and others in compliance with EU standards and best practices.

Activities to achieve result 2.2:

- Analyses and review of the process of approximation and check on compliance with the EU *acquis*.
- Provision of assistance in relation to approximation to the *acquis* and compliance check on key draft laws.
- Organisation of conferences, roundtables, seminars and study visits to improve the administrative capacity for approximation to the *acquis* and compliance with EU standards and best practices.

Activities for component 3 — contribution to Trust Fund

Activities to achieve result 3.1:

These activities will ensure that all the preparatory activities are implemented in time, following the agreed roadmap for the census. This will include revision, finalisation, translation and printing of survey and mapping materials and instruction manuals, recruitment

and training of census and fieldwork staff and setting up the organisational structures at central and municipal levels. In addition, the census logistics at central and municipal levels need to be organised.

Activities to achieve result 3.2:

In order to underpin the value and credibility of the census carried out by SOK by securing the active participation of as many population groups as possible, communication and outreach campaigns need to be carried out. These campaigns aiming to encourage the population to participate in the census will follow the existing strategies and the detailed action plan. The action plan needs to be updated regularly.

Activities to achieve result 3.3:

These activities include the operational phase of the census starting on 1 April 2011. After completion of the census the data will be analysed and disseminated. In addition, after the census a post-enumeration survey needs to be designed and carried out.

The Trust Fund project document will set out a detailed work plan for all the abovementioned activities.

3.5 Conditionality and sequencing

- Relevant institutions sign employment contracts with students before the start of the scholarship programme. Beneficiaries demonstrate a strong ownership attitude to the project.
- Continued commitment by the Assembly to the EU integration process.
- Political will and strong commitment from the Assembly Presidency and the Assembly Committees to the project.
- Strong and proactive commitment from the Assembly Secretariat and staff.
- Stability in legal status, functions, powers and staff of the Assembly.
- Sufficient staff and budget made available to all beneficiary institutions by the Government before the start of the project.
- Endorsement by all the key stakeholders of the Memorandum of Understanding and its annexes, including the Trust Fund project document.
- All the funds committed by the donors and the Government of Kosovo need to be allocated to the same Multi-Donor Trust Fund.
- Selection and appointment of members of the steering and coordination committees by the beneficiary in accordance with the Memorandum of Understanding and its annexes.
- Designation by the beneficiary of relevant staff to participate in the training activities scheduled in the work plan.
- International standards and requirements for population and housing censuses and production of official statistics must be met to secure widely recognised results.

If these preconditions are not met, suspension or cancellation of the EU contribution to the Multi-Donor Trust Fund or to the other projects will be considered.

3.6 Linked activities

The project builds on the significant EU assistance for public administration reform in Kosovo. In particular, the 2010 projects will follow up, consolidate and learn lessons from the following ongoing EU-funded projects:

Project	Start/End	Activities/Results
EU scholarships in civil service, rounds VI, VII and VIII	September 2008- August 2013	<p>Pre-departure organisation of internships and placement and supervision of round VI, VII and VIII students at EU universities.</p> <p>At least 45 students from each round have completed post-graduate degrees in EU universities in relevant technical skills.</p> <p>Help scholars to find jobs within the Kosovo public administration.</p> <p>Follow up the initial measures to institutionalise the young cell scheme within the MEI.</p> <p>EU scholarship alumni association functional and fully managed by the MEI.</p>
Assistance to the (at that time) provisional institutions and the Assembly for enhancing EU compatibility in Kosovo	September 2006- September 2008	<p>The Prime Minister's Office and the legal departments in the line ministries and Government agencies are able to draft legislation in a consistent, transparent and participative way.</p> <p>They are in a position to evaluate in advance the legal impact of forthcoming legislation.</p> <p>Government lawyers are identified and have a thorough knowledge of all aspects of EU law and know how to transpose it into Kosovo law.</p> <p>Reasonable compliance of Kosovo draft legislation with the <i>acquis communautaire</i> and applicable international standards.</p> <p>Sustainable programme for training on European law established.</p> <p>Greater awareness, improved understanding and operational knowledge of European law among civil servants.</p> <p>Reinforcement of the translation unit by making it more attractive for new staff and organising further training.</p>
Support for the Agency for Coordination of Development and European Integration (MEI)	September 2009- February 2011	<p>This EUR 2.5 million twinning project aims to support the Government of Kosovo with the EU integration process and to contribute to preparing institutions in Kosovo to set up the structures necessary for effective management of EU financial assistance. It will provide support for the Agency for Coordination of Development and European Integration (MEI), line Ministries and Parliament to build capacity for more effective implementation of the European Partnership Action Plan (EPAP).</p>
Statistical system and preparation for census (CARDS 2005)	2005-May 2008	<p>The EU provided support to SOK in a project managed by the European Agency for Reconstruction (EAR), with the specific objective to increase the capacity of SOK to carry out the planned population census and disseminate the results. The project started at the end of 2005 and ended in May 2008.</p>
International monitoring operation (joint European Commission and Council of Europe project)	2006-	<p>An international monitoring operation (IMO) has been in place since March 2006 to make sure that international standards are followed and that the minorities are participating. This monitoring of the census should increase the confidence of the whole population and stakeholders in its final results, secure better participation by all ethnic groups and guarantee a process that is in line with international standards on censuses, data confidentiality and human rights.</p>
IPA regional statistics programme for the Western Balkans	2008-	<p>The IPA regional programme started in early autumn 2008 and will last 20 months. It consists of two main parts. One is covering a large variety of technical assistance, such as participation in Eurostat Working Group meetings, training courses, study visits and short-term consultancy services.</p> <p>The second part of the regional programme consists of pilot</p>

		projects covering a combination of data collection and methodological development for external trade statistics, price statistics (purchasing power parities and harmonised index for consumer prices), national accounts, agricultural statistics and population censuses plus data transmission.
Support SOK with preparation of the 2011 census	2009-	Technical assistance is supporting SOK with preparation and implementation of the 2011 population census. The objective is to increase the capacity of SOK to prepare and carry out the population and housing census and disseminate the results in line with international standards and requirements. The first phase has been supporting SOK with defining communication and outreach strategies for extending participation by minority communities in the census. The second phase started in spring 2010 and will last for 30 months. It will provide assistance to SOK on census methodology and operational activities, preparation and implementation of dissemination and outreach activities and communication campaign activities. The EUR 1.5 million committed to this project is taken into consideration in the total budget for the census.

Many donors are involved in statistical cooperation in Kosovo. In addition to the European Union, the main donors are SIDA/Statistics Sweden, the DfID and the UNFPA. The projects need to be coordinated in order to make maximum use of the absorption capacity of the beneficiary and the results. Some of these donors have already expressed interest in contributing to the Multi-Donor Trust Fund for the census.

3.7 Lessons learned

Although the impact made by the previous assistance is, on the whole, satisfactory, a number of challenges remain:

- *Staffing:* Often project implementation is hampered either by insufficient staff and resources or by insufficient funds in the institutions' budget to allow proper implementation of their mandate. It is therefore of paramount importance that relevant institutions sign internship and employment contracts with students before their departure.
- *Cross-cutting issues:* Formal checks are needed to ensure that cross-cutting themes are reflected in all dimensions of project activities to enhance their relevance and impact.
- *Coordination:* Close consultation between the many stakeholders involved in the project and a collaborative approach are essential to ensure that they are all fully informed and support the project.
- *Legal framework:* A new census law and a new law on statistics are being drafted. Delays in preparation of these laws are inhibiting progress though. It is of utmost importance that these laws are given priority and adopted as soon as possible. The legal framework must be in place before the census can go ahead.
- *Transfer of ownership and knowledge:* SOK must take ownership of all the activities and ensure that the skills and expertise acquired during the census will constructively increase the capacity of the whole organisation.

4. Indicative budget (amounts in EUR million)

			TOTAL EXP.	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1: Support for MEI			1.5	1.5	100							
Contract 1.1 — Service	x		1.5	1.5	100							
Activity 2: Assembly			1.5	1.5	100							
Contract 2.1 — Twinning	x		1.5	1.5	100							
Activity 3: SOK			9.7	2.5	26	7.2	74	4.0		3.2		
Contract 3 — Contribution agreement (joint management)	x		9.7	2.5	26	7.2	74	4.0		3.2		
TOTAL IB			12.7	5.5	43	7.2	57	4.0		3.2		
TOTAL INV												
TOTAL PROJECT			12.7	5.5	43	7.2	57	4.0		3.2		

NOTE: Amounts net of VAT

(1) In the Activities column use 'X' to identify whether institution building (IB) or investment (INV).

(2) Expressed in % of the **total** expenditure (EXP) (column (a)).

5. Indicative implementation schedule (periods broken down by quarter)

Contracts	Start of tendering	Signature of contract	Completion of project
Contract 1	Q4 2010	Q2 2011	Q2 2013
Contract 2	Q1 2011	Q3 2011	Q3 2013
Contract 3	n/a	Q4 2010	Q4 2012

6. Cross-cutting issues

6.1 Equal opportunities and non-discrimination against minorities

During implementation of the project specific attention will be paid to the need for gender balance and equal opportunities for all communities in the selection process.

The project will include active liaison with gender officers in the ministries and municipalities and the Office of Gender Equality at the Office of the Prime Minister in order to secure their participation in the activities planned. This dimension is also reinforced in the IPA, the European Partnership Action Plan and the draft Kosovo Development and Strategy Plan.

Terms of reference will cover the impact of the project on women and minorities, including employment opportunities, and will encourage the beneficiary to comply with Kosovo law on employment of women and minorities. Minority representation will be pursued across the civil service and in all aspects of activities on the project. Active steps will be needed to encourage adequate minority participation in selection procedures for the programme.

6.2 Environment

During implementation of the project production of printed material will be kept to the strictest minimum and the YCS call for applications will be promoted electronically.

6.3 Civil society

Component 3 of this project will ensure that the concerns of relevant civil society groups are taken into account when preparing the awareness-raising events.

6.4 Good governance

The project will aim at ensuring wider involvement of the public as stakeholders in the project with the aid of targeted awareness-raising campaigns.

ANNEXES

Annex I- Log frame in standard format

Annex II- Amounts contracted and disbursed per quarter over the full duration of the programme

Annex III- Description of institutional framework

Annex IV - Reference to laws, regulations and strategic documents

Annex V- Details per EU-funded contract

ANNEX I: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche		Programme name and number	
		Contracting period expires: Ref. to Section 1.10	Disbursement period expires: Ref. to Section 1.12
		Total budget: EUR 12.7 million	IPA budget: EUR 5.5 million
Overall objective	Objectively verifiable indicators	Sources of verification	
The overall objective is to support the Government of Kosovo to meet the challenges of EU integration by increasing capacities to build a professional and effective civil service at all levels.	Progress in contractual relationships between Kosovo and the EU. Fulfilment of the European Partnership priorities.	European Commission Progress Reports on Kosovo. Adoption of relevant legislation in compliance with the EU rules and standards. Conclusions of Stabilisation and Association Process Dialogue meetings.	
Project purpose	Objectively verifiable indicators	Sources of verification	Assumptions
Component 1 1. To generate a core group amongst the new generation of civil servants who are prepared and determined to implement reforms in public administration, in particular those required for EU integration.	Professionalisation of the Kosovo public administration. Increased knowledge gained by civil servants on public administration and EU integration concepts. Kosovo policy choices in line with the EU integration process. By the end of the 2010 selection round under the IPA, the GoK contributes at least 30 % of the total budget for co-financing the new project.	European Commission Progress Report. Administrative reform policy studies. Progress reports on related projects to strengthen the Kosovo administration.	Commitment on the part of the Kosovo Government to reform the public administration. Improved communication and exchanges of information between and within Government bodies.
Component 2 2.1 To enhance administrative capacity in the Assembly to ensure that the Presidency and Assembly Committees fulfil their	Fulfilment of the European Partnership priorities. Response to the challenges identified in the European Commission Progress	<ul style="list-style-type: none"> European Commission Progress Reports on Kosovo. Reports on fulfilment of the measures in the Assembly's 	<ul style="list-style-type: none"> Continued commitment to EU integration. Political commitment to administrative reform.

tasks properly. 2.2 To improve administrative know-how in relation to EU approximation and implementation of EU best practices.	Reports.	European Integration Action Plans. • Expert reports on the project.	<ul style="list-style-type: none"> • Allocation of sufficient human and material resources for the project. • Proactive involvement of the Secretariat. • Stability in the legal status, functions, powers and staff of the Assembly. • Effective communication between experts on the project and the Assembly administration. • Effective donor coordination.
Component 3 3. To enable SOK to carry out the population and housing census.	SOK structures operational for implementing the census activities. Census carried out in line with international recommendations.	Eurostat reports. IMO reports. European Commission regular report. Stabilisation and Association Process Dialogue conclusions.	Census remains a high priority for the Kosovo Government. Ownership by SOK. Absorption capacity of SOK.
Results	Objectively verifiable indicators	Sources of verification	Assumptions
Component 1 1.1 Civil servants and/or other graduates who have completed post-graduate degrees in EU universities in relevant technical fields. 1.2. Graduates who are employed by the Government. 1.3 Creation of a fully functioning alumni association.	1. Approximately 50 candidates selected by a transparent process free of outside influence. 2. The MEI signs MoUs with relevant GoK bodies to secure a budget allocation to employ YCS. 3. Graduates who have completed Master's studies recruited to the Kosovo public administration. 4. Alumni funded by utilising grants recovered from students who failed to fulfil their contractual obligations (reimbursed during 2010). 5. Alumni association institutionalised within the MEI and producing policy papers to influence GoK policy	Students' diplomas. Employment contracts. Budget allocation for employment of students upon return. Government strategy papers and policy documents. Contractors' reports.	Interest of EU universities in being involved in the selection process. Candidates will not withdraw after selection. Coordination between the MEI and all line institutions is functional. Non-resignation from the GoK. Opportunities to absorb YCS open in the different Government departments. Full commitment of all stakeholders and beneficiaries during implementation of the project. GoK takes into account lessons learned from past experience in addressing the problems

	choices. 6. Qualitative improvement in operation of Government agencies.		
<p>Component 2</p> <p>2.1 Improved capacity of the administration of the Assembly of Kosovo, with regard to its tasks of supervising implementation of legislation and supporting the work of the Assembly.</p>	<ul style="list-style-type: none"> • Assessment of current structure of administration and recommendations made and applied. • Amendment to the Statutes and organisation chart of the Assembly. • Amendments made to the job descriptions of civil servants. • Development and implementation of the training strategy linked with the career development plans of the Assembly civil servants. • Assembly civil servants capable of multi-tasking. • Timely and accurate functioning of all Assembly Commissions and the Assembly. • Preparatory work carried out by the civil servants of the Assembly for the Commissions' and plenary meetings meets the required standards. 	<ul style="list-style-type: none"> • Amendments to the current regulations. • Number of oversight activities. • Expert reports on the project. 	<p>Political commitment to administrative reform.</p> <p>Proactive involvement of the Secretariat.</p> <p>Effective donor coordination.</p> <p>Target groups show full commitment and output orientation.</p> <p>Significant reduction of political interference within the administration (depoliticisation).</p>
<p>2.2 Administration of the Assembly able to accomplish its tasks and responsibilities for approximation with EU legislation and check on compliance with the <i>acquis</i>.</p>	<ul style="list-style-type: none"> • Assembly effectively monitors progress towards meeting EU and other policy priorities of the GoK. • Implementation of the recommendations made in the European Commission Progress Reports. 	<ul style="list-style-type: none"> • European Commission Progress Reports. • Number of laws adopted in compliance with the EU <i>acquis</i>. • Expert reports on the project. 	<p>Stability in legal status, functions, powers and staff of the Assembly.</p> <p>Allocation of sufficient human and material resources.</p>

	<ul style="list-style-type: none"> Administrative staff of the Assembly knowledgeable about relevant chapters of the <i>acquis communautaire</i> and capable of providing technical input. Procedures and instruments for approximation of legislation functional. 		
Component 3 3.1 Preparatory activities completed. 3.2 Communication and outreach campaign carried out. 3.3 Field phase and dissemination of results completed.	<ol style="list-style-type: none"> Survey materials finalised, budget finalised and census logistics in place. Extent of media coverage, number of visibility events and regional meetings. Results of census and post-enumeration survey available. 	Updated enumeration maps and questionnaires, census material printed, including the manuals. Media articles, participation in the events and meetings plus surveys. Thematic reports, census atlas and post-enumeration survey.	Adequate staffing of SOK. Adequate resources of SOK. Participation of minorities. Regional cooperation.
Activities	Means	Costs	Assumptions
MEI and line ministries Kosovo Assembly Statistical Office of Kosovo (SOK)	One service contract One twinning contract Multi-Donor Trust Fund	EUR 1.5 million. EUR 1.5 million. Estimated total budget: EUR 9.7 million. <ul style="list-style-type: none"> Kosovo national budget contributes EUR 4 million. EU funding: EUR 2.5 million. (In addition the EU is providing EUR 1.5 million via a technical assistance project under the IPA for 2008.) The Kosovo Government is currently identifying another donor to fill the funding gap of EUR 3.2 million.	

ANNEX II: Amounts (in EUR million) contracted and disbursed by quarter for the project

Contracted	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Contract 1 Service			1.5						
Contract 2 Twinning				1.5					
Contract 3 Contribution		2.5							
Cumulated		2.5	4.0	5.5					
Disbursed	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Contract 1 Service			0.5		0.5			0.5	
Contract 2 Twinning				0.5		0.5		0.5	
Contract 3 Contribution		2.5							
Cumulated		2.5	3.0	3.5	4.0	4.5	4.5	5.5	

ANNEX III: Institutional framework

Component 1: Agency for Coordination of Development and European Integration and the Ministry of European Integration (MEI)

The Government has continued to build up its capacity to address EU matters. In July 2008 it approved new structures to monitor EU integration matters better within the framework of its EPAP. The Government reports to the Assembly Committee for EU Integration (AC-EI) every three months. The Agency for European Integration, which was renamed Agency for Coordination of Development and European Integration (ACDEI) in October 2008 to reflect the restructuring and merger with the Donors Coordination Centre (DCC) following the July 2008 donors conference, remains the Agency coordinating Kosovo's European approximation efforts at central level².

Although the intention to set up the Ministry of European Integration (MEI) was first expressed in autumn 2009, the MEI was not actually established until 1 April 2010. At the same time the Agency for Coordination of Development and European Integration (ACDEI) as a whole was integrated into the new Ministry of European Integration. It is still too early to judge whether this reorganisation will prove successful.

The main responsibilities of the MEI are to:

- Coordinate drafting and monitor implementation of the EPAP, including ensuring that it is on budget (MTEF), in response to the European Partnership (EP);
- Coordinate Government activities related to its development priorities, EU approximation and participation in the Stabilisation and Association Process (SAP);
- Organise donor coordination, ensuring that donors are fully informed and avoiding possible overlaps with ongoing or planned activities of other donors or the Government's own funds as much as possible;
- Review, harmonise, align and coordinate sectoral policies in line with national development and EU integration priorities;
- Increase the efficiency of aid by closer alignment to development priorities and reducing the overlaps in donor assistance;
- Support beneficiary institutions in programming (EU and other) donor assistance and their internal capacity-strengthening.

Component 2: The Assembly of Kosovo performs its tasks in accordance with the Constitution. The Assembly is represented by the President of the Assembly, who convenes and chairs its meetings. The Presidency of the Assembly consists of eight members of the Assembly. The Presidency is responsible for the work programme of the Assembly. It reviews and prepares the agenda of meetings of the Assembly and secures agreement between the parliamentary groups on the form and duration of the debate on each particular item. There are various Assembly Committees specialising in different fields. The number of Assembly Committees and their structure are decided by the Assembly on a proposal from the Presidency.

² Government decision establishing the Agency for Coordination of Development and European Integration (October 2008).

The administration of the Assembly of Kosovo is managed by a Permanent Secretary. The certifying official and the internal auditor report directly to the Permanent Secretary. There are two main Departments within the Assembly administration: the Department for Procedural and Legal Support and the Administration Department. The Department for Procedural and Legal Support consists of three Divisions: the Division for Plenary and Procedural Issues, the Division for Committee Support and the Division for Standardisation and Harmonisation, Legal Research, Library and Archives. The Administration Department consists of the Personnel Section, the Procurement Division, the Division for Information Technology and other Technical Services, the Language Section and the Division for Budget and Payments.

Component 3: The Statistical Office of Kosovo (SOK) was set up as an independent institution in 1999 as an executive agency attached to the Ministry of Public Administration (MPA). SOK is regulated by UNMIK Regulation 2001/14, which entered into force on 2 July 2001. This Regulation is currently being amended.

The main objectives of the Office are to collect, process, analyse and publish statistical data. It also provides evaluations and surveys on demographic, social and economic phenomena in Kosovo. To achieve this objective, the Office uses methodologies, nomenclatures and classifications accepted by international statistical organisations, including Eurostat.

According to the 2007 European Commission Regular Report, the statistical system of Kosovo is at an early stage of development. The statistical infrastructure and management capacity at the Statistical Office are weak. There are not enough qualified employees and the budget is insufficient. The operational and financial independence of the Statistical Office of Kosovo is not assured. The progress made is generally limited to the areas where assistance has been given, namely agricultural statistics, macro-economic statistics, business statistics and population censuses.

ANNEX IV: Laws, regulations and strategy papers

The Census Law (Law No 2003/16 on the Kosovo Population and Housing Census) is being amended (amongst other things, to take into account Regulation No 2004/53 on Promulgation of Law No 2003/16 on the Population and Housing Census).

SOK expects the new Census Law to be adopted in September 2010 at the latest.

For other references, see pages 2 and 3 above (Sections 2.3, 2.4, 2.5 and 2.6).

ANNEX V: Details per EU-funded contract

Component 1 (Service contract)

- At least 50 candidates for post-graduate studies will be selected by means of a transparent, impartial procedure. Priority areas should be decided at the inception stage of the project and should focus on specific *acquis*-related subjects.
- Affirmative action will be taken to open up access to the scholarships for talented young people, women, persons with disabilities and members of rural and minority communities.
- Placement of selected candidates at European universities through contracts and possibly internships at appropriate public institutions will be organised. Employment contracts will be arranged before students' departure and assistance will be provided to help them find a job on their return.
- Students will be supervised throughout their studies in order to provide guidance and assistance and to troubleshoot potential problems.
- Support will be provided for the alumni association of all students and its activities and for institutionalisation of the scholarship scheme within the MEI or any other suitable institution.

Component 2 (Twinning)

Standard twinning procedures will be used to implement this activity. The Resident Twinning Advisor (RTA) is expected to be a senior civil servant from a similar institution in one of the Member States. The RTA will be assisted by short- and medium-term experts from EU Member States.

RTA's profile:

- Experience of working with public administration institutions, particularly the Assembly;
- Experience of the public administration reform;
- Fluency in English;
- Degree in social sciences, law or other relevant areas.

Component 3 (Contribution to Trust Fund)

This component will be implemented by the European Commission by joint management with the *United Nations Office for Project Services* (UNOPS), following Article 53d of the Financial Regulation and the corresponding provisions of the Implementing Rules. To this end, the Commission will conclude Contribution Agreements with the respective international organisation.

All the funds from different donors and from the Government of Kosovo will be pooled into the same Multi-Donor Trust Fund for the population and housing census. This activity will be implemented by means of a grant contract with UNOPS.

The Multi-Donor Trust Fund will create a structure for enabling to carry out the census in an efficient and transparent way ensuring effective use of resources. For the time being EC is the only donor but the joint management structure will make it easier for additional donors to contribute which is necessary bearing in mind the current financial gap.

**2010 Annual Programme — Project Fiche 4
Communities and Education**

1. Basic information

- 1.1 CRIS number: 2010/022-452
 1.2 Title: Communities and Education
 1.3 ELARG statistical code: 01.63
 1.4 Location: Kosovo*

Implementing arrangements

- 1.5 Contracting authority: European Commission Liaison Office to Kosovo
 1.6 Implementing agency: n/a
 1.7 Beneficiary:

Project activity	Beneficiary (institutions, target group, etc.)	Contact point responsible for project/activity coordination
Activity 1: Return and Reintegration in Kosovo (RRK phase 3)	Minority displaced persons, Ministry for Communities and Returns (MCR) and a number of selected municipalities	Mr Vedat Maxhuni, Senior Programming Officer — MCR, 038 212 803, vedat.maxhuni@ks-gov.net
Activity 2: Research Capacity Development in Kosovo	Ministry of Education (MEST)	Mr Kushtrim Bajrami, MEST Kushtrim.Bajrami@ks-gov.net

- 1.8 Overall cost (VAT excluded): EUR 6.462 million
 1.9 EU contribution: EUR 5.0 million
 1.10 Final date for contracting: 2 years after signature of the financing agreement between the European Commission and the Kosovo Authorities
 1.11 Final date for execution of contract: 2 years after the final date for contracting.
 1.12 Final date for disbursements: 1 year after the final date for the execution of contracts

2. Overall objective and project purpose

2.1 Overall objective

Activity 1: Return and Reintegration in Kosovo (phase III)

The creation of a climate for inter-ethnic tolerance and sustainable multi-ethnicity and the promotion of human and minority rights (including a gender perspective) conducive to minority return and reintegration of displaced persons in Kosovo.

Activity 2: Research Capacity Development in Kosovo

The strengthening of research and innovation to promote economic and social development in Kosovo.

* Under UNSCR 1244/1999.

2.2 Project purpose

Activity 1 — Return and Reintegration in Kosovo (phase III)

Sustainable return of IDPs/IIDPs¹ and refugees from minority communities through increased involvement of central and municipal state and non-state actors in selected municipalities².

Activity 2 — Research Capacity Development in Kosovo

Support for research activities and building the capacity of public universities and public research institutes in Kosovo in priority sectors: agricultural production and food safety; environment, energy and natural resources; health and medical research; and social science research — all sectors of importance to the wider community in Kosovo.

2.3 Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

EP/STM — The project is directly linked to the political requirements of the *European Partnership*, under the chapter ‘Key priorities’, section ‘Human rights and the protection of minorities’, and under the chapter ‘Democracy and the rule of law’

The Kosovo government’s *European Partnership Action Plan* provides for the creation of a climate for reconciliation, inter-ethnic tolerance and sustainable multi-ethnicity conducive to the return of displaced persons (EPP No 7), together with the development of partnership programmes with municipalities and other parties with the aim of ensuring financial resources for the sustainable development of communities to enable return (EPAP 7.3.3) and a review of municipal return strategies in coordination with municipal return offices (EPAP 7.3.6)

It further aims to develop and implement the joint strategic framework for communities and returns, and to develop mechanisms at municipal level for facilitating the sustainable integration of returnees and existing minority communities (EPP No 46).

In addition, it aims to ensure the viable existence of minority communities and their non-discriminatory participation in society, through concrete measures to ensure their safety and freedom of movement, as well as equitable provision of and access to public services (EPP No 115).

The **European Partnership Action Plan** 2009 included commitments on: research development, including the establishment of the Centre for Innovation and Transfer of Technologies; launching a review of the Law on Scientific Research Activity in Kosovo; establishing and making operational the National Research Council; and drafting the Science Programme and Strategy for Kosovo, which is now underway..

The aim of the *Comprehensive Proposal for the Kosovo Status Settlement* is to define the provisions necessary for a future Kosovo that is viable, sustainable and stable. It includes detailed measures to ensure the promotion and protection of the rights of communities and their members, the effective decentralisation of government, and the preservation and protection of cultural and religious heritage in Kosovo (for more details see Annex III).

The proposal is in line with the **Progress Report 2009** and its section ‘Minority rights, cultural rights and protection of minorities’, taking account of the fact that the voluntary return process is still limited and remains a challenge for the Kosovo authorities. Creating a climate for

¹ IDPs: internally displaced persons; IIDPs: internally displaced persons within Kosovo.

² The selection of target municipalities will be coordinated with IPA 2007 and IPA 2008 RRK projects in order to ensure the complementarity of actions.

reconciliation, inter-ethnic tolerance and sustainable multi-ethnicity is a key European Partnership priority.

The EU's 2009 annual report and study noted it was important for Kosovo to build its research capacity and increase its participation in the Seventh Framework Programme for Research. It also pointed to the need to increase SME participation in FP7 activities and the role of research in the socio-economic development of Kosovo and as a means to intensify regional cooperation activities.

2.4 Link with the Multiannual Indicative Planning Document (MIPD)

The project's approach is in line with the MIPD, which emphasises the need to advance the reform of local self-government as part of the decentralisation and promotion of human rights, the protection of the Serb and other minorities, and IDP and refugee return (for more details see Annex III).

The MIPD for Kosovo makes reference to the importance of education and training for scientists in order to improve Kosovo's research capacity. Among the expected results for this planning period, the MIPD refers to the design of an integrated research policy. This has started with some improvements in national research capacity and research cooperation opportunities with the EU, as measured by the participation of Kosovo's research institutions in EU cooperation projects.

2.5 Link with national sector strategies

Activity 1 – Return and Reintegration in Kosovo (phase III)

Section 3.3.10.1.4 'Human and Minority Rights' in Volume II of the **Medium-Term Expenditure Framework (MTEF) 2008-2010** states that 'one of the sectors that need quite a lot of money is the programme [for] minorities and returnees. The MCR in the regular budget process is getting [a] certain amount of money in order to address related issues. Most of the spending is [...] on building houses for people who want to return'.

Under its policy matrix, section B 'Implementation of status settlement', the **MTEF 2009-2011** refers to 'Support for the development and integration of ethnic communities'.

The project is fully in line with the **MCR Strategy for Communities and Returns 2009-2013**, which is expected to be endorsed by the Government in the second quarter of 2010. Likewise, it is in line with the MCR operational framework — the revised manual for sustainable return, which is also being updated to take account of the new realities and efforts to further decentralise the return process.

Activity 2– Research Capacity Development in Kosovo

The Medium-Term Expenditure Framework (MTEF) 2010-2012 emphasises research and its importance to the economy and social development of Kosovo in a number of areas, including scientific research, the environment and archaeology linked with cultural heritage research. In particular, the MTEF provides for financial investment in research through the Ministry of Education. EUR 380 000 is set aside in the MTEF for supporting research and development projects with international participation from 2010-2012. Over EUR 2 million is allocated in the MTEF over the next 3 years for the establishment of the Fund for Scientific Research. Funds are also available under the MTEF for the establishment of an institutional infrastructure for scientific work and innovation, and the establishment of research units, institutes and centres in priority research areas over the next 3 years.

Link with the National Development Plan — Research: The Ministry of Education has a specific strategic objective for research in the MTEF (2010-2012), which is Goal 3: ‘Transformation of higher education institutions into scientific research institutions as well as their link with the economy and society’, to be achieved through the following specific objectives:

1. Improving the conditions for the development of science:

Supporting research and development projects with international participation; establishment of an institutional infrastructure for scientific work, innovation and technology transfer; establishment of research units, institutes and centres for research in priority areas; support for the activities of the National Council of Science; establishment of the Fund for Scientific Research; implementation of the National Programme of Science.

The **draft Research Programme of Kosovo** was published in January 2010 and seeks to provide a conceptual framework for upgrading scientific capacities in Kosovo. The Programme identifies research priorities in Kosovo and specific science and technology (S&T) targets to support the socio-economic development of Kosovo towards a knowledge society rooted in evidence-based interaction between science, citizens and business:

Objective 1: Development of human capacity for research activities

Objective 2: Development of research infrastructure

Objective 3: Internationalisation of scientific research activity

Objective 4: Strengthening the links between science, society and the economy to enhance economic and social development

Objective 5: Excellence in research and scientific activity

3. Description of project

3.1 Background and justification

Activity 1: Return and Reintegration in Kosovo — phase III

The socio-political environment

The end of the conflict in June 1999 resulted in some 225 000 non-ethnic Albanians leaving Kosovo. Most fled to Serbia, where most still remain.

The current Constitutional Framework asserts that all refugees and IDPs have the right to return to their homes and recover their property in Kosovo. The Government of Kosovo has clearly recognised the return of minority communities and preservation of the multi-ethnicity of Kosovo as one of its main priorities. The international community has declared that the return of refugees and IDPs is a key principle underpinning a viable multi-ethnic and democratic society.

Yet, almost eleven years after the end of the conflict, relatively few refugees and IDPs have returned. According to UNHCR, 19 827 minority returns were registered by the end of 2009, of which 1 153 were during 2009. Clearly, much remains to be done and donor funding and support is still needed to facilitate sustainable return to Kosovo. UNHCR predicts that the numbers of returnees will double in 2010 and 2011 compared to 2009.

The Kosovo Government’s leadership in the return sector, in policy development and coordination, is increasingly seen by all stakeholders as essential to a sustainable return process. To this end, the Ministry for Communities and Returns (MCR) has assumed full responsibility for policy making and policy coordination and fully oversees the implementation of all voluntary minority return activities in Kosovo. In relation to the ongoing EU-funded RRK 1 and RRK 2 projects, the MCR has been a fully dedicated and committed partner. It also co-finances the projects and leads its supervisory and monitoring mechanisms through a project steering committee.

The MCR’s strategy for communities and returns is expected to be endorsed by the Government in the second quarter of 2010. Its operational guidelines, i.e. the Manual for Sustainable Return, have

also been updated taking into account the new realities on the ground and the increasing need to localise the return process. Both processes, the development of the strategy and the revision of the manual, were carried out in full cooperation and consultation with municipal authorities and relevant international and local organisations.

The security situation in Kosovo has improved and no longer represents the main obstacle to minority return. IDPs and analysts point to the lack of socio-economic and employment opportunities, poor access to essential public services and an overall lack of donor funding as the main obstacles to return.

Return and reintegration in Kosovo (phase III)

Kosovo's institutions have demonstrated the political will to foster the return and reintegration of refugees, IIDPs and IDPs from minority communities. But they lack capacity and need financial and technical support. At the end of 2009, the MCR reiterated that demand for return assistance remained high with a funding gap of approximately EUR 30 million. The present programme represents the continuation of IPA 2007 and IPA 2008 with the aim of further empowering municipal authorities in the return process. IPA 2007 and IPA 2008 are currently targeting only 8 out of 30 municipalities. Therefore, the main aim of IPA 2010 is to include new municipalities with return potential. The MCR is co-financing both ongoing projects and is planning to continue to do so in 2010 and 2011. Other relevant stakeholders have welcomed the EU approach to return and reintegration issues and its alignment with government-led strategies.

Furthermore, the revised Manual for Sustainable Return provides for an innovative approach to the coordination and implementation of return and (re)integration activities by seeking the involvement of Kosovo's central and municipal institutions and bodies in the development and implementation of policies.

The present project addresses the main obstacles to return in a comprehensive fashion. It aims to create a climate for inter-ethnic tolerance and sustainable multi-ethnicity by entrusting domestic institutions and bodies with the design (at central, ministerial level) and implementation (at local, municipal level) of effective policies for the sustainable return of refugees, IIDPs and IDPs. On the governance side, the project enhances the capacity of central and local government structures to perform core functions and strengthens their legitimacy and accountability vis-à-vis Kosovo's citizens.

A key feature of the project is to maximise efficiency and cost effectiveness by gathering together funding from the EU, the MCR and targeted municipalities. In addition, this project will serve as a catalyst for harmonisation among interested donors, allowing for improved donor coordination in the sector and between the central government and international donors.

The changes in Kosovo's status have not given rise to concerns about the viability of this project; actually, quite the opposite is the case. The need for durable solutions for displaced persons will continue to be a priority in Kosovo in the short to medium term, coupled with the necessity for a central policy-making institution (i.e. the MCR). As far as municipal authorities are concerned, the changes in Kosovo's status have put the focus on the decentralisation process, thus providing additional justification for the project's approach.

Activity 2: Research Capacity Development in Kosovo

The public universities, institutions and actors in the field of education and research in Kosovo have experienced exceptional challenges and a considerable lack of resources since the conflict in 1999. Kosovo became isolated in terms of access to international technological development, technology transfer systems and scientific knowledge/peer exchange. As a consequence, research capacity in Kosovo has deteriorated and placed research institutions in Kosovo at a considerable disadvantage compared to those operating elsewhere in Europe.

Where research capacity is concerned, Kosovo currently has two well-established public universities, the University of Pristina and the University of Mitrovica/ë. A third public university

is under development — the University of Prizren. Kosovo also has 14 public research institutes³.

The focus of Government intervention has largely been on teaching-related aspects of higher education, with little attention given to scientific research. The Law on Scientific Research Activity sets the framework for scientific research and the Scientific Research Programme of Kosovo provides for infrastructure investment to enhance participation in international scientific research projects and to develop a systematic education programme for researchers.

The Ministry of Education, Science and Technology (MEST) has established a Centre for International Relations in Higher Education, Science and Technology, which is in the process of creating a database of researchers in Kosovo to be used in future work. MEST also plans to establish a Research Fund to support the activities of Kosovo researchers and build the capacity of research institutions in Kosovo to enter into and participate more effectively in collaborative research activities in the western Balkan region and Europe-wide.

The National Research Council has recently developed a five-year National Research Programme, which is expected to improve the situation in the field of research and its linkage to higher education.

For Priority 1: Environment, energy and natural resources — about 90 academic and research staff are involved in research in this field at Pristina University and other research institutes in Kosovo. There is a particular need to support applied research in this field. There is a solid foundation for cooperation with international research institutions, mostly based on individual initiatives but also involving joint projects.

For Priority 2: Agriculture production and food safety — the number of researchers remains relatively small, most of them employed by state-owned institutions (universities and public research institutions). Research activities remain sporadic, based on individual initiatives in the university sector. In recent years there has been good cooperation with universities and regional and international institutes. Many young Kosovo researchers are being trained at European universities in this field.

For Priority 3: Medical research — there is solid expertise to perform comprehensive research in this field, and many young Kosovo researchers from different fields of medicine have acquired specialisations at international universities.

Substantial and ongoing research activity in the specific priority sectors — energy efficiency, environment, food safety, health research and social science research — would serve to inform policy developments in Kosovo in those fields and contribute to improving the environment, health and socioeconomic development in Kosovo as well as ensuring EU standards compliance in these sectors.

3.2 Assessment of project impact, catalytic effect, sustainability and cross-boundary impact

Activity 1: Return and Reintegration in Kosovo – phase III

Drawing from the successful experience of similar activities undertaken in Bosnia and Herzegovina since 2002, and the ongoing RRK 1 and RRK 2, the impact of the project is expected to be positive. The direct involvement of national institutions in, and increased ownership of, return-related activities will increase the legitimacy of the MCR and improve local (municipal) governance and capacity in service delivery.

³ See Annex III for a comprehensive list of research institutes in Kosovo.

Financially, the activity will seek additional co-financing from other donors so as to mainstream funding in the sector and create economies of scale.

Aligning the activities of this project with the government-led strategy in the sector is the key to sustainability. In line with the MCR Strategy for Communities and Returns the project will strive to increase the involvement of central and local authorities in the return process, promote tolerance and human rights and foster the effective participation of minorities in the socio-economic development of Kosovo. It will work with government and international actors (including UNHCR, OSCE and KFOR) as well as non-state actors to ensure the coherence of priorities and approaches.

There will also be close cooperation with institutions and organisations (including non-state actors) in the region, particularly with the Republics of Serbia and Montenegro, to foster the cross-boundary dimension of the return process. The project will also link to EU initiatives at regional level to facilitate the wider return process in the Western Balkans.

Activity 2: Research Capacity Development in Kosovo

This project will provide important investment support to develop both research activity and the nurturing of researchers in Kosovo, in particular young researchers. It will build the capacity of public universities and public research institutes in Kosovo and enhance collaboration with counterparts in the EU and the western Balkan region. By pursuing research activities in Kosovo with EU-based or regional counterparts, the supported research projects will help develop new research techniques and also provide the research community in the EU and Balkans region with insight into matters relating to local research priorities in Kosovo.

Support for research activities plus capacity building for researchers and research institutions in Kosovo will lead to better, more effective access by Kosovo universities and research institutions to research networks in Europe and participation in FP7 activities. This will develop the capacity of Kosovo institutions to meet EU standards in fields such as the environment and food safety, and will in turn benefit the wider population of Kosovo. Support for the research community in Kosovo is also required to build their understanding of the EU FP7 programme and the FP7 application process. Capacity building support is required for the formulation of FP7 research proposals, effective project management, the monitoring and evaluation of European research projects and the development of partnerships for FP7 involvement.

3.3 Results and measurable indicators

Activity 1: Return and Reintegration in Kosovo

Technical assistance and training for MCR

Expected result:

Increased capacity and efficiency of the MCR for policy/decision-making, coordination and monitoring of return-related activities

Measurable indicators:

- By the end of the project, the MCR is capable of developing and implementing policies and operational frameworks and coordinating activities in the return sector
- By the end of the project, the MCR is transparently and objectively reviewing requests and returning reports on project implementation

Technical assistance and training for municipal bodies in selected municipalities

Expected results:

- Increased capacity at municipal level to design and manage return and (re)integration projects resulting from joint actions of local stakeholders (e.g. municipal authorities, Kosovo Police Service (KPS), civil society, private sector, women, minorities, vulnerable groups and youth).

- Increased inter-ethnic dialogue at municipal level.
- Increased security and freedom of movement for minorities.
- Increased awareness and knowledge among minorities of their own rights and increased access of minorities (including women) to municipal services.
- Increased participation of women, minority and vulnerable groups and youth in the decision-making process at local level (particularly within municipal working groups).

Measurable indicators:

- By the end of the project, multi-ethnic and gender-balanced local action groups in targeted municipalities are successfully designing and effectively managing the project's activities as per the revised Manual for Sustainable Return.
- By the end of the project, selected civil organisations are ethnically inclusive and are trained to interact with municipal authorities and to actively participate in the development and implementation of local policies.
- As evidenced by OSCE and UNHCR reports, the occurrence of 'ethnic' violence does not increase in targeted municipalities over the life of the project.
- As evidenced by OSCE and UNHCR reports, competent municipal institutions facilitate access of minorities to municipal services and the number of complaints falls over the life of the project.
- By the end of the project, targeted municipalities have increased minority representation in the assemblies and committees and empowered their municipal gender focal points.

Return of IDP/IIDP/refugee families and the reconstruction of dwellings and related infrastructure

Expected result:

- Physical return of IDP/IIDP/refugee families and the repair of their dwellings and related infrastructure in selected municipalities

Measurable indicators:

- By the end of the project at least 200 displaced families have returned. In addition, at least 200 dwellings and related infrastructure are repaired in line with both local legislation and the revised Manual for Sustainable Return, and without damage to the environment
- At least 25 % of beneficiaries are female-headed households or vulnerable individuals.

Socio-economic measures

Expected result:

- Increased opportunities for returnees to find employment in the local labour market and/or engage in other income generation and sustainable livelihood activities.

Measurable indicators:

- By the end of the project, the number of skilled beneficiaries who have found employment in the local labour market.
- By the end of the project, beneficiaries able to work have started their businesses on the basis of a viable business plan matching the local market's potential, and income generation opportunities for women are provided by the project.
- By the end of the project, beneficiaries not able to work (e.g. vulnerable groups) are provided with livestock or agricultural tools.

Activity 2: Research Capacity Development in Kosovo

Results and measurable indicators:

Expected results:

- Increase and improvement in research by public universities and public research institutes in Kosovo in the priority fields: environment, energy and natural resources; agricultural production and food safety; health and medical research; and social science research.
- Improved capacity of Kosovo researchers, in particular young Kosovo researchers and trainee researchers, at public universities and public research institutes in Kosovo in the priority fields.
- Improvements in research equipment and more effective and efficient use of research equipment and facilities by Kosovo researchers and by public universities and public research institutes in Kosovo.
- Increased collaboration and support from public universities and public research institutes in the EU and the Balkans region for research activities and for public universities and research institutes in Kosovo, including increased involvement and support from researchers among the diaspora communities of Kosovo.

Measurable indicators:

- R&D activities and projects in key sectors by 20%;
- Regional and Europe wide collaborations on research by 10% as regards the number of research partnerships between Public Universities and Public Research Institutes in Kosovo with counterparts in the EU and the Western Balkan region;
- Number of researchers and trainee researchers in Kosovo doubled;
- Involvement of academic researchers from diasporas communities in Kosovo up by 15%
- At least 5 proposals submitted to FP7 and successful cooperation in FP7 programme by Kosovo researchers and research institutions

3.4 Activities

Activity 1 — Return and Reintegration in Kosovo (phase III)

All activities will be financed by one grant agreement with an implementing organisation (IO).

1.1 Technical assistance and training for the MCR

This activity will include training and capacity development for the MCR, as the central institution responsible for: a) providing policy guidance, coordination and assistance in the return sector, and b) promoting the establishment of conditions conducive to return.

The technical assistance will support the MCR in developing mechanisms to ensure transparent and objective collaboration between the MCR and municipalities. This will include, among other things: (i) reviewing municipal return strategies, (ii) developing formats for municipal project proposals, (iii) developing mechanisms for financial allocations, (iv) collecting and processing information (disaggregated by gender, age and nationality), (v) developing criteria for the selection of beneficiaries, and (vi) monitoring and reporting on project implementation.

Selected MCR staff will be trained in (among other things) project cycle management, public procurement rules, participatory approaches, local development principles, reporting, and relevant EU policies. In all training modules, attention will be given to cross-cutting gender, minority and environmental themes.

1.2 Technical assistance, including training, for municipal structures in selected municipalities

This programme is a continuation of the IPA 2007 and IPA 2008 approach in different target municipalities with return potential. A key criterion will be the potential for return, from both a qualitative and quantitative perspective.

During the inception phase, after the identification of target municipalities, there will be a thorough screening of the needs and capacities of each municipality to assess their ability to carry out the tasks and responsibilities required by the project. This will serve as: a) a baseline to tailor technical assistance and training needs; and b) as a reference to measure project progress and impact.

The project will assist municipal return officers, municipal working groups and other stakeholders in designing local return and reintegration project proposals to be approved by the RRK Steering Committee, and provide support for their implementation on the ground. The involvement of non-state actors (including IDP associations) will be strengthened to include the permanent participation of minorities, women's NGOs and networks, environmental organisations and youth organisations, together with the private business sector. By supporting the activities of the municipal working groups and the MCR, the project will create stronger communication channels to assure effective information flows between municipal and central level. The involvement of the KPS will guarantee a safe environment for return and will further facilitate the return process.

Consideration will be given to using the services of the Association of Municipalities as a vehicle for information sharing among municipalities.

The project will provide municipal and non-state actors with training on, among other things, resource mobilisation, fund raising techniques, participatory approaches, project design, reporting, project cycle management, public procurement rules, local development principles, and relevant EU policies. In all training modules, attention will be given to cross-cutting gender, minority and environmental themes.

Through the municipal working groups, and in close coordination with the Ministry for Local Government Administration, tolerance building and reconciliation activities will be designed and implemented at local level to include different ethnic communities and youth (e.g. cultural or sport activities).

The project might also assist minority displaced persons within Kosovo and their efforts to reintegrate at the place of displacement or return to new municipalities created after status settlement, where these groups comply with all mandatory requirements of the project for the selection of beneficiaries.

1.3 Facilitation of the physical return of displaced families and the reconstruction of dwellings and related infrastructure

The role of the implementing organisation (IO) should be of an advisory/coaching nature and tailored to specific local capacities and needs. Where these prove insufficient, the project will assist the municipality in contracting out all relevant activities.

The IO will guide and assist municipal authorities in the assessment of beneficiaries and their final screening. The IO will also assist the municipal authorities in facilitating the physical return of minority displaced families.

Whenever possible, the technical design of infrastructure works and the preparation of the relevant tender documents will be carried out by competent departments within the municipalities. The IO will step in to assist the municipalities in technical design when necessary. Tenders will be jointly launched and evaluated by the municipality and the IO, which will finalise works contracts with successful tenderers. ECLO representatives will be invited to participate in tender evaluations as observers. Payments to local contractors will be made directly by the IO with the prior approval of the competent municipal departments responsible for the supervision of activities.

The project will assist the MCR, in particular its Permanent Secretary, in monitoring and supervising project activities at local level.

1.4 Socio-economic measures to provide returnees with a source of income

Initial activities will include a screening of beneficiary profiles and capacities as well as local labour market surveys to identify the potential for providing returnees with a job and a source of income. The survey will also report on the level of 'employment segregation' according to gender and ethnic background to identify the concentrations of women and men in different types and levels of activity and employment. In the following phase, the project will foster and facilitate access to the local labour market for suitable beneficiaries. These activities will be carried out in close consultation with local economic operators as well as local economic development agencies or chambers of commerce. Specific actions shall be carried out to promote female and minority returnee employment.

Where beneficiaries cannot find employment or prefer to start up their own businesses, support will be provided on the basis of a viable business plan developed during training and in line with local market conditions. This will include the provision of business start-up training or vocational training, together with further skills development and tailor-made socio-economic sustainability packages for returnee households.

Where beneficiaries decide to engage in viable agricultural activities, the project will support this with training and sustainability packages. There will also be a focus on establishing agro-cooperatives or linking up beneficiaries with local agro-producers. Community development projects in the field of agriculture will be supported and corresponding sub-projects can be implemented by local business or civil society partners.

Activity 2 — Research Capacity Development in Kosovo

This research grant scheme will support research projects covering all of the following activities:

- Research in three to four of the priority fields (environment, energy and natural resources; agricultural production and food safety; health and medical research; or social science research), which could include, for example, analysis, laboratory testing, sampling, data collection and plot analysis;
- Development of partnerships and collaborative research between public universities and public research institutes in Kosovo with public universities and public research institutes in the EU and western Balkan (WB) region within priority research fields for Kosovo;
- Research activities involving or including visits of researchers from the EU and WB region to Kosovo, in particular the Kosovan diaspora, to exchange experience with and provide peer guidance and capacity support to researchers working in public universities and public research institutions in Kosovo within priority research fields;
- Internships (of 3-6 months) for young researchers, including trainee researchers (PhD and post-doctorate), from public universities and public research institutions in Kosovo to EU and WB public universities and public research institutes within priority research fields;
- Provision of research equipment required for research activities and training on the best use of such equipment to ensure their more effective and efficient use by Kosovo researchers at public universities and public research institutes in Kosovo within priority research fields.

Contracting arrangements

Activity 1 — Return and Reintegration in Kosovo (phase III)

A grant agreement will be awarded following the publication of an open call for proposals. The EU contribution will indicatively be EUR 4.0 million.

Cash co-funding for the project will be provided by the MCR and additional funding (cash or in kind) will be sought from target municipalities. The MCR contribution will indicatively be EUR 1.1 million and will cover mainly activities 1.3 and 1.4. For the co-funding, the MCR will make its own contractual arrangements and will be responsible for its management. The Project Steering Committee will be responsible for the overall direction of the project.

Activity 2 — Research Capacity Development in Kosovo

This grant scheme will be implemented through a grant agreement following an open call for proposals. The EU contribution will indicatively be EUR 1.0 million. A maximum of three to four research grants will be awarded under the scheme.

Applications for research grants will be open to public universities and public research institutions in Kosovo in collaboration with public universities and public research institutions in the EU and Balkans region.

The evaluation of applications might involve independent evaluators from EU Member States who themselves are researchers and actively involved in RTD and are able to assess the quality of applications within the priority research sectors.

Cash co-funding will be provided by MEST and additional funding (cash or in kind) will be sought from target municipalities. The MEST contribution will indicatively be EUR 0.1 million. For the co-funding, MEST will make its own contractual arrangements and will be responsible for its management. The Project Steering Committee will be responsible for the overall direction of the project.

Project management and administration

For both projects, the European Commission Liaison Office in Pristina will manage procurement, implementation, quality control, reporting and coordination with other donors providing development assistance and financial and technical cooperation related to the actions described in this project factsheet, taking remedial action if and when needed.

The team leader of the relevant implementing organisation will run the project activities on a day-to-day basis under the supervision of the European Commission. The visibility of the EU will be assured and ECLO representatives will be invited to participate in all project meetings or events of political relevance to the project. The team leader's primary responsibility will be to ensure that the project produces the required outputs to the required standards of quality and within the specified time and cost constraints. He/she will develop project plans, direct the project team (including a combination of long-term and short-term experts), produce inception, progress and final reports, manage risks, initiate corrective action where necessary, and administer the contract. The team leader and other experts will also address cross-cutting issues. A detailed description of the duties of the team leader and key experts will be set out in the description of the action, in line with this project factsheet.

A Project Steering Committee will be set up during the inception phase. It will approve all major plans and authorise any major deviations from initially agreed plans. The Committee will be responsible for the overall direction of the project and comprise representatives from at least ECLO, MCR or MEST, the Ministry of Local Government Administration, IOs, representatives from the municipalities and/or the Association of Municipalities, and civil society. When

appropriate, additional stakeholders (e.g. UNHCR or OSCE, ADA) will be invited to take part in Project Steering Committee sessions as observers.

Monitoring will be performed centrally by the European Commission. The project may be evaluated at interim stages or ex-post under the supervision of the Commission's Evaluation Unit. The project may be audited by the Court of Auditors — in line with standard European Commission procedures.

3.5 Conditionality and sequencing

The project is subject to the following conditions:

- Organisation, selection and (gender-balanced) appointment of members of working groups, training sessions, steering and coordination committees, seminars and study visits by beneficiaries as per the project work plan.
- Endorsement by all key stakeholders of the tendering documentation relevant for works and services, as well as the individual contracts to be concluded.
- Participation by the beneficiaries in the tender process as per EU regulations.
- Continued financial support from the Kosovo Assembly.
- Appointment of relevant staff by the beneficiaries to participate in training activities as per work plan.
- Appropriate coordination with other international organisations active in Kosovo.

Specific to activity 1: Return and reintegration in Kosovo (phase III)

- In line with the requirements of the EC Practical Guide, grants may not, as a rule, finance the entire cost of an action. Therefore, co-financing will be provided by both the MCR and the IO.
- Endorsement by the MCR of the guidelines for the call for proposals. Commitment of the MCR to participating in the evaluation panel for the RRK.

Specific to the activity 2: Research Capacity Development in Kosovo

- Sufficient interest from research community both inside Kosovo and outside Kosovo, from research community of EU and Balkans Region. This interest will continue to be assessed through the level of engagement of both research communities in existing and successful research initiatives: 7th Framework programme on Research, the Tempus programme and the initiative supported by the Austrian Government supporting partnership between European and Kosovo research community as well as the Kosovo research community engagement in the new Kosovo Research Programme
- Identified priorities conform to the research strategy and priorities of Kosovo
- Minimum of 10 % co-financing from the beneficiary/grantee
- Minimum of 10 % co-financing from the Government of Kosovo
- Commitment of the Government of Kosovo to sustainable investment in research from the Kosovo Consolidated Budget

If these conditions are not met, suspension or cancellation of the project or specific activities will be considered

3.6 Linked activities

Activity 1 — Return and Reintegration in Kosovo (phase III)

This project represents the continuation of the RRK projects approved under IPA 2007 and IPA 2008.

It builds on previous EU assistance to support the return and reintegration of ethnic minorities, in particular the following projects funded under the CARDS instrument.

Name of project (Amount EUR million)	Start End	Activities/Results
Return and Reintegration in Kosovo (EUR 4.0 million)	Aug 09 Jul 11	Support for the Ministry of Communities and Returns to implement effective policies and operational frameworks for return. Contribution to a stable multi-ethnic society in Kosovo based on tolerance and promotion of human and minority rights, enabling the sustainable return and reintegration of at least 160 minority IDPs and refugees. Assistance for municipalities in designing and managing return and reintegration projects in coordination with all stakeholders.
Return and Reintegration and Cultural Heritage (EUR 8.7 million)	June 08 — Oct 10 Feb 10 Jul 12	RRK (phase I) Project: Support for the Ministry of Communities and Returns to implement effective policies and operational frameworks for return; assistance for municipalities in designing and managing return and reintegration projects in coordination with all stakeholders. EU-MRSI project: the overall objective of this project is to contribute to the closure of the lead-contaminated Cesmin Lug and Osterode camps in Mitrovica municipality. Specifically, the aim is to facilitate the successful resettlement of up to 90 RAE families from Cesmin Lug and Osterode IDP camps to Roma Mahalla or other locations and their economically productive, secure and healthy reintegration.
Institution Building for the Ministry of Communities and Returns (EUR 1.16 million)	Jan 2007 - June 2009	The project aims to build the organisational and management capacity of the Ministry of Communities and Returns so that it can fulfil its mandate. The project involves: (i) training for staff at the Ministry and other public organisations dealing with minorities and return; (ii) organisational development; and (iii) strengthening service-oriented management systems and processes within the Ministry.
Multi-sector return projects (EUR 16.7 million)	2004 2008	Implementation of multi-sector return and resettlement projects, including housing reconstruction, small-scale infrastructure repairs, grants for business start-ups, food and non-food items, promoting inter-ethnic dialogue and integration, community development, and legal assistance for returnees. Some 600 families, mainly RAE and Serb, have returned to their place of origin under this programme. This includes support for the return of Roma to the Roma Mahalla district in Mitrovica/ë. Return projects are designed and implemented in coordination with the Ministry of Communities and Returns, UNMIK and municipal administrations, and are implemented by international NGOs. Further projects to support return to the Peja/Pec, Kline/a, Istog/k municipalities were launched in early 2007.
Housing reconstruction (EUR 7 million)	1999 2003	Reconstruction of 959 houses for ethnic minority families (including 462 houses for RAE) as part of a wider housing reconstruction programme (reconstruction of 17 000 houses, mainly for Kosovo Albanians).
Targeted economic and community development actions in disadvantaged minority areas (EUR 11.5 million)	2002 - Nov 2008	At the end of 2007, over 1 450 projects had been implemented by this programme to improve the conditions for sustainable return by contributing to job creation and improved living conditions among the minority population. The projects mainly focus on grants for small business start-ups and expansion, but also include the refurbishment of social, education and health infrastructure, and the strengthening of community services, including in minority return areas. In addition, seven Business Support Centres provide direct economic development support services for minority areas. The programme has organised some 215 training sessions for around 2 040 participants to support micro-enterprise development.

The project will also link up with the actions of other donors (including the EU Member States and USAID) that are supporting the return process in a number of municipalities. To this end, the British Embassy in coordination with the MCR is planning to support urban return in Prizren with up to £300 000. The German Embassy is considering supporting the return of 10 additional RAE

families (EUR 200 000) in the Srbobran village, Istog/k municipality. USAID, in a joint effort with the EU, is supporting the closure of the north Mitrovica camps and the resettlement of 50 families in Roma Mahalla in South Mitrovica with \$2.4 million.

The European Commission will continue to support the return process at regional (western Balkan) level. Under the IPA Multi-Beneficiary programme, it will therefore continue financing actions to develop communication-related activities in order to raise the quality of the information received by potential returnees to Kosovo on their rights and on the actual situation in the Kosovo cities and villages they used to live in. In addition, the project will seek coordination with infrastructure/environment and public administration reform projects under IPA 2008 which target municipalities in the context of the ongoing decentralisation process.

The project will also establish relations with the OSCE municipal teams that have been assisting municipalities since 1999, and advising on and monitoring human rights and good governance since the beginning of 2006. The coordination of activities with programmes promoting socio-economic development will be sought.

Activity 2 — Research Capacity Development in Kosovo

Support for capacity building and modernisation of higher education and public universities in Kosovo through the TEMPUS programme (25 Joint European Projects: 12 ongoing and 13 completed projects + eight Structural and Complementary Measures projects have been supported with approximately EUR 7 million) and the Kosovo/Austria Partnership on Higher Education and Research Programme.

FP7 participation: Kosovo has been interested and active in the EU's Seventh Framework Research Programme for some months. The programme provides substantial EU funding for multidisciplinary research and cooperative activities among researchers in Europe and beyond. In order to strengthen excellence and raise the average level of research in Europe, FP7 provides funding to stimulate, organise and exploit all forms of cooperation in research, for example collaboration in joint projects and networks, the coordination of national research programmes, competition at European level, the joint implementation of large technology initiatives, and the common development of infrastructures of European dimension and interest.

In April 2009, Mr Kushtrim Bajrami was appointed as the FP7 Contact Point for Kosovo. Kosovo has begun participating as a partner in FP7 projects: in 2009, Kosovo was a partner in seven FP7 applications.

Support from Austrian Development Cooperation: 1) This programme has provided funding support for the Council for Research and Technology of Kosovo and a small grant fund to support 15 post-graduate researchers from Kosovo. 2) Under the 'Multidimensional Project for the Implementation of an Institutionalised Partnership', there is support for research cooperation and networking between research institutions in Austria and public higher education institutions in Kosovo and south-eastern Europe with special attention to young and early-stage researchers in Kosovo. This initiative provides funding for up to 15 projects, each receiving up to EUR 12 000. Possible activities are: comparative studies, small empirical investigations, and mapping and knowhow exchange on European standards and practices in the chosen research areas.

3.7 Lessons learned

- *Conditionalities:* Often, project implementation is hampered by either insufficient staff and resources allocated to (newly established) institutions or insufficient operational funds available in the government budget to enable the department concerned to fulfil its mandate. A condition for the commencement of project activities will be the availability of financial resources and qualified personnel on the beneficiary side to guarantee the smooth implementation of project activities.

- *Coordination within the government:* Further improvements — in line with the spirit of EU accession — could be made to ensure stronger government leadership in the coordination efforts at central and local, municipal level. The relevant Project Steering Committees need to address this important issue.
- *Commitment of and interaction with relevant stakeholders:* Clear political commitment and engagement on the part of beneficiaries, stakeholders and relevant donors is crucial for the efficient and smooth implementation of both projects, along with transparent communication and coordination between project partners/beneficiaries. Realistic objectives and time-lines should be set in order to ensure the effective implementation and follow-up of recommendations.
- *Balance between different measures:* The provision of technical assistance (TA) for capacity building remains a very high priority. However, TA will not be effective if the working environment of the beneficiaries is not up to standard. Therefore, a balanced approach with both technical advisory support and material support is essential to ensure the expected impact of the projects. The current RRK project will have a budget for providing material support to beneficiaries.
- *Co-financing:* Previous experience in similar projects has shown that financial support from municipalities significantly increases ownership of activities, and the political will to promote them. This project will seek cash or in-kind co-financing from target municipalities.
- *Capacity needs in project design:* in the field of research in Kosovo there is a lack of capacity in research project design which can lead to weaknesses in application process and project implementation. It is important, therefore, for Kosovo research body to work effectively with the European partner to compensate in the initial phase for some of these capacity limitations.
- *Cross-boundary component:* Cross-boundary components give research institutions as well as potential returnees in the region an opportunity to strengthen their cooperation and allow the latter to make an informed, spontaneous choice on their wish to return. The inclusion in the project of non-state actors operating in Serbia and Kosovo will increase the potential for return.
- *Socio-economic measures:* Socio-economic opportunities for returnees not only enhance their quality of life but act as a substantial incentive to encourage more to return. Therefore, the project should provide beneficiaries with income generation opportunities.
- *Cross-cutting issues:* Where treatment of cross-cutting issues has remained weak in return and reintegration projects, this has reinforced existing gender/ethnic discrimination and inequalities. Gender issues are particularly important in the return sector (the conflict and its aftermath have had gender-specific consequences with women facing distinct disadvantages and constraints). Project activities not only require expert skills and qualifications but must also ensure proactive mainstreaming of cross-cutting issues throughout project design and implementation.

Measures to actively encouragement participation of women researchers will require particular attention in the project design to counter-act disadvantages they may experience.

4. Indicative budget (amounts in EUR million)

			TOTAL EXP.	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1: Return and Reintegration (RRK phase 3)			5.31	4.0	75	1.1	21	1.1			0.21	4
Contract 1: Grant	X		5.31	4.0	75	1.1	21	1.1			0.21	4
Activity 2: Research Capacity Development			1.152	1.0	86.8	0.1	8.7	0.1			0.052	4.5
Contract 2: Grant	X		1.152	1.0	86.8	0.1	8.7	0.1			0.052	4.5
TOTAL IB			6.462	5.0	77.3	1.2	18.5	1.2			0.262	4.2
TOTAL INV												
TOTAL PROJECT			6.462	5.0	77.3	1.2	18.5	1.2			0.262	4.2

NOTE: Amounts net of VAT

(1) In the Activities column use 'X' to identify whether institution building (IB) or investment (INV).

(2) Expressed in % of the **total** expenditure (EXP) (column (a))

Activity 1 includes an indicative amount of EUR 4.0 million allocated by the EU and parallel co-financing from the Ministry of Communities and Returns (MCR) with an indicative amount of EUR 1.1 million. The MCR will be responsible for the management and contractual arrangements of its own funds. The type of co-financing is investment.

5. Indicative implementation schedule (periods broken down per quarter)

Contract	Start of tendering	Signature of contract	Project completion
Contract 1: grant	Q1 2011	Q3 2011	Q2 2013
Contract 2: grant	Q2 2011	Q1 2012	Q1 2014

6. Mainstreaming of cross-cutting issues

6.1 Equal opportunities

Activity 1– Return and Reintegration in Kosovo (phase III)

Gender issues will be actively mainstreamed throughout the project within target institutions/organisations and activities/outputs.

Project staff will include a short-term gender specialist to define gender equality strategies and ensure close follow-up throughout project life.

At municipal level, decision-making processes will be in full consultation with IDPs (both men and women, particularly displaced minority women). And efforts will be made to further empower gender focal points already established within municipalities.

Special criteria for beneficiary selection will be developed to take into account different gender needs and help boost gender equality in local communities where displaced persons have returned. Past EU reconstruction programmes in Kosovo have had around 25% female beneficiaries. The project will endeavour to maintain or improve this trend.

Socio-economic measures will be tailored to take equal account of the specific needs of male and female beneficiaries.

Activity 2– Research Capacity Development in Kosovo

This project will work pro-actively to secure gender equality and gender balance in the activities to be supported. Project activities will be subject to gender monitoring. Particular attention will be given to promoting equal access and gender balance in the participation of researchers in the research activities to be supported

6.2 Environment

Environmental issues will be actively mainstreamed throughout the project. Project staff will include a short-term environmental specialist to define environmental protection strategies and ensure close follow-up throughout project life.

In line with the EU EIA Directive, any work involving the reconstruction of dwellings and medium water supplies or the upgrading or construction of rural roads may require an Environmental Impact Assessment. Care will also be taken to ensure that as far as possible construction techniques and materials are environmentally friendly. Particular attention will be given to the disposal of waste construction materials.

Activity 2

The project will promote and advance environment improvements: the areas supported by the project will include the environment, energy and natural resources.

6.3 Minorities

Activity 1– Return and Reintegration in Kosovo (phase III)

The project will primarily target minorities willing to return to their place of origin. Kosovo's Constitutional Framework provides for the protection of linguistic rights, and the project will, wherever necessary, make use of different community languages.

Since 2003, a 'fair share' system has been in use at municipal level, whereby a set percentage of the municipal budget is to be spent directly on minority communities. This aspect will be taken into consideration when negotiating with municipalities their co-financing contribution to the project budget.

Throughout project design and implementation, specific attention will be paid to the specific needs of the Roma and the Ashkali and Egyptian communities. Tailored measures / positive actions will be considered to counteract the high level of discrimination these communities are exposed to.

Activity 2– Research Capacity Development in Kosovo

This project will work pro-actively to promote the participation of minority groups and their representative organisations in all project activities. Minority groups include Serb minorities, Turkish minorities, Roma, Ashkali and Egyptian minorities as well as other disadvantaged groups such as persons with disabilities. All public universities in Kosovo will be able to participate in the call for proposals, including the University in Mitrovica/ë.

ANNEXES

Annex I- Log frame in standard format

Annex II- Amounts contracted and disbursed per quarter over the full duration of the programme

Annex III- Description of institutional framework

Annex IV - Reference to laws, regulations and strategic documents

Annex V- Details per EU-funded contract

ANNEX I: Logical framework matrix

Title: Return and Reintegration in Kosovo & Research Capacity Development in Kosovo		Programme name and number	
Sector: Communities and Returns & Research		Contracting period: (see section 1.10)	Disbursement period: (see section 1.12)
		Total budget: EUR 6.462 million	IPA budget: EUR 5.0 million
Overall objective	Objectively verifiable indicators	Sources of verification	
<p>Returns and Reintegration Creation of a climate for inter-ethnic tolerance, sustainable multi-ethnicity and promotion of human rights conducive to minority return and reintegration</p> <p>Research Capacity Development Strengthen the capacity for research and innovation in Kosovo to support economic and social development in Kosovo.</p>	By the end of the project in targeted municipalities the environment will be conducive to the return and (re)integration of minorities	<ul style="list-style-type: none"> • Reports from, UNHCR and other international actors (e.g. OSCE monitoring reports) • Ex-post and impact evaluation of the project <p>-Kosovo economic data -Research reports of public universities and public research institutes in Kosovo;</p>	
Project purpose	Objectively verifiable indicators	Sources of verification	Assumptions
<p>Return and Reintegration Sustainable return of minority IDPs, IIDPs and refugees through increased involvement of central and municipal state and non-state actors</p> <p>Research Capacity Development To support research activities as well as build the capacity of public research institutes and public universities in Kosovo in priority sectors — agricultural production and food safety; environment, energy and natural resources; health and medical research; and social science research — sectors of importance to the wider community in Kosovo.</p>	<p>By the end of the project up to 80% of selected beneficiaries have returned to rehabilitated dwellings and have a source of income provided by the socio-economic development component of the project</p> <p>-20% increase in R&D activities and projects; -increased participation in FP7 projects with at least 5 new projects initiated; - double the number of active researchers in Kosovo; number of doctorates increased by 5%; -10% increased regional and EU collaborations on research; -research reports and publications increased by 10%</p>	<ul style="list-style-type: none"> • Project final report • UNHCR reports • OSCE monitoring reports • Mid-term evaluation funded by the project <p>Success rate in R&D programmes, including FP7; Kosovo budget allocation to research; Cooperation agreements between research institutes in Kosovo and in EU; research reports published; patents registry; statistical data on research</p>	<p>Political situation in general and stability in the project areas do not delay project implementation</p> <p>Kosovo beneficiaries and authorities are committed to innovation and research and have developed a clear guiding research strategy and action plan.</p>
Results	Objectively verifiable indicators	Sources of verification	Assumptions
<p>Return and Reintegration in Kosovo (phase III)</p> <ol style="list-style-type: none"> 1. Increased capacity and efficiency of MCR for policy/decision-making and coordination and monitoring of return-related issues 2. Increased capacity at municipal level to design and manage return and (re)integration projects resulting from joint actions of local stakeholders. 3. Physical return of displaced minority families and the repair of their dwellings and related infrastructure at the return sites. 4. Beneficiaries benefit from local labour market employment possibilities and income generation activities. 5. Increased inter-ethnic dialogue at central and municipal level 	<ul style="list-style-type: none"> • By the end of the project, the MCR is capable of developing and implementing policies and operational frameworks and coordinating activities in the return sector • By the end of the project the MCR transparently and objectively reviews requests and return strategies developed and submitted by municipalities, allocates financial resources, and monitors and reports on project implementation • By the end of the project municipal authorities have successfully designed and effectively managed project activities jointly with local stakeholders in targeted municipalities • By the end of the project civic organisations are participating in project implementation and are ethnically inclusive • By the end of the project at least 200 IDP/IIDP/refugee families have been helped to return and their dwellings and related infrastructure repaired in line with local legislation and without damage to the environment • By the end of the project at least 25% of beneficiaries are female-headed households, or 	<ul style="list-style-type: none"> • UNHCR reports • OSCE monitoring reports • Project progress/monitoring reports • Mid-term evaluation funded by the project • KPS reports • Ministry of Health records • Ministry of Education, Science and Technology records • Project surveys of sustainable return • Municipal return strategies <p>-Research publications -Reports from research</p>	<ul style="list-style-type: none"> • The MCR and selected municipalities support project activities and commit to participating in the training programmes. • Stability and security are maintained in the project areas, allowing implementation of the programme. • Continued interest of IDP/IIDP/refugee families in sustainable return and reintegration • Willingness of receiving and displaced communities to engage in inter-ethnic dialogue <p>Beneficiaries committed and engaged;</p>

Specific to the Research Capacity Development activity

- Identified priorities (funding priorities: environment, energy and natural resources; agricultural production and food safety; health and medical research; social science research) comply with the research strategy and priorities of Kosovo;
- Commitment and engagement of beneficiary institutions;
- Active engagement of local research community;
- Interest and participation by external research institutions and researchers operating in EU Member States and the Balkans.

ANNEX II: Indicative planning of the amounts (in EUR million) contracted and disbursed by quarter for the project (cumulative)

	2010	2011				2012				2013				2014
Contracted	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Contract 1: Grant				4.0										
Contract 2: Grant						1.0								
Cumulative total				4.0	4.0	5.0								
Disbursed														
Contract 1: Grant				2.4				1.4			0.2			
Contract 2: Grant						0.85				0.075				0.075
Cumulative total				2.4	2.4	3.25	3.25	4.65	4.65	4.725	4.925	4.925	4.925	5.0

ANNEX III: Institutional framework

Activity 1 — Return & Reintegration in Kosovo — phase III

The return process in Kosovo originally started under UNMIK/ORC and was later continued by UNMIK/OCRM. The MCR was formally established in March 2005 and since then has encountered problems endemic to any new central government institution. Organisationally, the MCR is a young institution in flux. It has taken on full responsibility as policy-maker, policy coordinator and overseer of implementation across government institutions and non-governmental partners.

Many of the tasks previously undertaken by UNMIK/OCRM have been transferred to the MCR as part of the 'Transfer of Competencies' from UNMIK. In the return sector, key tasks to be transferred to domestic structures include policy-making, standard-setting, policy coordination, and project monitoring.

The Government of Kosovo is in the process of endorsing the MCR Strategy for Communities and Returns and the Revised Manual for Sustainable Return, the main policy documents for the return process.

Activity 2 — Research Capacity Development in Kosovo

The Ministry of Education, Science, and Technology (MEST) was established in 2002, under the Constitutional Framework for Self-Governance in Kosovo and under UNMIK Regulation 11 – 3 March 2000 on the establishment of the Administrative Department of Education and Science.

The main responsibilities of the Ministry of Education, Science and Technology are to:

- improve the quality of and access to the education system in Kosovo,
- bring the education system in Kosovo into line with European Union standards,
- integrate all Kosovo children into compulsory education from ages six to fifteen,
- encourage the development of the scientific community as a highly qualified market for innovation and development in a comprehensive system of higher education,
- promote life-long learning opportunities for all.

The Ministry is also responsible for the formulation of an overall strategy for the development of education, science and technology in Kosovo and the promotion of a single, unified, non-discriminatory and inclusive educational system.

The strategic objectives of the Ministry of Education, Science and Technology are to:

1. Ensure inclusion, equity, quality and diversity in pre-university education;
2. Ensure autonomy, quality assurance and diversity in university and non-university education;
- 3. Transform higher education institutions into scientific research institutions and connect them with the economy and society;**
4. Ensure education throughout life and the development of human resources.

Goal 3: 'Transform higher education institutions into scientific research institutions and connect them with the economy and society' will be achieved through the following specific objectives:

1. Improving the conditions for the development of science:
 - supporting research and development projects with international participation;
 - establishing institutional infrastructure for scientific work, innovation and technology transfer;
 - establishing research units, institutes and centres for research in priority areas;
 - supporting the activities of the National Council of Science;
 - establishing the Fund for Scientific Research;
 - implementing the National Programme of Science.

Where research bodies and research capacity are concerned, Kosovo currently has two well-established public universities, the University of Pristina and the University of Mitrovica/ë. A third public university

is under development — the University of Prizren. Kosovo also has 14 public research institutes: the Albanological Institute, Institute of History, Pedagogical Institute of Kosovo, Institute of Spatial Planning, Hydrometeorological Institute, Agriculture Institute of Kosovo — Pejë/Peć, Kosovo National Institute of Public Health, Institute of Social Policy, Judiciary Institute of Kosovo, Institute of Legal Medicine, Institute of Biochemistry, Institute of Pathology, Kosovo Institution for Public Administration, and Agency for Geodesy.

ANNEX IV: Laws, regulations and strategic documents

Activity 1 — Return & Reintegration in Kosovo — phase III

Link with: European Partnership; Stabilisation and Association process; Status Settlement Proposal

In the chapter ‘Key priorities’, section ‘Human rights and the protection of minorities’, the political requirements for the *European Partnership* are to:

- Facilitate and encourage the return of refugees and displaced persons from all communities and finalise the rehabilitation of damaged and destroyed properties caused by the March 2004 events, including historic and religious sites.
- Strengthen administrative structures and accountability mechanisms in the Ministry of Communities and Returns. Further develop and implement the joint strategic framework for communities and returns and develop mechanisms at municipal level for facilitating the sustainable integration of returnees and existing minority communities.
- Regularise informal settlements. Find sustainable repatriation solutions for the integration of Roma communities living in hazardous living conditions in camps and for IDP groups living in informal centres.
- Ensure mainstreaming of women’s rights in all existing policies and legislation.

In the chapter ‘Democracy and the rule of law’ the European Partnership political requirements are to:

- Ensure fully effective functioning of the Assembly and its committees, the government and municipalities, including full respect of the respective rules of procedure, and the rights and interests of all communities.
- Increase minority representation in all institutions and the civil service at municipal and central level.
- Improve the quality and availability of basic public services to all communities, including steps to help reduce the demand for services provided by parallel structures.

The proposal is in line with the **Progress Report 2009** and its section ‘Minority rights, cultural rights and protection of minorities’, taking account of the fact that the voluntary return process is still limited and remains a challenge for the Kosovo authorities. Creating a climate for reconciliation, inter-ethnic tolerance and sustainable multi-ethnicity is a key European Partnership priority.

The Kosovo government’s *European Partnership Action Plan* provides for the creation of a climate for reconciliation, inter-ethnic tolerance and sustainable multi-ethnicity conducive to the return of displaced persons (EPP No 7) together with the development of partnership programmes with municipalities and other parties with the aim of ensuring financial resources for the sustainable development of communities to enable return (EPAP 7.3.3) and a review of municipal return strategies in coordination with municipal return offices (EPAP 7.3.6)

It further aims to develop and implement the joint strategic framework for communities and returns, and to develop mechanisms at municipal level for facilitating the sustainable integration of returnees and existing minority communities (EPP No 46).

In addition, it aims to ensure the viable existence of minority communities and their non-discriminatory participation in society, through concrete measures to ensure their safety and freedom of movement, as well as equitable provision of and access to public services. (EPP No 115)

Link with the Multi-Annual Indicative Planning Document (2009-2011) for Kosovo

The project’s approach is in line with the MIPD, which emphasises the need to advance the reform of local self-government as part of the decentralisation and promotion of human rights, the protection of the Serb and other minorities, and IDP and refugee return. The document’s main priorities and objectives include ‘promoting human and minority rights, IDP and refugee return and a climate of inter-ethnic tolerance in order to foster sustainable returns and protect the rights of communities already living in Kosovo; to create conditions for growth and sustainable development of all communities as well as to ensure the preservation of and access to cultural and religious heritage of non majority communities’.

Link with national sector strategies

Section 3.3.10.1.4 ‘Human and Minority Rights’ in Volume II of the **Medium Term Expenditure Framework (MTEF)** 2008-2010 states that ‘one of the sectors that need quite a lot of money is the programme [for] minorities and returnees. The MCR in the regular budget process is getting [a] certain amount of money in order to address related issues. Most of the spending is [] on building houses for people who want to return’.

Under its policy matrix, section B ‘Implementation of Status settlement’, the **MTEF** 2009-2011 refers to ‘*Support for the development and integration of ethnic communities*’ with the following aim: ‘*Support for the integration of existing minority communities and individual as well as organised returns*’

The proposal is fully in line with the **MCR Strategy for Communities and Returns** 2009-2013, which is expected to be endorsed by the Government in the second quarter of 2010. Likewise, it is in line with the MCR operational framework — the revised Manual for Sustainable Return, which is also being updated to take account of the new realities and efforts to further decentralise the return process.

Activity 2 — Research Capacity Development in Kosovo

Reference list of relevant laws and regulations

The Law on Scientific Research Activity, No 2004/42, sets out the framework for scientific research and the Scientific Research Programme of Kosovo, providing for infrastructure investment, enhanced participation in international scientific research projects and a systematic education programme for researchers.

Reference to AP / NPAA / EP / SAA

European Partnership

The European Partnership Action Plan 2009 included commitments on: research development, including the establishment of the Centre for Innovation and Transfer of Technologies; initiating a review of the Law on Scientific Research Activity in Kosovo; establishing and making operational the National Research Council; and drafting the Science Programme and Strategy for Kosovo, which is now underway.

European Commission Progress Report 2009

The EU’s 2009 annual report and study noted it was important for Kosovo to build its research capacity and increase its participation in the Seventh Framework Programme for Research. It also pointed to the need to increase SME participation in FP7 activities and the role of research in the socio-economic development of Kosovo and as a means to intensify regional cooperation activities.

Reference to the MIPD

The MIPD for Kosovo makes reference to the importance of education and training for scientists in order to improve Kosovo’s research capacity. Among the expected results for this planning period, the MIPD refers to the design of an integrated research policy. This has started with some improvements in national research capacity and research cooperation opportunities with the EU, as measured by the participation of Kosovo’s research institutions in EU cooperation projects

Reference to the National Development Plan

The Ministry of Education has a specific strategic objective for research in the MTEF (2010-2012), which is Goal 3: ‘Transformation of higher education institutions into scientific research institution as well as their link with the economy and society’, to be achieved through these following specific objectives:

1. Improving the conditions for the development of science:

Supporting research and development projects with international participation; establishment of an institutional infrastructure for scientific work, innovation and technology transfer; establishment of

research units, institutes and centres for research in priority areas; support for the activities of the National Council of Science; establishment of the Fund for Scientific Research; implementation of the National Programme of Science.

ANNEX V: Details of EU funded contracts

Activity 1: Return and Reintegration in Kosovo – phase III (grant agreement with IO)

- a) Technical assistance and training for the MCR
- b) Technical assistance and training for selected municipal structures
- c) Facilitation of the physical return of IDP/refugee families and the reconstruction of dwellings and related infrastructure
- d) Socio-economic measures to provide returnees with a source of income

Activity 2: Research Capacity Development in Kosovo

Activities to be supported:

- research activities by Kosovo public universities and public research institutes in partnership with public universities and public research institutes from the EU and Balkans region
- purchase and supply of research equipment required for research activities supported by the project
- visits of researchers from the EU and Balkans region, in particular Kosovan diaspora researchers, to exchange and provide peer support and training to Kosovo researchers working in public research institutions and public universities in Kosovo
- internships (3-6 months) for young Kosovo researchers (PhD and post-doctorate), working in/with public universities and public research institutes in Kosovo, at universities and public research institutes in the EU and Balkans region

2010 Annual Programme — Project Fiche 5
Public Finance

1. Basic information

- 1.1 CRIS Number: 2010/022-452
 1.2 Title: Public finance
 1.3 ELARG Statistical code: 02.29
 1.4 Location: Kosovo*

Implementing arrangements:

- 1.5 Contracting Authority (EC): European Commission Liaison Office to Kosovo
 1.6 Implementing Agency: n/a
 1.7 Beneficiary:

Project Component	Beneficiary	Contact point
Integrating Supply Chain Security Management into the Customs Declaration Processing System	Kosovo Customs	Project manager: Vahidin Qerimi, Kosovo Customs; IT Department — Databases & Applications Email: vahidin.qerimi@dogana-ks.org Tel: + 377 44 167 715
Further support for the Privatisation Agency of Kosovo	Privatisation Agency of Kosovo (PAK)	Shkelzen Lluka, Acting Deputy Managing Director Tel: +381 38 500 400 ext: 1260

Financing:

- 1.8 Overall cost (VAT excluded): EUR 2.15 million
 1.9 EU contribution: EUR 1.5 million
 1.10 Final date for contracting: 2 years after the signature of the financing agreement
 1.11 Final date for execution of contracts: 2 years after the final date for contracting
 1.12 Final date for disbursements: 1 year after the final date for the execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall objective:

The overall objective of the programme is to support economic growth in Kosovo and create an environment conducive to private sector development

Component 1 - Integrating Supply Chain Security Management into CDPS

The overall objective of the project is to help the Kosovo Customs operate more effectively through a better IT system, thus helping align the customs service with the Kosovo Government strategy for eGovernment and with EU regulations for eCustoms.

* Under UNSCR 1244/1999.

Component 2 - Further support to the Privatisation Agency of Kosovo

To create an environment in which the private sector can more easily develop, thus creating jobs for all communities in Kosovo.

2.2 Project purpose:

Component 1 - Integrating Supply Chain Security Management into CDPS

The purpose of this project is to improve the IT infrastructure of Kosovo Customs (KC), integrate supply chain security management into the Customs Declaration Processing System (CDPS) and further align Kosovo legislation and procedures with the EU *acquis*.

Component 2 - Further support to the Privatisation Agency of Kosovo

The purpose is to help the Privatisation Agency of Kosovo (PAK) complete the on-going privatisation and liquidation of socially-owned enterprises.

2.3 Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

Component 1 - Integrating Supply Chain Security Management into CDPS

Under the *2008 European Partnership*, short-term priority is to be given to bringing Kosovo's customs legislation more closely into line with EU law and practice (the EU *acquis*) and to helping the customs authorities combat corruption, counterfeiting and cross-border crime. In particular, the capacity of the criminal investigation unit needs to be enhanced.

For the medium term, the *2008 European Partnership* reiterates the general objectives of continuing to bring tax and customs legislation into line with the EU *acquis* and enabling the tax and customs authorities to better enforce this legislation and to combat corruption, cross-border crime and tax evasion.

The European Commission Progress Report for 2009 recognises that there has been some progress in the area of Customs. Revenue collected by the Customs in January - September 2009 was 4.5% higher than revenue collected for the same period in 2008. However, there is still work to be done in several areas, one of them being the security of the supply chain.

Component 2 - Further support to the Privatisation Agency of Kosovo

The project directly responds to a number of specific priorities identified in the *European Partnership* including:

- Create the right conditions for investment, trade and economic growth.
- Finalise the privatisation process in accordance with the Kosovo Trust Agency schedule.
- Complete the incorporation of publicly-owned enterprises, namely the electricity utility, railways, district heating and water and waste services. Implement further restructuring steps to improve their governance, efficiency and financial sustainability. Further strengthen the regulatory framework for public utilities and enhance the administrative capacity of the independent regulators.

The *Commission's 2009 progress report on Kosovo* found that "the government's privatisation agenda concerning public-owned enterprises continued to accumulate delays. Overall, delays in privatisation contributed to a rigid business structure". This project aims to tackle those issues.

2.4 Link with the Multiannual Indicative Planning Document (MIPD)

Component 1 - Integrating Supply Chain Security Management into CDPS

The Multi-Annual Indicative Planning Document (MIPD) for Kosovo for 2009-2011 identifies the economic priorities for this period. One of these is improving budgetary and fiscal policy-making and management. It includes enhancing the ability of the tax and customs authorities to carry out inspections and to collect taxes and duties. This contributes to prudent fiscal policies, including making sure that Kosovo has the necessary budgetary resources to bring its economy into line with EU requirements.

Component 2 - Further support to the Privatisation Agency of Kosovo

The MIPD states that EU assistance should enhance Kosovo's socio-economic development, including regional development, in a sustainable way. The document also stresses that Kosovo must seize the *opportunities* provided by assets such as its natural resources (which have the potential to attract domestic and foreign direct investment) and its young population. Kosovo should also take advantage of the willingness of the European Union and the international donor community to provide financial assistance as well as facilitating regional and cross-border cooperation in the context of its European perspective and full access to the European market.

Under the MIPD, one of the socio-economic priorities is to improve the climate for investment in Kosovo and to support small and medium-sized enterprises by continuing to implement the European Charter for Small Enterprises, creating a favourable legislative and policy framework, enhancing corporate governance and providing access to specialised support and services, including investment and import/export promotion. The project aims to tackle this particular priority.

2.5 Link with National Development Plan

Component 1 - Integrating Supply Chain Security Management into CDPS

No National Development Plan is currently available

Component 2 - Further support to the Privatisation Agency of Kosovo

The project is in line with the Medium-Term Expenditure Framework 2010-2012, whereby creation of an environment conducive to investments and growth is set as a priority.

2.6 Link with national/ sectoral investment plans

Component 1 - Integrating Supply Chain Security Management into CDPS

The project is in line with the Strategic operating framework (SOF) 2009-2011 aiming to develop the Customs Service to meet the challenges of the business environment and benchmarking progress against the requirements of the EU Customs Blueprint and the Standards for Kosovo. No specific sectoral investment plan is currently available.

Component 2 - Further support to the Privatisation Agency of Kosovo

The project is in line with the Business Plan of PAK on privatisation and liquidations; however there is no specific sectoral plan. It is also outlined in the MTEF that the Government's role will focus on completing the privatization process and the liquidation of SOEs. The plan of the government is to continue preserving the trust fund for privatization proceeds by placing these funds only in investment-grade instruments. This will guarantee that these funds can compensate the legally determined owners, thus eliminating the risk of contingent claims on the Government that would result if these funds were lost

3. Description of project

3.1 Background and justification:

Component 1 - Integrating Supply Chain Security Management into CDPS

A supply chain is a system of resources, organisations, people, technologies, activities and information involved in the act of transporting goods from producer to consumer/user.

In 2005, the World Customs Organisation (WCO) published its 'Framework of Standards to Secure and Facilitate Global Trade'. To date, 156 WCO Members have signed a letter of intent to implement the Framework and it is likely that this Framework of Standards will shape most future national supply chain security programmes. In addition, the European Commission has adopted Regulation 1875/2006 aiming at increased security for shipments entering or leaving the EU. These measures should produce faster and better-targeted customs checks that facilitate legitimate trade but tighten minimum security and safety requirements.

Most supply chain security initiatives also aim to facilitate trade. The twin ambitions of enhanced security and easier trade are thus not necessarily in conflict with each other, but can rather be mutually supportive. The project would therefore emphasise that trade facilitation can indeed be integrated into the security initiatives

Despite the overall consensus on the need to improve the security of supply chains, there is no single path to achieve supply chain security world wide. Technology-based solutions must remain proportionate, well thought-out, affordable and sustainable in all types of scenarios to avoid further marginalising the Kosovo Customs (KC) project, since the customs authorities could not afford high capital and running costs. In addition, Kosovo Customs must ensure that endorsed technological solutions are mutually compatible and comply with EU and WCO (World Customs Organisation) technical and operational standards.

The main benefits to be derived from the supply chain security modules are:

- The early detection of threats through the timely acquisition, analysis and validation of cargo information not only by Customs but also by other relevant Government Border Agencies, through the advance dissemination of cargo information and a consistent system of risk management.
- Only legitimate, *bona fide* entities or individuals with an adequate security awareness and self-discipline actively participate in the supply chain, since all actors in the supply chain must be certified or have their credentials checked. Ideally, this implies that mechanisms are in place for Governments to recognize one another's certification programmes.
- Facilitation of flows of legitimate trade thanks to appropriate and sustainable technology which enables enforcement agencies to timely and speedily screen or examine a larger portion of the trade flows.
- Improved cargo and container integrity during the whole transport cycle, centred on seals, track and trace, positioning and scanning technologies.

In addition, if supply chain security modules are well integrated into the CDPS, this will greatly assist operations departments and management decision makers at all levels, particularly at tactical level but increasingly also at strategic level.

Component 2 - Further support to the Privatisation Agency of Kosovo

The Privatisation Agency of Kosovo (PAK) was established as the successor to the Kosovo Trust Agency (KTA). The PAK was set up under the Law on the Privatisation Agency of

Kosovo (Law No 03/L-067) which came into force on 15 June 2008. This Law implements relevant provisions of the Comprehensive Proposal for the Kosovo Status Settlement.

The PAK is an independent public body that carries out its functions and responsibilities with full autonomy. The Agency's current role is to privatise Socially Owned Enterprises (SOEs), and over 599 businesses in Kosovo have been identified as potentially being SOEs.

Most of Kosovo's industrial assets, prime agricultural land, forests, urban commercial land and commercial properties used to be owned by SOEs. Privatisation of these assets and the attraction of local, regional, diaspora and international investors to the privatisation programme are expected to have a profound and positive impact on the economy and on job creation.

By 20 December 2009, the PAK had launched 11 waves of privatisation by creating 118 new companies. However, there were no cases of liquidation closures due to factors outside PAK's control.

UNMIK Regulation 2002/13 of 13 June 2002 established the Special Chamber of the Supreme Court of Kosovo on matters relating to the Kosovo Trust Agency. The Special Chamber is a special court with three judges, in which EULEX also participates. It is the last resort to justice for claims against the former KTA, now the PAK.

PAK is a Kosovo agency and, as such, not recognised by EULEX. This is the source of the 'PAK recognition problem'. Another aspect of this problem is that the legal department of UNMIK regards the KTA as still in existence.

The present project proposal is a second phase of the current EU-financed 'Privatisation and Liquidation' project, of which the PAK is the beneficiary.

The proposed project will continue the activities of the current project, continuing and completing the privatisation and liquidation process.

3.2 Assessment of project impact, catalytic effect, sustainability and cross-border impact

Component 1 - Integrating Supply Chain Security Management into CDPS

This project is designed to enable the Customs Administration to modernise and develop its operational capacity and to increase the overall security of the supply chain. It is expected to result in an improved information system, more effective inspections and other measures to prevent customs fraud, and closer cooperation with the EU and neighbouring countries. The impact assessment will be guided by the overall performance of the Customs Administration.

The proposed project will help turn the Customs Administration into a small but efficient institution, significantly increasing its revenue collection rate and thus increasing the government's revenue. A more efficient and transparent Customs Administration aligned with EU standards will therefore have a catalytic effect on the economy by helping create the stable environment necessary to attract foreign and domestic investors. By becoming a lean and efficient organisation, and significantly increasing the security and volume of customs duties it collects, the Customs Administration should assure its sustainability.

Overall border security will be increased and goods will be able to move across the borders efficiently and in line with international security standards. This will benefit not only Kosovo but also the EU member states.

Component 2 - Further support to the Privatisation Agency of Kosovo

This project is expected to deliver a positive economic impact, particularly in the form of foreign direct investment and job creation. The project aims to build an improved enabling economic environment that promotes higher levels of foreign direct investment and exports by building the PAK's capacities. Viable privatised socially owned enterprises (SOEs) are expected to obtain fresh investment and hire staff thanks to the privatisation process supported by this project. Support for the liquidation of SOEs will put in place an appropriate and sustainable mechanism for redistributing the assets of bankrupt enterprises to more productive purposes.

3.3 Results and measurable indicators:

Component 1 - Integrating Supply Chain Security Management into CDPS

Results:

1. Web-based supply chain security management solution integrated into the Customs Declaration Processing System.
2. Improvement of the IT system, Customs helped to use the system and external users familiarised with the supply chain concept and its benefits.

Measurable indicators:

- Improved computerised information systems delivered and operational;
- Increased use of verified vendor technologies and computerised tools in the information reporting, analysis and monitoring processes;
- Upgrades and technical support provided for one year after the project is implemented;
- Training provided for at least five IT staff and at least 15 operations staff;
- Awareness campaign conducted and awareness material produced and distributed;
- Increased use of open source technologies in the Customs Administration.

Component 2 - Further support to the Privatisation Agency of Kosovo

Results:

1. PAK able to finalise privatisation and complete liquidation of the remaining socially owned enterprises.
2. New liquidations prepared and launched.
3. Workers lists prepared and published.
4. PAK assisted in dealing with the Special Chamber.

Measurable indicators:

- At least 250 SOEs privatised or liquidated; liquidation proceeds ring-fenced in a 'Trust Fund' and amounts distributed;
- 30 privatisations launched;
- 30 liquidations recommended for closure;
- 50 new liquidations launched;
- 50 workers lists published.

3.4 Activities:

Component 1 - Integrating Supply Chain Security Management into CDPS

Activities leading to result 1

This project activity is to design, deliver, install and integrate new supply chain security modules into the Customs Declaration Processing System after analysing the existing IT structure of Kosovo Customs. The selected solution needs to be provided with an open source code, which means its source code may be analyzed, changed and enhanced independently from the project beneficiary. The main supply chain security (SCS) elements to be integrated into CDPS are:

- Advance (electronic) Cargo Information (ACI)
- Risk Management
- Non-Intrusive Inspection (NII)
- Operators' Certification (Authorised Economic Operator — AEO)

Activities leading to result 2

This activity will provide assistance in improving the linked modules and in building a team of experts. It will also provide training and knowledge transfer for IT maintenance and for further developing updates and upgrades. In addition, this activity will include awareness raising among the users of the system in the form of workshops, seminars and publicity materials.

Contracting arrangements: the activities under component 1 will be implemented through a supply contract (for result 1) and a service contract (for result 2).

Component 2 - Further support to the Privatisation Agency of Kosovo

Activities leading to result 1:

1. Continue building capacity by providing training for PAK Management and staff on strategies and procedures for privatisation and liquidation.
2. Assess and prepare SOEs for privatisation and/or liquidation.
3. Sell SOEs through open bidding; unbundle and liquidate SOEs.

Activities leading to result 2:

1. Help the PAK to prepare and launch new liquidations
2. Help the PAK to introduce best liquidation practices.
3. Provide the PAK with assistance on legal matters concerning property titles, ownership claims, compensation claims from employees and problems relating to the sale of the liquidation assets.

Activities leading to result 3:

1. Help the PAK to prepare and launch employees' lists immediately following privatisation.

Activities leading to result 4:

1. Help the PAK on all issues dealing with the Special Chamber.
2. Continue effective governance practices.
3. Adjudicate on creditor and ownership claims.

Contracting arrangements: the activities under component 2 will be implemented through a service contract.

3.5 Conditionality and sequencing:

The projects include the following conditionality:

- Appointment of suitably qualified staff before the project launch;
- This commitment extends to the allocation of working space and facilities for the project team before the project launch;
- Organisation, selection and appointment of members of working groups, steering and coordination committees; seminars as per work plan of the project;
- Assigning the relevant staff to take part in training activities as per work plan;
- ASYCUDA World New Customs Declaration Processing System in place and functional
- A resolution of the PAK's legal recognition problem
- Sufficient and continuous involvement in and support for the project from PAK staff.
- The PAK's operation remains smooth throughout the project implementation period.

3.6 Linked activities

Component 1 - Integrating Supply Chain Security Management into CDPS

CAFAO (EUR 8 million)	2006-2008	Customs Services and Tax Administration have been supported by the CAFAO project during period with. This project has provided support to Customs and Tax Administration in form of technical assistance in many areas, such as investigation and detection of fraud, support to designing and implementing new legislations, support to the IT structures in both administrations, etc.
Technical Assistance to Customs and Tax Administration TACTA (EUR 2 million.)	January 2008-August 2009	Tax and Customs administrations were supported mainly in the following areas: Customs laboratory, Customs Investigation and enforcement, Integrated border management, Post clearance procedures, Tax legislation and procedures, Customs and Tax – IT support, Strengthening the governance and internal control mechanisms – Tax, Enforced collection – and VAT control
Support to Customs and Tax Administration	September 2009-September 2009	The project is to establish an effective, efficient, fair and transparent system of revenue collection, by supporting the reform and development process undertaken by CSK and TAK, whilst approximating EU standards laid down in the Customs & Fiscal Blueprints.

The European Union's Rule of law Mission (EULEX) has provided monitoring, mentoring, advice and support to the Customs since September 2008. The main purpose of this EULEX assistance is to help Kosovo Customs and each of its Directorates improve their strategic planning, and to support the drafting of national strategies for Integrated Border Management, and for fighting organised crime, drug trafficking, terrorism and money laundering.

In addition, the US Office in Kosovo has supported various Customs activities and provided equipment to support law enforcement (a mobile scanner, equipment for car searches, etc.).

Component 2 - Further support to the Privatisation Agency of Kosovo

Name of project (in EUR million)	Start End	Activities/Results
Support for the Kosovo Trust Agency (EUR 3.6 million)	Nov 2005 July 2007	Specialised technical assistance to KTA for the transformation, privatisation and liquidation of Socially Owned Enterprises.
Institutional	June	To help the PAK move ahead with privatising and liquidating the

Support to the Privatisation Agency of Kosovo (EUR 3 million)	2008-June 2009	remaining socially-owned enterprises in Kosovo.
Institutional Support to the Privatisation Agency of Kosovo (EUR 6 million)	June 2009-June 2011	To help the PAK finalise privatisation and complete liquidation of the remaining socially-owned enterprises in Kosovo.
Privatisation and liquidation (EUR 4.5 million)	January 2009-January 2011	Economic development of Kosovo through the privatisation and liquidation processes, and through increased investment in the productive manufacturing and services sectors in Kosovo.
Insolvency Capacity Building (EUR 1 million)	January 2009-July 2010	Technical assistance and effective support to SCAAK to help it fulfil its mandate in relation to insolvency practitioners and to bring liquidation and bankruptcy procedures and regulations in Kosovo into line with EU standards.

3.7 Lessons learned

Although the overall impact of the previous assistance is satisfactory, a number of challenges remain:

- *Enforcement:* There has been considerable focus on establishing the legal frameworks in Kosovo. Capacity to enforce the law, however, has received insufficient attention. While legal reform has advanced, law enforcement and implementation has not followed. This creates a widening gap between the formal legal situation and practice ‘on the ground’.
- *Conditionalities:* Project implementation is often hampered either by insufficient staff and resources allocated to (newly established) institutions or because the government lacks sufficient operational funds to properly implement the mandate of the department concerned.
- *Coordination within the government:* Further improvements — in line with the spirit of EU accession — could be achieved if the government provided stronger leadership in coordinating the efforts of different ministries and departments and focused more clearly on coordinating its operations and harmonising its policies.
- Previous IT projects in Customs have proven the importance of ensuring that Customs Administrations become the owner of the source code after the project has been implemented. This enables Customs to carry out all future changes without help from the system provider, unless this is needed for other reasons. This could be achieved if the system’s creators actively involved local staff in implementing the project and offered effective assistance, training and knowledge transfer with the aim of giving full independence to the beneficiary party.

4. Indicative Budget (amounts in EUR million)

			TOTAL EXP.	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1: Improve IT of KC			0.65			0.65	100	0.65				
Contract 1.1 Supply		X	0.5			0.5	100	0.5				
Contract 1.2 Service	X		0.15			0.15	100	0.15				
Activity 2: Support to the PAK			1.5	1.5	100							
Contract 2.1 Service	X		1.5	1.5	100							-
TOTAL IB			1.65	1.5	91	0.15	9	0.15				
TOTAL INV			0.5			0.5	100	0.5				
TOTAL PROJECT			2.15	1.5	70	0.65	30	0.65				

NOTE: Amounts net of VAT

(1) In the Activities column use 'X' to identify whether institution building (IB) or investment (INV).

(2) Expressed in % of the **total** expenditure (EXP) (column (a))

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 2.1	Q4 2010	Q2 2011	Q4 2011

6. Cross-cutting issues

6.1 Equal Opportunity

Promoting a more diverse workplace (gender-wise and ethnically) will do a lot to strengthen the capacity of the target institution. The project will ensure that gender and ethnic minority issues are mainstreamed both within the target institutions and in their outputs (the services they provide). To achieve this, the project will:

- address the barriers in the workplace that prevent the achievement of gender equality and ethnic diversity; create a workplace culture supportive of gender equality and ethnic diversity to improve gender/ethnic balance within the organisation. Opening up new possibilities for minorities as well as opportunities for women to work in non-traditional areas will, in turn, help to change the policy, business and customer focus of these institutions;
- introduce concepts of equality and diversity in strategic planning and management, including the business case for equality and diversity so as to make the workforce more representative of and responsive to the Kosovo customer base. Data must be produced, and must be systematically disaggregated by sex and ethnicity, to establish the baseline and measure progress. The project will promote the participation of women in all activities.

6.2 Environment

When so required by the legislation in force in Kosovo and by EU Directives and standards, the support provided by this project will include measures on controlling pollution and enhancing environmental protection. The Environmental Impact Assessment of the proposed activity and investment will be taken into consideration, along with a scrutiny of issues relating to health and safety at work.

6.3 Minorities

This project will help establish multi-ethnic representation in the institutions it benefits, and will address ethnic minorities and other marginalised groups fairly and equitably under the law.

ANNEXES

- Annex I- Log frame in standard format
- Annex II- Amounts contracted and disbursed per quarter over the full duration of the programme
- Annex III- Description of institutional framework
- Annex IV - Reference to laws, regulations and strategic documents
- Annex V- Details per EU-funded contract

ANNEX I: Logical framework matrix in standard format

Project Title: Support for Public Finance		Programme name and number: 2010/022-452	
Sector: Public Finance		Contracting period expires: Ref to section 1.10	Disbursement period expires: Ref to section 1.12
		Total budget: EUR 2.15 million	IPA budget: EUR 1.5 million
Overall objective	Objectively verifiable indicators	Sources of Verification	
To create an environment in which the private sector can easily develop and create jobs for all communities in Kosovo.	<ul style="list-style-type: none"> • Kosovo Customs would become the owner of the solution with all intellectual property rights. • Legislation aligned with EU & WCO standards • Customs Procedures conforming with EU & WCO standards • IT systems support the required reforms • Improved image as the business community publicly expresses satisfaction with the Customs Administration • Levels of FDI in Kosovo invested in the private sector including agriculture • Annual increase in exports by value 	<p>Internal evaluations of the Customs Administration interim report</p> <p>EULEX monthly monitoring reports.</p> <p>European Commission progress reports</p> <p>Reports from Statistics Office of Kosovo;</p> <p>IMF reports</p> <p>World Bank Reports</p>	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Component 1 - Integrating Supply Chain Security Management into CDPS</p> <p>Improvement of the IT infrastructure of KC, integration of supply chain security management into the CDPS and further alignment of Kosovo legislation and procedures with the EU <i>acquis</i>.</p>	<ul style="list-style-type: none"> • Overall objectives met in relation to IT, EU and WCO requirements • Increased efficiency in faster customs procedures for processing goods at the border. • X-Ray Scanner technology (installed by Albanian Customs in Durrës Port) integrated with the Kosovo Customs Declaration Processing System • Ability to handle increased flow of traffic from Shëngjin Port (as promised to the Kosovo business community by the Albanian Government) • Fewer cases of fraud and smuggling. • Pre-arrival information from licensed companies facilitating the allocation of human resources to meet increased traffic 	<ul style="list-style-type: none"> • Quantifiable changes in areas of IT operations • European Commission progress reports • Customs yearly reports • EULEX monthly monitoring reports • Kosovo Customs Strategic Operational Plan 	<ul style="list-style-type: none"> - Commitment of KC management to support and oversee reforms and the IT plans. - Commitment of KC to accomplish reforms Sustained allocation of human and financial resources to such reforms - Retention of and upgrading of investments (i.e. trained staff and IT systems) <p>No serious political and/or legal obstacles to continued privatisation and liquidation</p>

<p>Component 2 - Further support to the Privatisation Agency of Kosovo Completion of the on-going privatisation and liquidation of Socially Owned Enterprises through assistance to the Privatisation Agency of Kosovo (PAK)</p>	<p>processing requirements</p> <ul style="list-style-type: none"> • Trade facilitation for licensed companies which meet predefined conditions • Supply Chain Security Management will facilitate more secure trade and the freer and faster processing of consignments in the light of any potential security threats • Investment in the private sector in Kosovo • Foreign Direct Investment (FDI) • Exports from Kosovo • Regional economic development initiatives 	<p>Statistics Office of Kosovo Central Bank of Kosovo Investment promotion Agency statistics Chamber of Commerce statistics</p>	<p>Economic policy favourable to private sector development and investment</p>
<p>Results</p>	<p>Objectively verifiable indicators</p>	<p>Sources of Verification</p>	<p>Assumptions</p>
<p>Component 1 - Integrating Supply Chain Security Management into CDPS 1. Web-based solution integrated into the Customs Declaration Processing System</p> <p>2. Improvement of the IT system, Customs supported in using the system and external users familiarised with the supply chain concept and its benefits</p>	<ul style="list-style-type: none"> • Improved computerised information systems delivered and operational • Increased usage of verified vendor technologies and computerised tools in the information reporting, analysis and monitoring processes • Integrated modules for supply chain security management • Increased communication and interaction between KC and other border agencies in accordance with the Kosovo Government's Integrated Border Management Strategy (IBM) • Increased communication and interaction between KC departments and through the intranet and internet. • Upgrades and technical support provided for one year after the project is implemented • Customs campaigns developed and executed • Brochures, manuals and customs guides written and published • Workshops and seminars planned and carried out • Approximately 5 – 10 IT staff and 10 – 20 operations staff trained during the project • Increased use of open source technologies in the Customs 	<ul style="list-style-type: none"> • European Commission progress reports • Customs yearly reports • EULEX monthly monitoring reports • Kosovo Customs Strategic Operational Plan • Auditor General and Internal Audit reports <p>Statistics from PAK</p>	<p>Commitment of KC to follow through reforms</p> <p>Commitment of KC to follow through reforms</p>

<p>Component 2 - Further support to the Privatisation Agency of Kosovo</p> <p>1. PAK able to finalise privatisation and complete liquidation of the remaining socially owned enterprises.</p> <p>2. New liquidations prepared and launched.</p> <p>3. Workers lists prepared and published.</p> <p>4. PAK helped to deal with the Special Chamber</p>	<p>Administration.</p> <ul style="list-style-type: none"> • At least 250 SOEs privatised or liquidated; liquidation proceeds ring-fenced in a ‘Trust Fund’ and amounts distributed. • 30 privatisations launched • 30 liquidations recommended for closure • 50 new liquidations launched • 50 workers lists published 	<p>PAK Annual report to Parliament</p> <p>Reports from projects & project statistics</p>	<p>A resolution of PAK’s legal recognition problem before the SCSC.</p> <p>ICO appointees actually taking part in liquidation committees</p>
<p>Activities</p>	<p>Means</p>	<p>Costs</p>	<p>Assumptions</p>
<p>Integrating supply chain security management into Customs Declaration Processing System</p> <p>Further support for the Privatisation Agency of Kosovo</p>	<p>Supply Services</p> <p>The project will be organised through one service contract</p>	<p>EUR 0.5 million co-financing EUR 0.15 million co-financing</p> <p>EUR 1.5 million EU</p>	<p>Commitment of KC to follow through reforms</p> <p>Absorption capacity of the IT unit in KC</p> <p>Commitment of KC to follow through reforms and to ensure retention of trained IT staff</p> <p>Absorption capacity of the IT unit in KC</p> <p>PAK adequately staffed to continue with the privatisation and liquidation process</p> <p>ICO international staff appointed and operational</p>

Preconditions:

- A resolution of PAK’s legal recognition problem
- PAK staff sufficiently and continuously involved in and supportive of the project
- PAK’s operation remains smooth throughout the project implementation period.

ANNEX II: Amounts (in EUR million) contracted and disbursed by quarter for the projects

Contracted	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1
Contract 2.1 Service	1.5	-	-	-	-	-	-	-
Cumulated	1.5	-	-	-	-	-	-	-
Disbursed								
Contract 2.1 Service	0.3		0.35		0.35		0.35	0.15
Cumulated	0.3	0.3	0.65	0.65	1.0	1.0	1.35	1.5

ANNEX III: Description of the Institutional Framework

Component 1 - Integrating Supply Chain Security Management into CDPS

The Customs Service of Kosovo (CSK) was established in 1999, as part of UNMIK, and was particularly supported by the EU, which helped it build its capacity in order to become a modern Customs administration. In December 2008 the CSK was transferred from UNMIK reserved powers to Kosovo Customs under the Ministry of Economy and Finance. From April 2007, a new organisational structure has been in place with a management team consisting of the Director General and four directorates: Revenue Operation, Finance and Systems, Legal and Law Enforcement. Customs revenue in 2008 was EUR 604 868.613.63, rising in 2009 to EUR 635.038.300.34. This continues the upward trend set in previous years (EUR 435 738 464 in 2005, EUR 459 606 880 in 2006, and EUR 526 962 919 in 2007). Kosovo Customs currently has 584 employees.

Component 2 - Further support to the Privatisation Agency of Kosovo

Organisational Structure

Socially owned enterprises (SOEs) were established in Yugoslavia during its communist era. The post-conflict privatisation of SOEs is considered a vital part of building up the Kosovo economy. To this end, the Kosovo Trust Agency (KTA) was established as an independent body responsible, in cooperation with the Provisional Institutions of Self-Government, for the administration of public and socially-owned enterprises. It was set up under UNMIK Regulation 2002/12 of 13 June 2002 (commonly known as the KTA Regulation). This Regulation was amended on 22 April 2005 by the promulgation of UNMIK Regulation 2005/18. The mandate of the KTA is to preserve and enhance the value, viability and corporate governance of both Publicly Owned Enterprises (POEs) and Socially Owned Enterprises (SOEs).

The KTA was reorganised through the adoption of a new law establishing the Privatisation Agency of Kosovo (PAK)¹ on 21 May 2008. Under this law, the administration of socially-owned enterprises (SOEs) continues under the mandate of the PAK.

When UNMIK Pillar IV closed on 30 June 2008, the administration of publicly owned enterprises (POEs) was transferred to the Kosovo institutions. Thereafter a locally-managed PAK, established as an independent public body, has continued the process of privatising and liquidating SOEs.

In addition, according to the status settlement, the International Civilian Office (ICO) must also provide international staff to the PAK. The role outlined for these experts includes monitoring in particular, compliance with the principles of the European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR) and with applicable legislation on the privatisation and liquidation of SOEs. The following positions have been proposed:

- a. Three (3) members of the Board of Directors of the PAK;
- b. The Director of the Executive Secretariat of the Board of Directors of the PAK;
- c. One (1) member in each liquidation committees;
- d. One (1) member, who shall also be the chair, in each of the Review Committees.

¹ Law no.03 /L-067 on the Privatisation Agency of Kosovo.

Management and Staff of the Agency

The Privatisation Agency of Kosovo (PAK) will be taking over the duties of the SOE Division of the former Kosovo Trust Agency (KTA) and also the supervisory role of the Department of Regional Coordination and Control. The KTA had a Managing Director (MD) and the two Deputy Managing Directors (DMDs) — one for SOEs and one for POEs — appointed by its Board of Directors. This practice is continued for the PAK, as is also stipulated in the Law. However, since the POEs are dealt with in a separate Law, the titles of the DMDs have been revised. The proposed new titles are Corporate Governance (CG) and Asset Realisation (AR). The PAK's organisational structure can thus be divided into separate functional areas: the Asset Realisation Division under the management of one Deputy Managing Director, the Corporate Governance Division under the management of the other Deputy Managing Director, and the Executive Branch under the direct management of the Managing Director. (This last post is to be filled at a later stage).

The Asset Realisation Division consists of the Sales Department and Liquidation Department.

The Corporate Governance Division consists of the Control and Supervisory Unit, the Monitoring Unit, the Direct Administration Unit and the Trepça Unit.

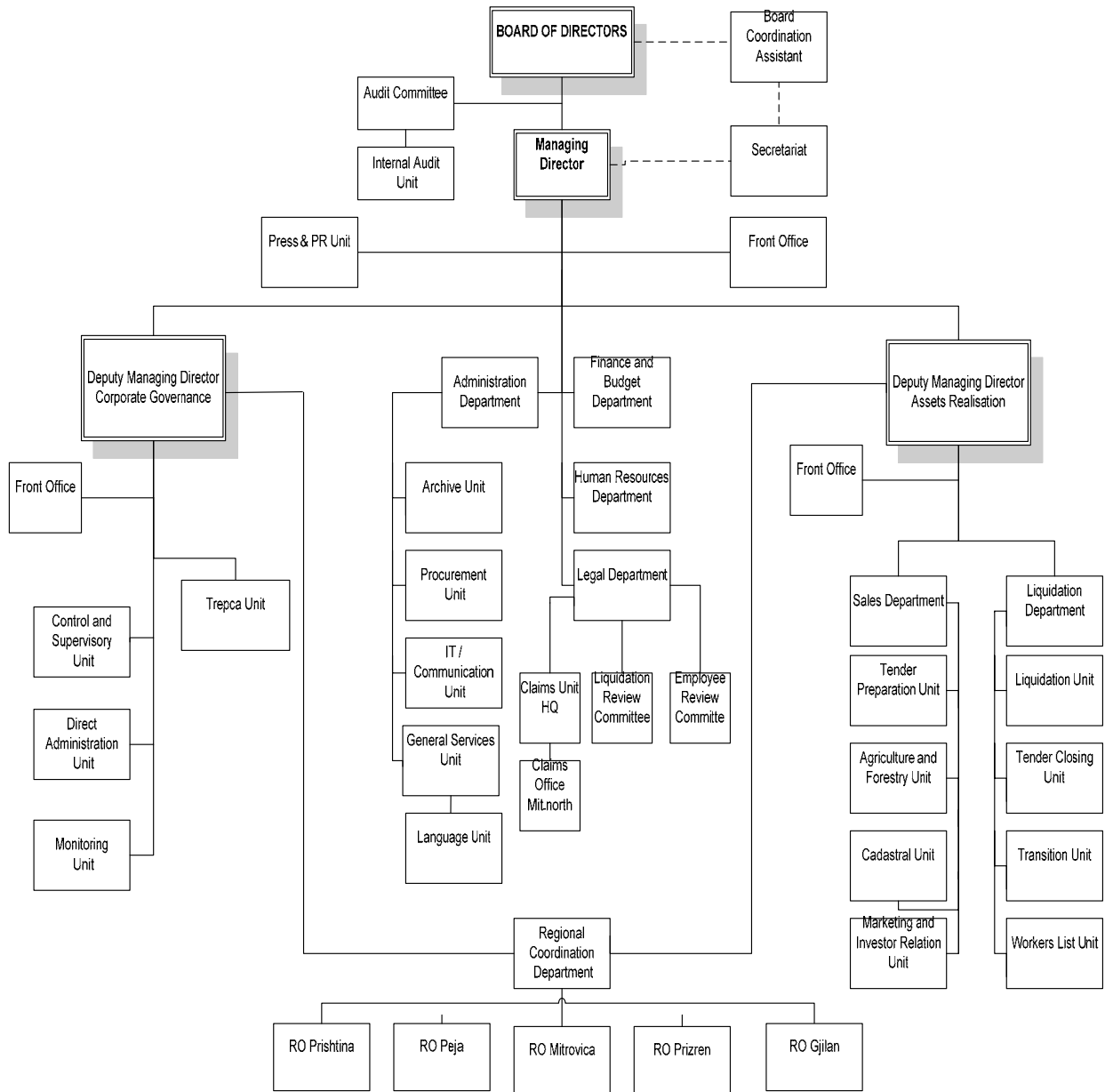
The Internal Audit Department reports directly to the Board of Directors.

The Executive Branch, Finance and Budget Department, Administration Department and Human Resources Department will continue to perform their tasks in accordance with the PAK Organisation Chart in order to help the Agency carry out its duties under the applicable Law.

The Legal Department will provide significant input into all the activities including privatisation, liquidation, procurement and specific cases such as Trepca.

The Regional Coordination Department, through its five Regional Offices and three satellite offices, will continue to serve as the public face of the Agency and as a primary department for privatising and liquidating SOEs.

Privatisation Agency of Kosovo — ORGANISATION CHART



ANNEX IV: Reference to laws, regulations and strategic documents:

Reference list of relevant laws and regulations

Regulation 1875/2006;

Progress Report 2009;

Customs Blue Print.

UNMIK Regulation 2001/6 on business organisations

UNMIK Regulation 2002/12 on 13 June 2002 on the establishment of Kosovo Trust Agency

UNMIK Regulation 2002/13 on 13 June 2002 on the establishment of a Special Chamber of the Supreme Court of Kosovo on Kosovo Trust Agency related matters

UNMIK Regulation 2003/13 on the transformation of the right of use to socially owned immovable property

UNMIK Regulation 2004/45 amending UNMIK Regulation No. 2003/13 on the Transformation of the Right of Use to Socially-owned Immovable Property

UNMIK Regulation 2005/3 on mines and minerals in Kosovo

UNMIK Regulation 2005/18 amending UNMIK Regulation 2002/12

UNMIK Regulation 2005/48 on the Reorganisation and Liquidation of Enterprises and their Assets under the Administrative Authority of the Kosovo Trust Agency.

Law No 03/L-067 On The Privatisation Agency of Kosovo dated 21 June 2008

Operational Policies of the Privatisation Agency of Kosovo as amended

Charter of the Privatisation Agency of Kosovo

By-laws of the Board of Directors of the Privatisation Agency of Kosovo

Administrative Directions, Operational Policies and Procedures

➤ *Reference to AP /NPAA / EP / SAA*

Please see chapter 2.3 Link with AP/NPAA / EP/ SAA above

➤ *Reference to MIPD*

Please see Chapter 2.4 Link with MIPD above,

➤ *Reference to National Development Plan*

Component 1 - Integrating Supply Chain Security Management into CDPS

No National Development Plan is currently available.

Component 2 - Further support to the Privatisation Agency of Kosovo

The project is in line with the Medium-Term Expenditure Framework 2010-2012, which sets as a priority the creation of an environment conducive to investments and growth.

ANNEX V: Details per EU funded contract

Component 1 - Integrating Supply Chain Security Management into CDPS

1. Delivery of the supply chain security modules to Kosovo Customs through a Supply Contract.

The contractor is expected to:

- Design, install and integrate the new modules;
- Ensure that the modules are fully operational and licensed.

2. Providing technical support to Kosovo Customs and organising awareness-raising events through a Service Contract

The contractor is expected to:

- Deliver upgrades and Technical Support
- Design and carry out a general customs campaign and campaigns for special targeted groups of users, including the preparation of brochures, pamphlets and customs guides
- Train the KC IT staff
- Plan and carry out workshops, seminars, media campaigns, etc.

Component 2 - Further support to the Privatisation Agency of Kosovo

Providing technical support to the Privatisation Agency of Kosovo through a Service Contract.

The contractor is expected to undertake tasks relate to the execution of privatisation and liquidation of SOEs as follows:

- - Assessment and preparation of SOEs for privatisation and/or liquidation
- - Selling of SOE to open bidding
- - Unbundling of SOE
- - Liquidating a SOE
- - Resolution of corporate governance issues
- - Adjudication on creditor and ownership claims
- - Realisation of SOE assets
- - Distribution of realization to creditors and owners
- - Dealings with the Special Chamber

2010 Annual Programme — Project Fiche 6 Regional Economic Development
--

1. Basic information

1.1 CRIS Number:	2010/022-452
1.2 Title:	Regional economic development
1.3 ELARG Statistical code:	02.22
1.4 Location:	Kosovo*

Implementing arrangements:

1.5 Contracting Authority:	European Commission Liaison Office to Kosovo
1.6 Implementing Agency:	n/a
1.7 Beneficiary:	Kosovo's Ministry of Local Government Administration (MLGA), contact Mr Besnik Osmani, Permanent Secretary

Financing:

1.8 Overall cost:	EUR 20.955 million
1.9 EU contribution:	EUR 17.5 million
1.10 Final date for contracting:	2 years after the signature of the financing agreement between the European Commission and the Kosovo authorities
1.11 Final date for execution of contracts:	2 years after the final date for contracting.
1.12 Final date for disbursements:	1 year after the final date for the execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall Objective:

Economic regeneration, job creation and infrastructure development in five economic regions of Kosovo.

The project also aims to promote employment for minorities, women and vulnerable groups, and to foster civil society, good governance and youth activities.

2.2 Project purpose:

Component 1: European Union Regional Economic Development (EURED) process consolidated and sustainably driven and run by Kosovo authorities.

Component 2: Improved social and economic infrastructure; local government better able to develop infrastructure.

* Under UNSCR 1244/1999.

2.3 Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

In the 2009 Action Plan for implementing the European Partnership, the Government of Kosovo (GoK) aims to expand and improve the basic infrastructure (including local infrastructure), in compliance with European standards, in order to improve and promote the business environment and to make it the engine of economic development.

The 2009 Progress Report calls for a ‘rapid sustainable economic growth for the benefits of all citizens’ and states that ‘the institutional and legal framework for small and medium-sized enterprises (SMEs) and industry policy needs to be further developed’ and ‘the absence of an adequate legislative framework and poor administrative capacity presents serious obstacles to the development of effective employment policies’

The Progress Report mentions that ‘overall, the technology base and the state of physical infrastructure remains weak and the pool of qualified human capital is small and as a result Kosovo companies are too rarely competitive even in sectors where competitive potential exists.’

In addition, the European Commission’s Study on Kosovo (‘Kosovo — Fulfilling its European Perspective’, published together with the last Progress Report in 2009), mentions that Kosovo needs to address infrastructure weaknesses and low skill levels in order to make the economy more competitive.

Furthermore, it stresses that Kosovo’s environment has been damaged by years of pollution and neglect, specifically mentioning water as an area of concern (only 70% of the population is connected to drinking water supplies and only a third to sewerage systems), and that improving the environment is imperative for improving the health of its citizens. It must be underlined that less than 1% of Kosovo’s budget goes to finance environmental projects, whereas a significant amount of capital is being spent on road building and improvement.

2.4 Link with the Multiannual Indicative Planning Document (MIPD)

Under IPA 2009-2011, socio-economic development is set as one of the three **key objectives** of pre-accession assistance. EC assistance aims to enhance Kosovo's socio-economic development, including regional development in a sustainable way. The Overall Objective and Project Purpose of the current projects are fully in line with the above key objective of the MIPD.

The project through both of its components will support two major priorities set under the Component I - Transition assistance and institution-building, Axis 2 Economic Criteria:

- Improving the **good governance of public utilities and developing infrastructures** is essential in order to promote business activities and to enhance the quality of public goods and services. The areas of energy, transport, environment, education and health, information technology and the digitalisation of television have to be developed as the cornerstones of future economic growth.
- Developing **active labour market and social inclusion measures** in order to combat unemployment and adjust to changes in the economy, and continue the mainstreaming of entrepreneurship education.

2.5 Link with the Medium Term Expenditure Framework (MTEF)

The GoK's Medium Term Expenditure Framework includes plans for numerous infrastructure projects developed by municipalities to enhance the social and economic life of their communities. MTEF has defined transport infrastructure as a high priority.

The Medium-Term Expenditure Framework 2009-2011 acknowledges as a priority that conditions for a "rapid sustainable economic growth for the benefits of all citizens in Kosovo" should be created. Furthermore, the MTEF highlights that private sector claims are related to the need for modernising, completing and enforcing the legal framework for business development in a competitive market economy and the necessity to modernise existing technology.

2.6 Link with national/ sectoral investment plans

The Action Plan for implementing the Decentralisation Process also details a set of measures to be taken, including legislative reform and the establishment of new municipalities.

The project is also linked to Kosovo's trade policy and to the investment promotion strategy for 2010-2012. The European Commission through the Technical Assistance (TA) component will provide support for the finalisation of the strategy on Private Sector Development which is of great importance for Kosovo's economic growth.

3. Description of project

3.1 Background and justification:

After a period of relatively high growth fuelled by the post crisis construction boom, remittance income and donor money influx, Kosovo's economy went through a period of stagnating development and negative growth rates. In recent years growth has picked up. Nevertheless, unemployment stands at around 40% with limited absorption capacity of job seekers by the labour market. Employment prospects for the young are particularly bleak; 37,000 school leavers enter the job market every year and face major difficulties to find employment and poverty is still widespread. Direct support to vulnerable groups such as women, youth and minorities and mainstreaming their participation in existing Kosovo and donor initiatives is needed.

The informal ("grey") sector of the economy is fuelled by weaknesses in tax and expenditure policies, as well as in law enforcement. This ultimately hampers the economic and social development. Transforming informal activities into formal ones is a key objective concerning the effectiveness of implementation of reforms as well as of the *acquis* and the impact of EU support.

Kosovo's deficient basic infrastructure hampers its development, particularly in the energy sector where power cuts occur frequently. Investment in the transport sector from the consolidated budget does not suffice to guarantee the maintenance of Kosovo's existing transport network, let alone building new networks.

Sustainable stability can only be achieved if Kosovo's economy develops and offers opportunities to all communities.

This project brings together the regional development initiatives in Kosovo which the Commission has been supporting for several years and which have proved successful. It follows the European Union Regional Economic Development¹ (EURED) approach and

¹ IPA 2008

provides support to Economic and Social Infrastructure in Kosovo municipalities². The above-mentioned initiatives together with other linked activities would form a 'EURED umbrella' providing Kosovo with an efficient tool for implementing its development strategies.

Component 1- Consolidation EURED process

The EURED process was launched by the Kosovo Authorities and the European Commission Liaison Office (ECLO) to Kosovo to support socio-economic development in Kosovo through the Regional Economic Development approach in line with EU practice.

The model of integrated development involves a process in which all the community stakeholders, both public and private, participate in designing and implementing a development strategy for renewing their region, stimulating the growth of enterprises, developing the infrastructure, providing social services and employment generation schemes

Under IPA 2008, the European Commission Liaison Office to Kosovo supported the process through three major tools:

I) Institutional Support to the five Regional Development Agencies (RDAs)

II) Grant Scheme for regional projects on creating the conditions for competitive businesses and on business related small scale infrastructure

III) Expert support to the RDAs and to the implementation of the Grant Scheme

As a result of this project, the EURED approach was introduced to Kosovo municipalities and central governmental institutions. Also, five Regional Development Agencies (RDAs) were established in Kosovo's economic regions (Centre, East, North, South, and West) through an agreement among the municipalities.

An EU Regional Economic Development (EURED) Grant Scheme is operational and ready to support projects from five economic regions. The deadline for applications was 20 May 2010. The financial resources allocated to the grant scheme allow financing of 15-50 projects.

However, as EURED is a new process in Kosovo, further support is needed in order to consolidate the process. . Therefore this Project Fiche, drafted together with the Ministry of Local Government Administration, was developed to continue the activities started under IPA 2008.

Component 2- Municipal Infrastructure

There is a serious infrastructure deficit in Kosovo, particularly at municipal level, which restricts local development and integration. This shortfall includes transport routes, which hampers business development, schools which are inadequate for satisfactory teaching of children, and water and wastewater systems which contribute to poor public health, increased costs to government, and reduced economic activity.

Although the European Union (EU) and other donors have provided support over the years, the needs for municipal infrastructure remain vast — not only in the three new municipalities created after the local elections in November/December 2009 and in the three previous pilot municipalities, but throughout Kosovo, including the capital Pristina.

This is the fifth phase of the Municipal Social and Economic Infrastructure programme, whose first phase started in 2003.

² CARDS 2003/2005/2006 and IPA 2008/2009 (See 3.6 Linked Activities)

- The three works contracts for the second part of the third phase were signed in March/April 2010.
- The works tender for the fourth phase should be launched in late June 2010 and implementation should start in early 2011

The municipal authorities have only a limited capacity to invest in local infrastructure, as mentioned in the 'Capacity Assessment Report of Kosovo Municipalities of the Municipal Capacities' published by the Ministry of Local Government Administration (MLGA) in November 2009.

There is also a need to invest in the human resources of the municipalities, notably in order to deal more successfully with infrastructure projects and to improve the efficient and effective provision of local public services.

3.2 Assessment of project impact, catalytic effect, sustainability and cross-border impact

Merging and consolidating Kosovo's development schemes will definitely increase their potential impact: the same effect cannot be achieved using scattered small-scale activities. With a consolidated approach, it is easier to ensure the dissemination of best practices and catalytic effects. Cross-border effects are possible and being encouraged as part of a consolidated regional development approach.

The EURED approach addresses sustainability in a number of different ways:

- Firstly, by developing comprehensive local economic development strategies tailored to the specific social, economic, geographic and labour market needs in a given area, and funding projects which support the specific opportunities for economic regeneration in the given region, there is a greater chance to achieve sustainable impact in terms of jobs and viable SMEs.
- Secondly, local ownership is achieved by involving the community stakeholders in the whole process of drafting the strategy, receiving approval from the government and appropriate parliamentary body, and being involved in overseeing and funding from government resources part of the implementation of such a strategy.
- Thirdly, the EURED approach aims at strengthening the local institutional framework for designing, co-ordinating and implementing projects for such an economic strategy including local municipalities, city administrations, universities, local service providers.

3.3 Results and measurable indicators:

Component 1 - Consolidation EURED process

Results

- 1.1 Regional Development Agencies (RDAs) are recognised by Government, business community and civil society as promoters of regional development.
- 1.2 Real, tangible and visible results of the European Union Regional Economic Development (EURED) Grant Scheme in five economic regions.
- 1.3 Minorities, women and vulnerable groups are among the final beneficiaries of EURED projects.

Measurable Indicators

- 1.1.1 National Framework for Regional Development, including five RDAs, operational.
 - 1.1.2 Capacity of five RDAs increased and they are recognised as regional development engines by regional and national stakeholders
 - 1.1.3 Regional development strategies for five economic regions (including regional priorities, implementation plans and project pipelines) available and up to date
 - 1.1.4 Regional development strategies are being implemented through financial instruments available (EURED grant scheme, EU rural grants, EIDHR, other donor facilities, national funds, private initiatives)
- 1.2 Up to 25 EURED grant projects successfully implemented and on-going projects on track.
 - 1.3. Special EURED initiatives implemented by RDAs fostering civil society, good governance and youth activities.

Component 2 – Municipal Infrastructure

Results

- 2.1 Economic and social infrastructure upgraded in selected municipalities.
- 2.2 Gradually strengthened capacities of selected municipalities to successfully deal with developing, designing, tendering, implementing/supervising municipal infrastructure projects
- 2.3. Environmental improvements as a result of infrastructure scheme complete

Measurable Indicators

- 2.1 Quantity (up to 10) and quality (according to European and other international best practices and standards) of new or rehabilitated municipal social and economic infrastructure
- 2.2 Intensity (co-financing) and quality of participation of municipalities related to future municipal infrastructure projects.
- 2.3. As measured after the completion of projects environmental impact is under control

3.4 Activities:

Component 1 - Consolidation EURED process

Activities leading to result 1

- 1. Support for RDAs: five operating grants contracts with a total value of EUR 1.055 million (EU financing EUR 1 million, co-financing by municipalities EUR 0.055 million)

The budgets up to EUR 200 000 per Agency should cover staff costs, office costs and cost of minimum package of development activities in line with the Description of Action.

Through further financial support the RDAs will continue working with local authorities and organisations in identifying programmes in the region that will support economic development and job creation. Special emphasis will be given to collaboration projects with a multi-stakeholder approach and a wider economic and social development perspective.

The RDAs were initially established as separate legal entities, but the aim of the project is to develop these Agencies to quasi-governmental, non-profit bodies which are responsible to

co-ordinate, mobilise and manage funding and oversee the implementation of the economic strategy.

Each Agency received budgetary support for operational costs from the IPA 2008 programme and they are to receive further support through IPA 2009. These organisations are not likely to be self-sufficient over the medium term (next 5-7 years) without Governmental/donor support.

2. Technical Assistance to EURED approach: one service contract with a maximum value of EUR 2.5 million (EU financing)

The TA will support the development and implementation of regional economic strategies, the institutional framework for development in the region, advice on establishing business plans, job descriptions, and transparent recruitment process.

The Technical Assistance will concentrate mainly on:

- Expert support to RDAs
- Visibility and communication activities
- Expert support to EURED grant scheme and other financial support initiatives as appropriate
- Strategic advice on consolidation and leading regional development strategies and structures in Kosovo

Activities leading to result 2

Grant support to small-scale projects in five economic regions: one call for proposals with a maximum value of EUR 4.9 million (EU financing EUR 4 million, co-financing by the Ministry EUR 0.9 million)

Continuation of the EURED grant schemes managed through IPA 2008-2009. The Guidelines will be finalised by ECLO based on the experience from the previous scheme that concentrated on projects for creating the conditions for competitive businesses and on business related small scale infrastructure projects.

The main objective remains economic development and job creation. Efforts will be made for further regionalisation and business orientation. Real, tangible and visible results of the proposals remain the most important selection criterion.

Component 2 – Municipal Infrastructure

Activities leading to result 1

1. Technical screening of project proposals submitted by interested municipalities in order to facilitate selection to be carried out by the Steering Committee, design of selected projects and supervision of infrastructure implementation projects: one service contract with maximum value of EUR 1.2 million (EU financing)

2. Upgrade of municipal infrastructure by the EU: up to five works contracts with a maximum total value of EUR 8.8 million (EU financing).

This activity includes the construction of the infrastructure projects identified by municipalities in accordance the criteria set in Activity 2.1 and approved by the steering committee.

The main sectors of interventions:

- Socio – economic development e.g. education buildings/schools, kindergartens etc

- Health services, sports and youth facilities
- Infrastructure e.g. municipal building rehabilitation, roads rehabilitation
- Environment e.g. water supply systems and sewerage system

Activities leading to result 2

Upgrade of municipal infrastructure by beneficiaries: up to six works contracts with a maximum total value of EUR 2.5 million (parallel co-financing by the Ministry)

More information about activities is provided in Annex 5.

3.5 Conditionality and sequencing:

Pre-conditions: Implementation of on-going EURED and municipal infrastructure initiatives continues to be successful. Concretely, RDAs are successfully implementing their grant contracts; EURED grant schemes are launched and contracts signed; economic and social municipal infrastructure projects are successfully completed. Both components: EURED and Municipal Infrastructure continue initiatives started under previous Investment Promotion Agency (IPA) programmes. In the case of Municipal Infrastructure, this includes initiatives started under CARDS programmes (see 3.6 Linked activities).

Sequencing: Implementation of infrastructure components has clear sequencing as indicated in Annex 5. Implementation of Works (Activity 2.2) is dependent on the quality of the project proposals submitted by the municipalities for financing and the results of Detailed Design (Activity 2.1). Regional economic development activities are not clearly sequenced but rather inter-related. Operations undertaken by the Regional Development Agencies, advice given by technical assistance experts and the management of the EURED Grant Scheme are parallel activities which support and complement each other.

The following section shows the links to previous assistance projects.

3.6 Linked activities

Name of project (Amount)	Start End	Activities/Results
IPA 2008 Municipal Social and Economic Infrastructure (MunInfra IV) (EUR 9.8 million)		Municipal infrastructure projects such as public buildings (incl. schools), water and sewerage systems, roads, sports facilities for a total investment value of approximately EUR 8.5 million. Works tender to be published in late June 2010.
IPA 2007 Municipal Social and Economic Infrastructure Programme (MunInfra III) (\$10.6 million)	Sep 2009 -	The programme consists of two parts: 1.) seven sports fields and playgrounds in Pristina, Mitrovica, Peja and Prizren; 2.) 13 schemes such as public buildings, local roads, sewage/wastewater and water supply networks in 13 municipalities (all of them south of the Ibar, incl. Pristina and Prizren)
IPA 2008 Energy Efficiency Measures in Public Buildings (EUR 1.3 million)	Sep 2009 - Dec 2010	The purpose of the project is to promote energy efficiency and the use of renewable energy resources in public buildings. Measures include: installation of thermal insulation in the buildings, installation of hydro and thermal insulation in the roofs of the buildings, installation of solar water heaters, replacement of windows and doors in some of the buildings, and renovation of the heating systems in the buildings
IPA 2008	Sep	The purpose of the campaign is to increase the general public awareness

Public awareness campaign for energy efficiency and renewable energy Value: EUR 0.3 million	2009	of energy efficiency measures and the use of renewable energy sources such as solar water heaters. Activities include drawing up a communications strategy, designing it, implementing it and evaluating the results.
IPA 2008 Municipal Social and Economic Infrastructure (EUR 1.4 million)	Jul 2009 -	Technical and administrative support for implementing infrastructure projects under one international works contract
IPA 2008 Support to EU Regional Economic Development Approach in Kosovo (EUR 6.6 million)	March 2009- Feb 2012-	Establishing and putting into operation five Regional Development Agencies, providing financial support via the EURED grant scheme to small-scale regional socio-economic projects and providing RDAs and Regional Stakeholders with expert support in the areas of strategy-building, institution building, financial management, communication and public relations, etc.
CARDS 2005/2006 Cross-Border Cooperation (CBC) Programme (EUR 0.9 million)	August 2008- July 2010	Helping the Kosovo Operating Structures draft and implement up to three CBC programmes: Kosovo-Albania, Kosovo-FYROM and Kosovo-Montenegro. Involving RDAs in the process.
CARDS 2006 Municipal Infrastructure (EUR 8.0 million)	June 2008 June 2011	Upgraded municipal infrastructure that improves public service delivery
IPA 2007 Developing an enabling economic environment for all of Kosovo's communities (EUR 13.0 million)	June 2008 June 2010	Improving the management and operational capacity of the Ministry of Trade and Industry, the Investment Promotion Agency and the new Patent Office. Helping the successor of the Kosovo Trust Agency to continue the privatisation and liquidation process. Supporting business growth and job creation through technical and advisory support for SMEs.
CARDS 2006 Investment Promotion Agency (EUR 1.5 million)	May 2007- Sep 2009	Project activities include: developing investment promotion material; identifying potential investors; developing mechanisms to provide direct tailored support to potential investors. The 2007 IPA project has consolidated and built on the results of these activities.
CARDS 2006 Ministry of Trade and Industry (MTI) (EUR 2.5 million)	May 2006 - May 2008	Helping the MTI to formulate and implement sound SME policy and strategy — in line with the EU Charter for Small Businesses — and developing effective business services to support the successful growth of SMEs.
CARDS 2004 Poverty alleviation in marginalised municipalities (EUR 3 million)	Dec-2006 — Jun 2009	To create income-generating and employment opportunities among vulnerable groups in the targeted municipalities. To help alleviate poverty, stabilise socio-economic conditions and stimulate the economic development of marginalised groups in Kosovo's economy. To foment the growth of entrepreneurial spirit. To contribute to the growth of positive community development. To help local entrepreneurs establish or expand businesses. To help improve the marketability of locally produced goods.
CARDS 2004 Promoting local enterprise development and employment creation in the Mitrovica/Zvechan municipalities FAIR Grant	Dec 2006 — Sep 2009	This project is implemented as a grant. Its main objective is to support the establishment/expansion of growth-oriented agro-processing, industrial manufacturing and service enterprises which have the potential to create jobs and boost exports in the north of Kosovo. The project activities are: to assess current market needs and priorities; to identify synergies and prevent duplication of effort; to publicise projects and upcoming calls for proposals; to evaluate business profiles and award grants to the strongest ones; to carry out monitoring and inspection visits; to promote dialogue between the Provisional Institutions of Self-Government (PISG) and the

programme (EUR 3.2 million)		business community; to carry out the final evaluation and audit of supported enterprises; to analyse the results of monitoring and inspection visits; to run SME development workshops.
CARDS 2004 EU contribution to the EBRD western Balkans SME finance framework (EUR 1.1 million)	Dec 2005 - Dec 2009	The objectives of this grant are: (1) to help the participating banks offer high-quality loans to micro, small and medium-sized enterprises (MSMEs) as an integral part of their regular activities; (2) to provide medium-term and working capital financing to MSMEs in Kosovo; (3) to provide guarantees to international commercial banks for trade finance products issued by Kosovan banks. The recipients of the technical assistance are two Kosovan banks which were merged and absorbed in 2007 by NLB (a Slovenian Bank).
CARDS 2003/2005 Municipal and Social Infrastructure Development Programme (EUR 18.2 million)	2003- Dec 2009	Technical support for improving the social and economic infrastructure in municipalities throughout Kosovo by implementing small to medium-sized projects. This includes funds from the 2003 and 2005 budgets. In total, 11 ongoing works contracts / 44 infrastructure schemes covering (for example) school and municipal buildings, water and wastewater schemes and road schemes.
CARDS 2002 Targeted economic and community development actions in disadvantaged minority areas (EUR 11.5 million)	2002 - Nov 2008	At the end of 2006, over 1300 projects targeting ethnic minority communities had been implemented, mainly focusing on grants for small business start-ups and expansion, including in areas where minority returns have taken place. In addition, seven Business Support Centres provide direct economic development support services to minority areas. The programme has organised some 200 training sessions in micro-enterprise development, attended by around 1900 people.
CARDS 2000 Refurbishment of Public Buildings (EUR 49.5 million)	2000- 2005	Technical support for improving the public buildings infrastructure in Kosovo. This will directly help the local authorities to carry out their day-to-day work. More than 10 works contracts completed. Buildings targeted include a hospital block, a university students' centre, prisons, town halls and courts.
CARDS 1999 MLIF 1, 2, 3 — Municipal and Local Investment Fund (EUR 15 million)	1999- 2004	Technical support to help Kosovo local authorities finance and manage small-scale infrastructure projects (such as waste water treatment, the rehabilitation of schools and sports facilities, the maintenance of asphalted secondary roads, etc). More than 100 small to medium-sized infrastructure schemes all over Kosovo.

Activities undertaken by other donors in this area

United States Agency for International Development (USAID)

1. Business Enabling Environment in Municipalities (\$ 14?) 2010-ongoing
2. Effective Municipalities Initiative (\$ 9.0 million) 2007 – 2010
3. Local Government Initiative (\$ 11.0 million) 2004-2007

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)

1. Economic development and employment promotion (2003-2010)
2. Modernising municipal services (2006 – 2013)
3. Rural Economic Development (EUR 3 million) 2010-2013

Swiss Agency for Development and Cooperation (SDC)

Women Business Development Project (WBDP) (EUR1.2 million) 2004-2008

World Bank

1. Business Environment Technical Assistance Project (\$ 7 million) 2005-2011
2. Community Development Fund 2 Project (\$ 4.42 million) 2003-2007

Austrian Development Agency (ADA)

Integrative Regional Development in the Municipality of Suharekë/Suva Reka in the field of Agriculture (EUR 2.6 million) 2009 - ongoing

UK Department for International Development (DFID)

1. Assessment of feasibility of Cross Border Cooperation (CBC) in Kosovo 2007
2. Preparation of the Terms of Reference (ToRs) for CBC service — contract financed from CARDS 2005/2006.

In addition, a number of international bilateral and multilateral donors (European Commission, KfW Bank, Swiss Government, Danish International Development Agency, Swedish Government, Dutch Government and Austrian Government) have implemented larger scale infrastructure developments throughout Kosovo. Many NGOs have been involved in small projects to develop water supply systems, particularly in rural areas.

3.7 Lessons learned

Collaboration and cooperation at regional level consolidates individual efforts into a more effective tool for development.

Cooperation on regional development projects also boosts development at national level.

Building regional development agencies (RDAs) could, in principle, contribute to more effective donor cooperation at regional level and avoid unnecessary duplication of activities.

RDAs are permanent contact and meeting points for actors and stakeholders interested in development.

Although impact realised through the previous assistance overall is satisfactory, a number of challenges remain:

- *The need to make provisions to include economically vulnerable groups in mainstream economic life.* Experience, in particular with networking among SMEs and local development initiatives in Kosovo, underlines the need to be gender and minority aware and well informed when designing programmes. Programmes and projects need to be inclusive, geographically as well as socially, to maximise both social and economic impact of activities. Furthermore when treatment of cross-cutting issues has remained weak in economic development projects, experience shows that those projects “missed” out some important beneficiaries and/or reinforced current (gender/ethnic) discriminations/inequalities. Gender and minority issues are very important in this sector since women and minorities face distinct disadvantages/constraints on the labour market. The prevailing considerable economic disparities between communities and the shortage of employment opportunities for women represent a major obstacle to both the economic and political stability of Kosovo. These cross-cutting issues must therefore be actively mainstreamed within project design and implementation.
- *Local capability development:* Working with local organisations, public as well as private, has demonstrated the need for firm local anchoring of activities and capacity development. As local resources are scarce and the understanding of ways to improve local economic conditions is limited, projects must take these considerations into account when designing assistance programmes. To ensure proper functioning of local programmes, substantial EU funding must be made available to ensure professional TA is available. As there is limited resources available in local authorities in Kosovo and as the experience with business support

programmes is limited, professional TA with experience from the EU way of providing local business support must be made available for longer periods of time to ensure a tangible demonstration effect of the assistance provided.

- *Direct support available to the private sector:* The nature of the economy of Kosovo, where the majority of business are very small, underlines the need for appropriate support services, in particular for technology transfer, enhancing the utilisation of technology and research.
- *Enforcement:* There has been large focus on establishing the legal frameworks in Kosovo. The capacity to enforce the law, however, has received insufficient attention. While legal reform has been advanced, law enforcement and implementation has not followed. This creates a widening gap between the formal legal situation and ‘on-the-ground’ practice.
- *Conditionalities:* Often project implementation is hampered by either insufficient staff and resources allocated to (newly established) institutions or insufficient operational funds available in the government budget to allow for appropriate implementation of the mandate of the concerned department.
- *Balance between different measures:* The provision of technical assistance for capacity building remains a very high priority. However, TA will not be effective if the working environment of the counterparts is not up to standards. Therefore a balanced approach with both technical advisory support and material support is essential to realise the expected impact of the projects.

4. Indicative Budget (amounts in EUR million)

			TOTAL EXP.	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR(x)	Regional/ Local EUR (y)	IFIs EUR(z)	EUR (d)	% (2)
Activity 1: Consolidation EURED process			8.455	7.5	89	0.955	11	0.9	0.055			
Contract 1.1 Operating grant	X		1.055	1	95	0.055	5		0.055			
Contract 1.2 Service	X		2.5	2.5	100							
Contract 1.3 Grant scheme		X	4.9	4	82	0.9	18	0.9				
Activity 2: Municipality infrastructure			12.5	10	80	2.5	20	2.5				
Contract 2.1 Service		X	1.2	1.2	100							
Contract 2.2 Works		X	8.8	8.8	100							
Contract 2.3 Works		X	2.5			2.5	100	2.5				
TOTAL IB			3.555	3.5	98	0.055	2		0.055			
TOTAL INV			17.4	14	80	3.4	20	3.4				
TOTAL PROJECT			20.955	17.5	84	3.455	16	3.4	0.055			

NOTE: Amounts net of VAT

(1) In the Activities column use 'X' to identify whether institution building (IB) or investment (INV).

(2) Expressed in % of the **total** expenditure (EXP) (column (a))

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1 Operating grant (5)	n/a	Q2 2012	Q2 2013
Contract 1.2 Service	Q3 2011	Q1 2012	Q1 2014
Contract 1.3 Grant scheme (10-15)	Q1 2011	O4 2011	Q4 2013
Contract 2.1 Service	Q1 2011	Q3 2011	Q4 2014
Contract 2.2 Works (up to 5)	Q4 2011	Q1 2012	Q4 2014*

* Including Defects Liability Period (DLP) of the Works Contracts

6. Cross-cutting issues

6.1 Equal Opportunities

Special attention will be paid to three target groups:

- Women;
- Those with disabilities and special needs
- Religious and ethnic minorities

Through every aspect of its work, the EURED will address issues of discrimination and will work to remove barriers that prevent everyone from participating equally and fully in the EURD Project itself or to participating in projects funded through the EURED Grant Scheme.

6.2 Environment

Consistently mainstreaming environmental sustainability into economic development processes can help deliver long-term benefits that help improve the general quality of life throughout Kosovo.

Environmental sustainability will be thoroughly assessed before approving any of the project proposals referred to in this project sheet. Special attention will be paid to infrastructure projects. Within each scheme, project proposals directly targeting sustainability and environmental issues are encouraged.

6.3 Minorities

Social sustainability will be addressed by promoting equality of opportunity for all — with a particular focus on minorities, women and vulnerable groups — in addition to fostering civil society and good governance.

The project will produce guidelines and proofing tools for all the RDAs to use when assessing projects. It will assist the MLGA in addressing these issues and ensure that they are taken into account in all MLGA activities. This will include the use of the appropriate languages (Albanian, Serbian or others) for the appropriate audience. Organisations applying to run projects funded by the EURED grant scheme will need to do the same.

ANNEXES

- Annex I- Log frame in standard format
- Annex II- Amounts contracted and disbursed per quarter over the full duration of the programme
- Annex III- Description of institutional framework
- Annex IV - Reference to laws, regulations and strategic documents
- Annex V- Details per EU-funded contract

ANNEX I: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche 5		Programme name and number	IPA 2010
EU Support for Regional Economic Development (EURED)		Contracting period expires: Ref section 1.10	Disbursement period expires: Ref section 1.12
		Total budget: EUR 20.955 million	IPA budget: EUR 17.5 million
Overall objective	Objectively verifiable indicators	Sources of Verification	
Economic regeneration, job creation and infrastructure development in five economic regions of Kosovo. In addition, fostering employment for minorities, women and vulnerable groups, as well as fostering civil society, good governance and youth activities.	The Kosovo economy steadily grows by at least 3-4% a year Quantity and quality of municipal social and economic infrastructure in Kosovo is improved Unemployment of youth, minorities and women has been decreased 5% by the end of 2015	Eurostat National statistics European Commission Progress Reports	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
Component 1: EURED process consolidated and sustainably driven and run by Kosovo authorities. Component 2: Improved social and economic infrastructure and strengthened capability of selected municipalities to deliver adequate services to their citizens	EURED approach contributing significantly to the Kosovo development agenda Municipalities participate actively in regional development Internationally accepted procedures and quality standards applied to upgrading municipal infrastructure	Peer assessments SAP Dialogue conclusions Joint Management Committee minutes EU Monitoring reports Hand-over documentation for the successfully completed projects in the municipalities concerned Regional Strategies, RDA annual reports	Uninterrupted Government support for decentralising the development process Kosovo government adopted the framework for regional development All municipalities signed inter-municipal agreements Readiness of the municipalities to properly maintain the completed infrastructure projects
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
Component 1 - Consolidation EURED process 1.1 RDAs are recognised by Government, business community and civil society as promoters of regional development	1.1.1 National Framework for Regional Development defined 1.1.2 Capacity of five RDAs increased and they are recognised as regional development engines by regional and	MLGA/National body laws and regulations MLGA/ National body organisational chart	All beneficiaries show a strong sense of ownership Effective donor coordination and coordination with other EU projects

<p>1.2 Real, tangible and visible results of EURED Grant Scheme in five economic regions</p> <p>1.3. Minorities, women and vulnerable groups are among the final beneficiaries of the EURED projects</p> <p>Component 2 – Municipal Infrastructure</p> <p>2.1 Economic and social infrastructure upgraded in selected municipalities</p> <p>2.2 Capacities in selected municipalities increased regarding the preparation and implementation of infrastructure projects</p>	<p>national stakeholders</p> <p>1.1.3 Regional development strategies for five economic regions (including regional priorities, implementation plans and project pipelines) available and up to date</p> <p>1.1.4 Regional development strategies are being implemented through financial instruments available (EURED grant scheme, EU rural grants, EIDHR, other donor facilities, national funds, private initiatives)</p> <p>1.2 Up to 25 EURED grant projects successfully implemented and on-going projects on track</p> <p>1.3 Special EURED initiatives implemented by RDAs fostering civil society, good governance and youth</p> <p>2.1 Quantity (up to 10) and quality (according to European and other international best practices and standards) of new or rehabilitated municipal social and economic infrastructure</p> <p>2.2 Intensity (co-financing) and quality of participation of municipalities related to future municipal infrastructure projects.</p> <p>2.3. As measured after the completion of projects environmental impact is under control</p>	<p>Steering Committee minutes</p> <p>RDA Board meeting minutes</p> <p>Project reports</p> <p>Field visits</p> <p>EURED monitoring reports e.g. Annual review of Kosovo regions, development in relation to EU benchmarking in EURED, and EURED Fund Awarded Project reports reviewed against EURED Fund monitoring indicators on Cross Cutting Issues</p>	<p>Willingness of the local authorities to consider RDAs as a relevant stakeholder in local and regional development</p> <p>Good working relations between EURED, relevant Government institutions and the RDAs</p> <p>Stability in the project areas so that security concerns do not hamper the implementation of the programme</p>
<p>Activities</p>	<p>Means</p>	<p>Costs</p>	<p>Assumptions</p>
<p>Component 1- Consolidation EURED process</p> <p>1.1.1 Support to RDAs</p>	<p>Five operating grant contracts</p>	<p>EUR 1 million EU</p> <p>EUR 0.055 million co-financing</p>	<p>Parallel co-financing from national and municipal budgets available in good time</p>

1.1.2 TA to EURED approach	Service contract	EUR 2.5 million
1.2 Grant support to small-scale projects in five economic regions	Grant scheme	EUR 4 million EU EUR 0.9 million co-financing
Component 2 – Municipal Infrastructure		
2.1.1 Feasibility assessment, design and supervision of infrastructure projects	Service contract	EUR 1.2 million EU
2.1.2 Upgrade of municipal infrastructure by the EU	Up to five works contracts	EUR 8.8 million EU
2.2 Upgrade of municipal infrastructure by beneficiaries	Up to six works contracts	EUR 2.5 million co-financing

Pre-conditions: Implementation of on-going EURED and Municipal infrastructure initiatives continues to be successful, i.e. RDAs are successfully implementing their grant contracts, EURED grant schemes launched and contracts signed, economic and social municipal infrastructure projects successfully completed.

ANNEX II: Amounts (in EUR million) Contracted and disbursed by quarter for the project

Contracted	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Contract 1.1 Operating grant						1.0										
Contract 1.2 Service					2.5											
Contract 1.3 Grant scheme								4.0								
Contract 2.1 Service			1.2													
Contract 2.2 Works					8.8											
Cumulated			1.2	1.2	12.5	13.5	13.5	17.5								
Disbursed																
Contract 1.1 Operating grant						0.9						0.1				
Contract 1.2 Service					0.5		0.5		0.5		0.5		0.5			
Contract 1.3 Grant scheme								3.6								0.4
Contract 2.1 Service			0.2		0.2		0.2		0.2		0.2					0.2
Contract 2.2 Works					1.0		1.0	1.0		1.0		1.0	1.0	1.0	1.0	0.8
Cumulated			0.2	0.2	1.9	2.8	4.5	9.1	9.8	10.8	11.5	12.6	14.1	15.1	16.1	17.5

ANNEX III: Description of Institutional Framework

MLGA webpage link: <http://www.mapl-ks.org/>

Links to RDA websites:

RDA Centre <http://www.rdacentre.org/>

RDA North <http://rdanorth.org/>

RDA East <http://www.rdaeast.org/> (under construction)

RDA West <http://www.rda-west.org./home.html>

RDA South <http://www.rda-south.org/>

ANNEX IV: Reference to laws

- Regulation No 2007/30 amending UNMIK Regulation No. 2000/45 on self-government of municipalities in Kosovo
- Law No 2004 / 15 on construction
- Law No 2002/8 on environmental protection
- Law No 2003/11 on roads
- Law No 02/L-30 the waste law
- Law No 2004/ 24 on water; Regulation No. 2003/9 on the promulgation of the law adopted by the Assembly of Kosovo on environmental protection
- *ADMINISTRATIVE INSTRUCTION MMPH: ,*
FOR CONSTRUCTION BUILDINGS: TECHNICAL TERMS OF ACCESSIBILITY TO DISABLED PERSONS
- *ADMINISTRATIVE INSTRUCTION No06/07-MMPH , date 08/06/2007*
CONTENT OF WATER INFRASTRUCTURE
- *ADMINISTRATIVE INSTRUCTION No07/04-MMPH , January 2006*
ENVIRONMENTAL IMPACT ASSESSMENT
- *ADMINISTRATIVE INSTRUCTION No05/05,date, 19 April 2005*
ON CRITERIA AND PROCEDURES FOR ISSUING LICENCES, FOR EXERCISING THE ACTIVITIES IN THE FIELD OF PLANNING, CONSTRUCTING AND PROFESIONAL SUPERVISION AND REVIEWING
- *ADMINISTRATIVE INSTRUCTION No06/07-MMPH , date 08/06/2007*
CONTENT OF WATER INFRASTRUCURE
- *ADMINISTRATIV INSTRUCTION No03/06-MMPH , date 16 June 2006*
LIST OF THE BUILDINGS NOT REQUIRING CONSTRUCTION PERMIT

ANNEX V: Details of each EU funded contract

Activity 1.1.1

Operating grants to five RDAs

Descriptions of schemes drafted by RDAs should contain activities which provide support to regional economic development in each economic region. The budgets up to EUR 200 000 each should cover staff costs, office costs and a minimum package of development activities in line with the Description of Action. RDA activities will be complemented by a EURED service contract (Activity 1.1.2)

Activity 1.1.2

EURED service contract

The Terms of Reference (ToR) of the service contract will be finalised by ECLO based on the expected results of the IPA 2008 EURED TA contract. It will continue to provide:

- expert support for RDAs (at least one advisor per RDA),
- EURED visibility and communication activities (at least one expert based in the Project Office in Pristina, a sufficient incidental cost budget),
- expert support for the EURED grant scheme and other financial support initiatives as appropriate (at least one expert based in the Project Office in Pristina),
- strategic advice on consolidation and leading regional development strategies and structures in Kosovo (a team of at least three experts with international and local knowledge based in the Project Office in Pristina, sufficient incidental budget for ensuring management, mobility and networking).

Activity 1.2

EURED grant scheme

Continuation of the EURED grant schemes for IPA 2008-2009. The Guidelines will be finalised by ECLO based on experience of the above scheme and similar activities in the European Union. The main objective remains economic development and job creation. Efforts will be made for further regionalisation and business orientation. Real, tangible and visible results of the proposals remain the most important selection criterion.

Activity 2.1: Detailed Design, review and supervision of projects (Service Contract).

Tasks to be performed by the Technical Assistance include:

a) Draw up the eligibility criteria for determining whether municipalities can apply for funding*.

** The local authorities' bids for projects will be assessed against criteria relating to the reform and capacity building of local self-government in the context of the ongoing decentralisation process*

Those criteria will be based on the following:

- *Benefits to the population (total numbers that will benefit, ethnic minorities and numbers that will benefit, particular benefits to women and numbers that will benefit)*
- *Benefits to the environment*

- *Project cost*
 - *Operating costs*
 - *Maintenance programme, description of how the project will be maintained after completion.*
 - *Revenue payments*
 - *If the project provides infrastructure services, the beneficiary must show that the service charge will be paid (e.g. water, electricity etc).*
- b) Review and finalise the detailed design of the projects identified and prepared by municipalities
 - c) Prepare the relevant tender dossier for approved municipal infrastructure works.
 - d) Support the steering committee
 - e) Undertake supervision of works projects
 - f) Undertake the provisional and final acceptance of works project

Contracting arrangements

- The measures described under this activity will be carried out under a single service contract.
- A call for tenders (using suspensive or provisional clauses, as necessary) will be launched following the IPA Committee decision covering this project. The proposals will be subsequently evaluated according to appropriate European Commission procedures.
- The contract value will be approximately EUR 1.2 million
- The duration of the contracts will be for a period of 36 months (including DLP period), depending on the budget and beneficiary requirements.
- The successful tenderer will start deployment one month after the contract is signed; the expected deployment date is January 2012.

Activity 2.2: Implementation of construction works (Works Contracts)

- This activity includes the construction of the infrastructure projects identified by municipalities in accordance the criteria set in Activity 2.1 and approved by the steering committee.

- The main sectors of interventions:

- *Socioeconomic development* such as education buildings/schools, kindergartens etc.
Health services, sports and youth facilities
- *Infrastructure* such as municipal building rehabilitation, roads rehabilitation
- *Environment* such as water supply systems and sewerage systems

- Inter-municipal projects, jointly proposed by two or more municipalities, will also be considered

- **Ownership**

The owners of schemes are all current and new municipalities in Kosovo.

Contracting arrangements

- Up to five works contracts will be used to implement the measures described under this activity.
- A call for proposals (using suspensive or provisional clauses, as necessary) will be launched following the IPA Committee decision covering this project. The

proposals will be subsequently evaluated according to appropriate European Commission procedures.

- The contract value will be up to approximately EUR 3 million each.
- The duration of the contracts will be for a period of 12–18 months, depending on the budget and beneficiary requirements.

The successful tenderers will start deployment one month after the contract is signed; the expected deployment date is June 2010.

Activity 2.3

Co financing EUR 2.5 million excluding VAT

Works implemented by the beneficiaries

2010 Annual Programme — Project Fiche 7
Agriculture and Rural Development

1. Basic information

- 1.1 CRIS Number: 2010/022-452
 1.2 Title: Agriculture and rural development
 1.3 ELARG Statistical code: 02.11
 1.4 Location: Kosovo*

Implementing arrangements:

- 1.5 Contracting Authority (EC): European Commission Liaison Office in Kosovo
 1.6 Implementing Agency: n/a
 1.7 Beneficiary:

Project activity/component	Beneficiary institution	Contact point responsible for project/activity coordination
Support for the Ministry of Agriculture, Forestry and Rural Development (MAFRD) in legislative and policy development and in implementing the Agriculture and Rural Development Project (ARDP)	The Ministry of Agriculture, Forestry and Rural Development	Mr Hysni Thaci — Acting Permanent Secretary Tel. (038) / 211 834 or 211 885 Email: hysni.thaci@ks-gov.net

Financing:

- 1.8 Overall cost (VAT excluded): EUR 2.2 million
 1.9 EU contribution: EUR 2.0 million
 1.10 Final date for contracting: 2 years after the signature of the financing agreement
 1.11 Final date for execution of contracts: 2 years after the final date for contracting
 1.12 Final date for disbursements: 1 year after the final date for the execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall Objective:

To increase the contribution of the agriculture and rural development sector to economic development and growth in Kosovo

2.2 Project purpose:

To help strengthen administrative structures within the MAFRD and civil society organisations; to formulate and implement the national agriculture and rural development programme in conformity with EU principles and standards.

* Under UNSCR 1244/1999.

2.3 Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

The project responds to the priorities defined in the **European Partnership**, especially those concerning the need to meet European Union standards. It responds particularly to one of the **Key Priorities** defined in the European Partnership, namely to ‘*Strengthen the administrative capacity needed to formulate and implement agricultural and rural development policy*’.

The *Kosovo Progress Report 2009* states that: ‘The Law on Agriculture and Rural Development was adopted in July. It provides a framework for agricultural and rural development practices in Kosovo and establishes the legal basis for updating the agricultural and rural development plan for the period 2009–2013 and the accompanying action plan. The Ministry of Agriculture, Forestry and Rural Development has stepped up its reform efforts in areas such as consolidating and rehabilitating agricultural land, improving natural resources management in rural areas, increasing competitiveness and farm diversification, and enhancing food quality. These efforts are supported by a 40% increase in government spending in the agricultural sector in 2009 compared to 2008. A grant system is also planned, mainly to support structural reform measures rather than offering direct payments for production.

Kosovo’s agriculture continues to suffer from fragmented land tenure, lax control of the use of arable land for construction, non-transparent valuation and pricing of agricultural land (for both sale and lease), difficulties for farmers to access credit, and an outdated and inadequate land registration system. Overall, the agriculture, veterinary and phytosanitary legislative framework has been developed. The lack of administrative capacity remains a concern, leading to delays in reforming the agricultural sector. There has been limited progress as regards alignment with European standards.’

2.4 Link with the Multiannual Indicative Planning Document (MIPD)

This project addresses the priorities set out in the 2009-2011 MIPD, Axis 2 Economic Criteria. In particular the focus is on wider socio-economic issues, including fiscal and financial management, auditing and accounting procedures, improving the investment climate, trade opportunities, energy, environment, transport, agriculture and rural development, designing a research policy and reforming the education and employment frameworks.

2.5 Link with the National Development Plan

This programme proposal is in line with the Agriculture and Rural Development Plan 2009–2013 and its specific medium-term objectives and policies.

2.6 Link with national/ sectoral investment plans

Further to the Medium Term Expenditure Framework 2010-2012, the total amount allocated to agriculture in the Kosovo Consolidated Budget (KCB) was increased in 2009 to EUR 12 million, which is about 43% higher than in 2008. Most of the increase in spending for this sector is in capital investment due to the inclusion of new projects identified in the Rural and Agricultural Development Plan for 2007-13.

3. Description of project

3.1 Background and justification:

Agriculture is an important economic sector which generates a considerable level of output and employment. Kosovo agricultural policy has limited resources for financing agricultural and rural development. According to an analysis carried out by the Agri-policy FP 7 project, Kosovo spends less per capita in this sector than any other country in the region. The available funds are not sufficient to meet the development needs in all the areas that could benefit from public funding — production, marketing, food hygiene and safety, environmental protection, human resources and poverty elimination.

MAFRD has updated the priorities for the 2009–2013 Agriculture and Rural Development Plan, (ARDP), focusing on what Kosovo could achieve and deliver, particularly given the limited national budget for this sector. The ARDP in general follows the basic structure of a mid-term development programme required by the EU, but some important chapters are missing and some others are insufficiently detailed. Many of the necessary administrative bodies have been described in the ARDP, which should be given a further thorough appraisal.

The Law on Agriculture and Rural Development was adopted in July 2009. It contains basic legal provisions for further aligning Kosovo's rural economy with the EU *acquis* both in broad terms and in terms of implementing the Instrument for Pre-Accession for Rural Development (IPARD). Many of the necessary elements are listed in the law (data bases, administrative structures, policy areas and measures) but not further specified. To implement these measures, the MAFRD needs to officially define the procedures, eligibility criteria and ranking criteria, and the systems for checking, monitoring and reporting. This has not yet been done.

Since 2008 the MAFRD has been implementing the KCB rural development grant programme, mainly to support structural reform measures in 2009, and has made some limited direct payments for production. While grants are disbursed by the MAFRD there is still a lack of administrative capacity for efficiently monitoring the impact of the KCB grant schemes on the agricultural sector and the effectiveness of the ARDP as a whole.

The lack of agricultural market data, farm accounting data and agricultural trade statistics is a major handicap for formulating, implementing and evaluating agricultural policy and programmes. The MAFRD in cooperation with the Statistical Office of Kosovo has started to address this problem, but further capacity-building action is needed.

The land registration process and incorporation of data into the land register must also continue in a sustainable manner in order to allow the MAFRD to conduct policy effectively and to check and monitor the correct implementation of the KCB rural development grant programme.

While there has been progress in drafting and adopting legislation, further efforts are needed to implement this legislation effectively. Further capacity-building support is also required to enable MAFRD staff to carry out on-the-spot checks.

3.2 Assessment of project impact, catalytic effect, sustainability and cross-border impact

The project is expected to deliver a significant legal and administrative capacity focused on legislative alignment and institution building within MAFRD, so that the Ministry streamlines

its responsibilities, adequately formulates its priorities for policy development and is capable of gradually introducing into Kosovo's agriculture the harmonised principles, mechanisms and organisational patterns of the EU's agricultural and rural development policies.

The project also aims at building the MAFRD's capacity to establish, implement, update and monitor a comprehensive Agricultural Information System, including the Farm Register, Land Register, Farm Accountancy Data Network (FADN) and geographical information system (GIS). This should enable the MAFRD to carry out economic analyses and thus help it develop realistic and constructive agricultural, economic and socio-economic policies.

The sustainability and economic effects of the project will contribute to the implementation of an appropriate local rural development grant programme. This in turn will help upgrade and develop agricultural and rural development, helping farmers and food processors meet food safety standards, modernise their farms and processing facilities and benefit from vocational training and job creation schemes.

3.3 Results and measurable indicators:

Expected results:

- The results of the mid-term evaluation are reflected in the updated ARDP and Kosovo's agriculture and rural development policy.
- The established ARDP implementing structures at MAFRD implement the rural development grant programme according to the updated ARDP and policy priorities and in accordance with EU standards and requirements.
- Civil society organisations, local action groups and agricultural producers' organisations are better equipped to engage in dialogue with the MAFRD on designing and implementing the agricultural and rural development plan and programme.
- The Agricultural Information System (AIS) is operational, linking data from a range of public information services in support of the sector.

Measurable indicators:

- The ARDP implementing institutions are capable of processing, monitoring and evaluating at least 1000 applications from farmers;
- The mid-term evaluation of the ARDP and the rural development programme is prepared and approved by the MAFRD;
- A system is established for collecting and processing the monitoring and evaluation indicators.
- Annual data are produced from the farm register and land register, the market information system and agricultural trade statistics.
- At least two agriculture and rural development measures are launched taking into consideration the mid-term evaluation and the updated and approved ARDP/rural development programme with KCB.

3.4 Activities:

Activity 1 — (Contract 1.1)

This project will include a mid-term review and appraisal of Kosovo's Agriculture and Rural Development Plan as well as an analysis of ARDP priorities compared with the socio-economic needs. Recommendations will be made for improving or correcting the programming and implementation of the ARDP. The mid-term review will provide input for updating the priority measure fiches, guidelines, manuals and procedures for

implementing the ARDP, and for updating the procedural rules, guidelines and instructions for the operation of the ARDP implementing institutions. The monitoring and evaluation system would need to include a definition of indicators.

The project will also cover training, public awareness seminars, internships and workshops. These will help administrators to programme, monitor and manage the Kosovo rural development grant programme in accordance with EU financial management rules and standards. They will also help civil society, farmers' associations, local action groups and producers' organisations to take part in programming and implementing the grant programme. In addition, the project will help administrators to assess the existing agricultural information system components and to update the farm register, land register, market information system and FADN. A comprehensive IT strategy will be introduced for monitoring and evaluating the ARDP. It will include cost estimates and needs assessments based on the IT concept developed by the IPA 2008 twinning project.

Contracting arrangements:

Activity 1: Contract - The Project will be implemented via a twinning project. The twinning will run for two years.

Resident Twinning Advisor (RTA) profile:

- Work experience in implementing EU agricultural and rural development legislation and in managing structural funds.
- Language proficiency: fluency in English.
- Education: relevant education in the area of agriculture, rural development or economics

3.5 Conditionality and sequencing:

The project includes the following conditionalities:

- Availability of staff at the MAFRD
- Availability of national financing for implementing ARDP measures
- Availability of funds from the MAFRD budget
- Availability of co-financing
- Strong political will to implement the project
- Timely preparation of legislation
- Good cooperation among the different stakeholders in implementing the project
- The parties concerned assume their responsibilities and comply with their obligations
- The beneficiary takes part in the tender process in accordance with EU regulations

If these conditionalities are not met, the EC Liaison Office in Kosovo reserves the right to suspend or cancel the project.

3.6 Linked activities

Since 1999, the EU has provided over EUR 70 million of assistance (including investment, training, management support, technical assistance and institutional support) for developing the agricultural sector in Kosovo. The table below summarises the past EU assistance relevant to this project:

Name of project (in EUR million)	Start End	Activities/Results
Establishing a Farm Register system in Kosovo	May 2010 - May 2011	MAFRD and the Statistical Office of Kosovo (SOK) assisted in carrying out an agriculture household survey and establishing a Farm Register.
Further support to land use	February 2010 – February 2011	It consists of assistance to the MAFRD to adopt and implement the National Strategy for Land Consolidation and land reform and assistance to the Land Consolidation Office (LCO) in planning, design and implementation of Land Consolidation (LC) schemes and proceeding with land reform measures. The project will support the review and drafting of regulations and administrative instructions to help implement and enforce the Law on Agricultural Land taking into account the Laws on Spatial Planning, Environmental Protection, Cadastre, Property rights and self government. Input will be provided for carrying out the inventory on ownership in the cadastral zone(s) covering LC schemes, for rural land zoning, as well as for reviewing and refining the existing land valuation criteria and carrying out land value assessments and land value maps in selected pilot areas. The development of land leasing arrangements, including SOEs, will also be carried out in the framework of this project. The development and implementation of a land register database for selected pilot areas is also envisaged. Pilot areas will be selected based on the availability and completeness of ownership and cadastral records. An inventory will be made of polluted agricultural land and made available in a database. Land use plans will be developed for all municipalities but at least in 6 in Kosovo in cooperation with the Ministry of Local Government Administration (MLGA) and the Ministry of Environment and Spatial Planning (MESP).
Support to EU Regional Economic Development Approach in Kosovo	March 2009-Feb 2012	Establish and put into operation five Regional Development Agencies, providing financial support via the EURED grant scheme to small-scale regional socio-economic projects and making available expert support in the areas of strategy building, institution building, financial management, communication and public relations, etc. to RDAs and regional stakeholders.
Cross-Border Cooperation Programme	August 2008-July 2010	Helping the Kosovo Operating Structures to draft and implement up to three CBC programmes: Kosovo-Albania, Kosovo-fYRoM and Kosovo-Montenegro. Involving RDAs in the process.
KS 08 IB AG 01	January 2009 - May 2011	Carrying out a 'gap analysis' of the general organisation, functions and activity of the MAFRD and existing agricultural and forestry support mechanisms. Furthermore, the twinning project will help the MAFRD to draw up a programme of sectoral alignment and to formulate and evaluate its policies. The project is also assessing the MAFRD's needs (e.g. for staff) in order to be ready to implement legislation. In addition, the project is helping the MAFRD by drawing up an Action Plan for preparing the ground for the gradual establishment of the institutions and instruments that will implement the future IPARD Component and the ARDP 2007-2013. This involves working group sessions, study visits and in-country training sessions. A grant scheme for rural development measures to be implemented under the IPA 2009 project and measures available under ARDP 2007-2013 will be used as a pilot exercise to be implemented by the newly-developed and strengthened implementing institutions.
Local Development Strategies (LDS).	May 2007 - May 2009	The project has helped local communities prepare and implement local development strategies including: (i) the formation of Local Action Groups (LAGs); (ii) implementing sustainable market linkage programmes in order to improve the quality of rural life; (iii) supporting farmers and farmers' groups through the MAFRD Rural Advisory Support Service (RASS); (iv) better land use management and monitoring in all municipalities.
Institutional Support to Ministry of Agriculture Forestry and Rural Development (ISMAFRD)	February 2007 - January 2009	Further strengthening the MAFRD by: (i) supporting the EU integration process and legislative approximation and harmonisation; (ii) making MAFRD more efficient through staff recruitment and training; (iii) supporting agricultural policy and the development of agricultural statistics and the farm accounting data network (FADN); (iv) developing budget

		management skills to assist access to IPA financial resources
Support to the Kosovo Centre for Livestock Breeding (KCLB)	December 2006- January 2009	Improving the quality and productivity of the livestock sector through capacity building and by developing and implementing livestock policy. The project specifically aims to: (i) support and strengthen the institutional, legal and management framework of the KCLB; (ii) develop a livestock pedigree database (herd book) from information generated by previous EAR supported projects; (iii) disseminate selected livestock performance data and breeding advice to livestock breeders, via the MAFRD's Rural Development Advisory Services (RDAS) department; (iv) help KCLB and the Standing Commission for Livestock Breeding by providing background information for policy advice to the MAFRD's Policy Unit
Marketing Support Project (MSP)	December 2005 - December 2007	This project was aimed at strengthening market information services and improving market access for local producers by: (i) developing a market information service (MIS); (ii) encouraging investment into and development of wholesale/farmer/retail markets, post-harvest and added value activities, farmer marketing and enterprise groups and improved linkages between farmers, traders and processors; (iii) enabling greater uptake of quality assurance programmes particularly relating to the quality and safety of locally-produced food products; (iv) encouraging agri-trade across the Balkans and with the EU, including schemes for improved promotion of Kosovo regional brands, and; (v) delivering training and study tour programmes on agri-food marketing, contributing to the development and implementation of effective agri-marketing policies and strengthening MAFRD capacity in this area.
The Rural Advisory Service (RAS)	December 2005 - December 2006	The project provided further support to the Rural Advisory Support Services (RASS) within MAFRD enabling full operation of the agreed rural advisory and support services strategy, as developed under SASS I and implemented throughout Kosovo. The aim was to ensure that advisory service providers have the technical and organisational capacity to serve commercial and semi-commercial farmers and facilitate the delivery of advice to smaller farmers by using farmers' groups as conduits for information and advice. It also supported the delivery of advice by strengthening and commercialising demonstration plots and facilities, ensuring the provision of high-quality extension material, widening the dissemination of advice through mass media and the internet, and gradually widening the technical scope of advisory services so that they incorporate rural development agendas other than agricultural productivity.
Agricultural Master Plan for Kosovo (AMPK)	November 2004- 2006	(i) To strengthen the institutional capacity of the MAFRD (and related bodies) for developing and implementing overall macroeconomic, trade and sub-sector agricultural policy and for programming and budgeting within the Ministry; (ii) to help the MAFRD prepare to adopt the EU <i>acquis</i> in agriculture during the pre-accession period; (iii) to develop a coherent Kosovo rural development strategy that will facilitate continued progress towards harmonisation with the EU through a realistic Rural Development Plan, and; (iv) to help the MAFRD engage in dialogue with rural developments in Kosovo, particularly by facilitating contacts and exchanges of information amongst rural development instigators (from the public and private sectors) in Kosovo, and at regional and international levels.
The Strengthening of Agricultural Support Services (SASS 1 & 2).	November 2004 - March 2006	The projects provided institutional capacity-building support to the Rural Advisory Support Services (RASS) with the MAFRD. The SASS 1 project provided extensive training to advisory services personnel (primarily from municipalities) and field advisors, in partnership with the MAFRD and its own regional advisers. SASS 1 was also oriented towards building capacity, managing the services and training personnel within the services. This project provided the operational link between trained advisers and the rural community. The main function of SASS 2 was to train farmers and to publish SASS 1 / RASS information materials such as handbooks, technical publications and general literature.

Other donors active in the sector include the following:

Name of Project	Donor	Budget	Time frame	Overall objectives
Development Assistance to Farmers in Remote Areas of Montenegro and Kosovo	FAO – government of Luxemburg	2.5 M\$	August 2009 - July 2011	The project aims at increasing the livelihood of small farmers in mountain areas of Kosovo and the North East of Montenegro. This is to be achieved by increasing the productivity of traditional production systems and by introducing technical innovations, better product quality and improved marketing.
Strengthening Sustainable Private and Decentralised Forestry: Promotion of Economic Development through Capacity Building in Farmer Based Forest Management in Kosovo and its region	SNV & Sida	EUR 3.666 million	2009 -2013	Sustainable managed private forests and decentralised forests provide quality products and services to citizens and society and thus improve the socio-economic wellbeing of Kosovo
Kosovo Private Enterprise Program (KPEP)	USAID	17M\$	2008- 2010	<p>The project focuses on delivering sector-wide, value-chain and cluster interventions in four major components:</p> <ul style="list-style-type: none"> • Private Sector Support in Competitiveness • Business Support Services • Improvement of Business-Enabling Environment • Workforce Development <p>KPEP targets key sectors including agriculture, construction and construction materials, forestry and wood products, and information and communications technology (ICT).</p>
Swiss Project for Horticultural Promotion	SDC/ Danish government	4.75 M CHF	36 months, 2008 -2011	The main challenge of the project was to help re-establish the once-important horticulture sector after years of neglect and destruction and to help it adapt to the open market economy.
Helping the Kosovo Ministry of Agriculture, Forestry and Rural Development to improve vegetable production in accordance with EU standards	Italian Government	EUR 2.2 million	36 months: Started May 2010	The objective of the project is to introduce integrated fruit and vegetable production to ensure their presence in the national market and to help the Ministry lay the foundations of, and structure, a national extension service to generate favourable conditions for the development of organic agriculture

3.7 Lessons learned

Although the impact of previous assistance is quite satisfactory terms of beneficiary commitment in aligning to the EU requirements and policy, a number of challenges remain:

- *Legal Reform in the sector:* The deadlines for adopting legal instruments are not met, leading to delays in implementation and causing difficulties in project implementation.
- *Enforcement:* Efforts have largely focused on establishing the legal frameworks in Kosovo, but the government's capacity to enforce the law has received insufficient attention. While legal reform has advanced, law enforcement and implementation has not followed, due to lack of resources. This creates a widening gap between the formal legal situation and practice 'on the ground'. An additional constraint is the failure of the different institutions to coordinate their responsibilities and to work together to enforce legislation in the field.
- *Conditionalities:* Project implementation is often hampered either because insufficient qualified staff and resources are allocated to (newly-established) institutions or because the government lacks sufficient operational funds to enable the department concerned to do its job properly.
- *Coordination within the government:* Further improvements could be achieved – in line with the spirit of EU accession – if the government showed stronger leadership in coordinating the work of its different ministries and departments and placed greater emphasis on coordinating and harmonising its policies in practice.
- *Co-financing:* Previous experience in similar projects showed that financial support from the Ministry significantly increases ownership of, and political will to promote, project activities.
- *Socio-economic measures:* Socio-economic opportunities for farmers not only enhance their quality of life but act as a substantial incentive to encourage more unemployed to get engaged in the agricultural sector and therefore to increase the livelihood in rural areas. Therefore, the particular project shall provide beneficiaries with income generation opportunities and will support the government in practical and adequate planning for the sector.

4. Indicative Budget (amounts in EUR million)

			TOTAL EXP.	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+ (z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity: Support to MAFRD			2.2	2.0	91	0.2	9	0.2				
Contract — Twinning	X		2.2	2.0	91	0.2	9	0.2				
TOTAL IB			2.2	2.0	91	0.2	9	0.2				
TOTAL INV												
TOTAL PROJECT			2.2	2.0	91	0.2	9	0.2				

NOTE: Amounts net of VAT

(1) In the Activities column use 'X' to identify whether institution building (IB) or investment (INV).

(2) Expressed in % of the **total** expenditure (EXP) (column (a))

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract	Q1 2011	Q4 2011	Q4 2013

6. Cross-cutting issues

6.1 Equal Opportunities

Civil society (including employers' organisations, trade unions, professional organisations and non-governmental organisations) plays a major role in transition societies. It is important to ensure that those groups' concerns are taken into account in the European development agenda and to enhance their policy dialogue with the administration and Kosovo's institutions. These considerations will be mainstreamed within the assistance programmes.

6.2 Environment

In addition to specific action on the environment, **environmental considerations** will be duly reflected in all IPA-financed activities, in particular via environmental impact assessments. This is particularly relevant where co-financed investments or new legislation could have a major environmental impact.

6.3 Minorities

Equal opportunities and non-discrimination towards women, minorities and vulnerable groups (including children, the disabled and elderly people) will be taken into account in all aspects of EU-funded activities, particularly in relation to public services, legislative matters and socio-economic support programmes.

ANNEXES

- Annex I- Log frame in standard format
- Annex II- Amounts contracted and disbursed per quarter over the full duration of the programme
- Annex III- Description of institutional framework
- Annex IV - Reference to laws, regulations and strategic documents
- Annex V- Details per EU-funded contract

ANNEX I: Logical framework matrix in standard format

Agricultural and Rural Development			
Contracting period) expires: Ref Section: 1.10		Disbursement period expires: Ref Section 1.12	
Total budget: EUR 2.2 million		IPA budget: EUR 2.0 million	
Overall objective	Objectively Verifiable Indicators	Sources of Verification	
To increase the contribution of agriculture and rural development to economic development and growth in Kosovo	<ul style="list-style-type: none"> ▪ Income generation, job creation and quality life of rural people is improved 	<ul style="list-style-type: none"> ▪ Progress report ▪ SAP dialogue ▪ Statistics reports 	
Project purpose	Objectively Verifiable Indicators	Sources of Verification	Assumptions
To help strengthen administrative structures within the MAFRD and to enable civil society organisations to take part in formulating and implementing the Agriculture and Rural Development Programme, in conformity with EU principles and standards	<p>ARDP updated and approved by MAFRD</p> <p>Visibility of the local rural development programme (grant scheme)</p> <p>Agricultural statistics produced</p> <p>Participation of civil society increased</p>	<p>EU Progress report</p> <p>MAFRD annual report</p> <p>ARDP update</p> <p>Mid-term evaluation</p> <p>SAP dialogue conclusions</p> <p>Local Grant Programme procedure manual & guidelines.</p> <p>Agricultural statistics publications (on-line)</p> <p>Peer assessment missions</p>	<ul style="list-style-type: none"> ▪ The ARDP 2013 – 2020 is adopted by the Assembly in a timely manner ▪ Staff at MAFRD are available ▪ Local funds for the rural development grant scheme are available from the KCB
Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Result 1. The results of the mid-term evaluation are reflected in the updated ARDP	<p>For Result 1</p> <ul style="list-style-type: none"> - Mid-term evaluation is available; - Draft ARDP 2013 – 2020 is available - Priority measure fiches, guidelines, manuals and procedures are in place (including agro-environmental measures) for implementing the local rural development programme - Legal texts are aligned to the EU <i>acquis</i> and manuals/procedures for their implementation are put into practice 	<p>Manuals and procedures</p> <p>ADRP</p> <p>National grant scheme publications</p> <p>Quarterly Reports</p> <p>Draft legal texts</p> <p>Workshops and internships</p>	<p>MAFRD is institutionally re-organised</p> <p>Staff are available</p> <p>National funds are provided on time</p>

<p>Result 2. The established ARDP implementing structures at MAFRD implement the rural development grant programme according to the updated ARDP and policy priorities and in accordance with EU standards and requirements.</p> <p>The civil society organisations, local action groups and agricultural producers' organisations are given an enhanced capability for dialogue with the MAFRD in programming and implementing the local agricultural and rural development plan and programme.</p> <p>Result 3. Agricultural Information System (AIS) is operational, linking data from a range of public information services in support of the sector.</p>	<p>For Result 2</p> <ul style="list-style-type: none"> - Number of sub-sector farms' associations, local action groups and producers' associations trained via workshops and internships; - Participation of civil society in Monitoring Committee meetings. - The staff of the Managing Authority, Paying Unit, Monitoring Committee, etc are trained on programming and implementing the rural development programme <p>For Result 3</p> <ul style="list-style-type: none"> - The AIS, based on the existing farm register, market information system and trade statistics, is operational; - Data are updated or/and entered regularly into the system,; - Quality checks are carried out; - Land register is updated after land consolidation registration takes place; - Farm register is continuously updated; - FADN sample is extended and communicated to the European Commission; - Regular exchange of data information between MAFRD, SOK, KVFA and Customs is institutionally formalised; - IT strategy for the implementation of local rural development programmes is developed and adopted by MAFRD; - Number of staff trained in the methodologies for 	<p>Training needs assessments Training materials Internship reports Minutes from Monitoring Committee meetings Public awareness campaigns Training programme</p> <p>Survey reports Land registry records Data from the land register, farm register, market information system, prices of agricultural commodities FADN sample</p>	
--	---	--	--

	<p>data handling</p> <ul style="list-style-type: none"> - The local agricultural statistics can be compared with EU statistics 		
Activities	Means	Specification of costs	Assumptions
Support to MAFRD in legislative and policy development and implementing the ARDP	Twinning project	<p>EUR 2 million EU</p> <p>EUR 0.2 million Local co-financing</p>	<p>Smooth cooperation is established among beneficiaries and stakeholders.</p> <p>Beneficiary allocates sufficient staff for the project and the necessary infrastructure to carry out the project.</p> <p>Interest of Civil Society organisations in participating actively in the project</p> <p>The farm register, land register, FADN software already developed by previous EU projects are properly maintained and used regularly.</p>

Pre-conditions:

The recommendation of the IPA 2008 twinning project is integrated in a road map and the gap analysis report recommendations are followed by MAFRD; the national rural development grant scheme follows EU standards and principles.

ANNEX II: Amounts (in EUR million) contracted and disbursed by quarter for the project

Contracted	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Twinning contract				2.0								
Cumulated				2.0								
Disbursed												
Twinning contract					1.6				0.2		0.2	
Cumulated					1.6	1.6	1.6	1.6	1.8	1.8	2.0	

Annex III: Description of the Institutional Framework

The Ministry of Agriculture, Forestry and Rural Development was established on 17 April 2000 by UNMIK Regulation No 2000/27 on the establishment of the Administrative Department of Agriculture, Forestry and Rural Development (ADAFRD).

Terms of reference of the Ministry of Agriculture, Forestry and Rural Development

- Develop policies and implement laws for the development of agriculture including livestock production and the cultivation of crops, rural development and setting standards for maintenance.
- Facilitate the development of a credit scheme for the support of agriculture, forestry and rural development activities in the private sector;
- Develop a policy for assisting the administration and management of the forestry sector including woodland protection, reforestation, sustainable forestry, fire-fighting and fire prevention, protection against insect pests and various diseases and issuing licenses for logging;
- Regulate hunting and fishing activities;
- Develop policies for water use, including the planning of irrigation;
- Develop policies and implement laws in particular on land use, with the aim of protecting the countryside;
- In cooperation with Ministry of Health and the Kosovo Food and Veterinary Agency, monitor food quality and the use of agricultural inputs, with the aim of protecting consumers;
- Supervise activities that aim to combat insects, parasites, plant diseases or other causes of harm to agriculture and forests;
- Take part in environmental protection activities relating to forestry, hunting, fishing and the management of water resources.

Annex IV: Reference to laws, regulations and strategic documents

Reference list of relevant laws and regulations:

- Agriculture and Rural Development Plan 2009-2013
- Law on Agriculture and Rural Development

Reference to AP /NPAA / EP / SAA

The *European Partnership* 2008 sets the following short- and medium-term priorities for agriculture and fisheries:

- Determine clear responsibilities within the different services in the agricultural sector (including the veterinary and phytosanitary administration) and their relations with the Ministry of Agriculture, Forestry and Rural Development, local governments and municipal level.
- Adopt the law on food and the consequent implementing legislation, and establish the relevant agency to implement and enforce the law.
- Ensure the operational character of the system for identification of animals and registration of their movements.
- Draw up a plan to upgrade agri-food establishments.
- Develop a policy and a regulatory framework to support viable land reform.
- Support the protection of agricultural land against unplanned urban development.
- Assess the compliance of agri-food establishments with EU requirements and prepare a programme for upgrading those establishments.
- Start action for efficient control of domestic plant production, in particular for products with EU-specific requirements.

Reference to the MIPD

‘2.2.2 Strategic Choices for IPA Assistance over the Period 2009-2011

Axis 2: Economic Criteria

Sustainable stability can only be achieved if Kosovo’s economy develops and offers opportunities to all communities. Support to economic growth should be another key objective for EU Assistance. Major infrastructure investment needs persist, which need to be matched with enhanced corporate governance of public utilities to ensure the sound and efficient administration of taxpayers’ moneys. Investment should go hand in-hand with a rigorous reform agenda that ensures fiscal discipline and macroeconomic stability. The focus under this Axis should be on wider socio-economic issues, including fiscal and financial management, auditing and accounting procedures, improvement of the investment climate, trade opportunities, and development of the energy, environment, transport, agriculture and rural development, education and employment sectors. Despite its potential, Kosovo’s agriculture remains under-exploited and key challenges such as poor infrastructure, unresolved property rights, small farm size, lack of farm competitiveness, and poor access to commercial credit, inefficient quality control mechanisms, failure to prepare and enforce environmental and local development plans and low levels of education need to be tackled. A medium-term and integrated *agriculture and rural development plan for 2007-13* is being developed by the Ministry for Agriculture, Forestry and Rural Development. It follows European Commission Guidelines, and is aligning Kosovo with the current EU agriculture and rural development strategy.

On the basis the above, the following priorities, which were set for the MIPD 2009-2011, have been maintained for Axis 2:

– Promoting **agriculture and rural development** through support to the rural economy and the livelihood of the rural population, in line with priority measures identified in Kosovo’s Agriculture and Rural Development Plan 2007-13, gradually aligned with measures established for EU pre-accession assistance to agriculture and rural development.’

Reference to the National Development Plan

The Medium Term Expenditure Framework (MTEF) for 2010-2012 refers specifically to the agricultural sector in Part Four ‘Sector and subsector spending strategy’. Section 4.2.4 states that ‘As about 60% of the population of Kosovo lives in rural areas, the agriculture sector thus plays an important role in providing opportunities for employment and economic growth in Kosovo. Of the total area of Kosovo, which is 1.1 million ha, 53% is agricultural land, while 41% is forest land. Agriculture is an important economic sector which provides a significant portion of employment in post-war Kosovo. The agriculture of Kosovo is characterised by small farms, low productivity and lack of counselling services, but despite this, it contributes with approximately 25% in GDP (gross domestic product) of Kosovo, makes up between 25% to 30% of the general employment, mostly in the informal sector and constitutes around 16% of the total exports’.

III. Main goals of the agricultural sector:

1. Protection and sustainable use of agricultural land;
2. Increased farm productivity and enhanced competitiveness;
3. Food safety;
4. Improvement of forest structure.

1. The first goal — sustainable use and protection of agricultural land — will be achieved by:

- Protecting agricultural land from unplanned construction:
 - a) planning construction in rural areas; and
 - b) implementing the law and subsidiary legislation on agricultural land;
- Farm reconstruction:
 - a) Consolidating agricultural land; and
 - b) Facilitating the market for agricultural land.

2. The second goal — increased farm productivity and competitiveness — will be achieved by:

- Increasing incomes in farms and improving life and work in rural areas:
 - a) Restoring irrigation systems;
 - b) Introducing rural counselling services;
 - c) Improving competitiveness, reducing imports and increasing exports of agricultural products;
 - d) Directly supporting agricultural production and rural diversification;
 - e) Improving the quality of primary agricultural products;
 - f) Improving the processing and marketing of agricultural products.
 - Creating employment opportunities in rural areas, particularly by diversifying rural activities; aligning Kosovo's agriculture with that of the EU:
 - a) Promoting diversification / rural diversity;
 - b) Implementing local development strategies;

c) Developing eco-tourism.

3. The third goal — Food safety — will be achieved by:

- Protecting public health:

- a) Designing and implementing standards for the safety and quality of food;
- b) Monitoring medicinal residues.

- Protecting the health of animals:

- a) Vaccinating animals;
- b) Research into and diagnosis of infectious diseases;
- c) Monitoring animal movements.

4. The fourth goal — improvement of forest structure — will be achieved by:

- Forestation:

- a) Reforestation of woodland areas, increasing the areas under woodland and converting degraded areas into productive forests;
- b) New forestation; environmental protection in general, and in particular protection from erosion;
- c) Development of forest management plans.

Reference to national / sectoral investment plans

The MTEF 2010 – 2012 states that ‘The request for additional donor assistance amounts to EUR 121 640 000.’

Annex V: Details per EU funded contract

Activity 1 (Twinning)

The instrument of twinning will be used to implement this activity. Standard twinning procedures are to be used. The Resident Twinning Advisor (RTA) is expected to be a senior civil servant from a similar institution in an EU Member State. The RTA will be assisted by the short-term secondment of experts from EU Member States.

2010 Annual Programme — Project Fiche 8
Veterinary and Food Safety

1. Basic information

- 1.1 CRIS Number: 2010/022-452
 1.2 Title: Veterinary and food safety
 1.3 ELARG Statistical code: 03.12
 1.4 Location: Kosovo*

Implementing arrangements:

- 1.5 Contracting Authority: European Commission Office to Kosovo
 1.6 Implementing Agency: n/a
 1.7 Beneficiary:

Project activity/component	Beneficiary institution	Contact point responsible for project/activity coordination
Further assistance to the Kosovo Food and Veterinary Agency in building up an integrated food, veterinary and phytosanitary control system and support for Food Business Operators implementing EU-certified safety and quality practices.	Kosovo Food and Veterinary Agency (KFVAA)	Mr Valdet Gjinovci, Acting CEO Kosovo Veterinary and Food Agency (KVFA) Phone: +381 38 551 939 Fax: +381 38 25 25304, e — mail: valdet.gjinovci@ks-gov.net

Financing:

- 1.8 Overall cost (VAT excluded): EUR 1.7 million
 1.9 EU contribution: EUR 1.5 million
 1.10 Final date for contracting: 2 years after the signature of the financing agreement
 1.11 Final date for execution of contracts: 2 years after the final date for contracting
 1.12 Final date for disbursements: 1 year after the final date for the execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall objective:

To contribute to consumer protection in Kosovo by ensuring food safety in accordance with EU standards.

2.2 Project purpose:

Strengthening the FVA's capacity to adopt and enforce EU policies and legislation on animal and plant health and hygiene and to help agri-food businesses and the farming community to implement EU standards.

* Under UNSCR 1244/1999.

2.3 Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

The project refers to the following priorities of the *European Partnership*:

- Updating legislation and strengthening implementation and controls on food safety and veterinary and phytosanitary issues.
- Continuing to upgrade veterinary, phytosanitary, wine and sanitary laboratories, inspectorates and controls at external borders.
- Continuing to strengthen veterinary, sanitary, phytosanitary and food safety legislation and controls.

The *Kosovo Progress Report 2009* states that: ‘In the **veterinary and phytosanitary** area, the new Food Law provides a basis for adopting implementing legislation. Very limited progress can be reported in this respect. Plans to evaluate and upgrade agri-food establishments remain at a preparatory stage. ‘Overall, the agriculture, veterinary and phytosanitary legislative framework has been developed. The lack of administrative capacity remains a concern, leading to delays in reforming the agricultural sector. There has been limited progress as regards alignment with European standards’.

2.4 Link with the Multiannual Indicative Planning Document (MIPD)

Agriculture and rural development are priority areas under the economic criteria of the MIPD 2009-2011, the key strategic planning document for aid to Kosovo under the Instrument for Pre-Accession Assistance (IPA).

2.5 Link with National Development Plan

This project is in line with the agriculture components of the Medium-term Expenditure Framework 2009-2011 and specifically the Agricultural Rural Development Plan 2009-13 (ARDP).

2.6 Link with national/sectoral investment plans

The main policy objective for the sector is consistent with the general strategy included in the updated Agriculture and Rural Development Programme (ARDP) 2009-13, in which Measure 4 — Improvement of Processing and Marketing of Agricultural Products — is given very high priority. The updated ARDP 2009-2013 specifically refers to supporting the development of higher value-added products that meet international hygiene, food safety and quality standards for consumers and improving structures for, and enforcement of, quality, sanitary, veterinary and plant-health controls. The aim is to improve the quality of processed products, introduce innovative and effective production methods, and make progress on meeting EU hygiene, phytosanitary, sanitary and veterinary requirements.

Kosovo has already introduced certain EU standards for food safety and veterinary services. The food law approved in 2009 allows the FVA to introduce EU-compliant controls throughout the food chain, starting at the farm. A strategy for upgrading agri-food businesses is being prepared by the Food and Veterinary Agency.

3. Description of project

3.1 Background and justification

The Food Safety, Veterinary and Phytosanitary authorities in Kosovo needed reorganisation after the new Food Law was adopted in April 2009. The law required all the food control

bodies (the Ministry of Health's Sanitary Inspectorate, municipal inspectorates) into one executive agency, named the Food and Veterinary Agency. This not only centralised responsibilities and streamlined inspection services, but introduced a completely new concept of the role of government in ensuring safety and quality of food. While, previously, responsibility for ensuring the safety food products lay with the government inspectorate, from now on it is the sole responsibility of the 'food business operator'. The food inspector's role will become that of an auditor and advisor to food business operators. The methodology and planning of the government's food control programme will be entirely different, no longer being based on the number of inspections carried out, but using risk assessment as the key planning tool for FVA activities.

Currently, with the support of a ongoing twinning project, the FVA is completing the legal framework to enable the FVA function under the new organisational structure and introduce EU requirements for food safety through the entire chain — food production, processing, transport and retail.

Major concerns remain about the level of qualification and skills of the municipal inspectors, conditions in existing agri-food businesses and farmers' knowledge of good hygiene and good farming practices.

While the ongoing twinning project is helping the FVA to draft the necessary legislation, reorganise FVA various departments and build staff capacity, this project moves beyond that to support FVA enforcement of the law in the field and help food business operators comply with the new safety and quality requirements.

In light of the above, the project will be closely linked with ECLO grants for upgrading agri-food businesses: investment grants will be complemented by expert advice on design and layout of the premises and technology during the early stages and on introducing quality and safety systems later.

This is becoming particularly important because all countries in the region are implementing EU food standards and investing heavily in upgrading this sector to make it compatible for trade with EU countries. Kosovo needs to keep pace with other countries in the region to be able to export its food products across the region and later to the EU.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

As stated in the overall project objective, key project impacts are improved consumer protection and reduction of food-borne diseases, through the application of integrated food control system.

Applying quality and safety standards such as GHP, GMP and HACCP throughout the food chain will increase the competitiveness of domestic products and contribute to import substitution.

Introducing good hygiene and good farming practices at primary production (farm) level will not only pave the way for adopting GFP, GHP, GMP and HACCP, it will improve farm income by introducing modern management systems and providing premium raw materials for food processing, e.g. milk with a low bacterial count and low somatic cells.

It is known that such reforms demand great effort and investment, both of government and industry, especially the latter, while the benefits are not immediately visible. Therefore the project includes an awareness-raising campaign which will provide information to key stakeholders and the general public on the new laws, the importance of food safety and quality

systems for public health and consumer protection, and the impact of success or failure on domestic consumption and particularly on food exports to the region and the EU.

Sustainability and cross-border impact go hand in hand in this project. While upgrading agri-food businesses and introducing EU safety and quality requirements is already well under way in some countries in the region because of the CEFTA agreement and the aspiration of future access to the EU market, only food business operators who meet the requirement will be able to operate and only they will be able to export to the region and the EU.

From the institutional point of view, the Food and Veterinary Agency must be reliable and competent, capable of guaranteeing the safety and quality of products that are exported, imported or transported through Kosovo.

3.3 Results and measurable indicators

Expected Results:

- a) Complete legal framework complying with the EU *acquis* on food safety, veterinary and phytosanitary matters drafted, completed and approved; long-term development strategy for the Food and Veterinary Agency drafted.
- b) Guidelines for FVA staff, food business operators and farmers on implementing the law drafted and approved.
- c) FVA staff trained and capable of enforcing the law.
- d) Food business operators and farmers who receive project support are complying with the guidelines on hygiene, safety, Identification & Registration, animal welfare, disease control, etc.
- e) Certified HACCP system introduced in selected premises.
- f) Public information and communication strategy updated and implemented.

Measurable indicators:

- a) Number of laws and regulation drafted, adopted and harmonised with the *acquis*.
- b) Number of primary and secondary legislative acts approved; number of operational regulations drafted and issued;
- c) Number of FVA inspectors successfully completing training modules.
- d) Number of food business operators trained in food safety — GMP, GHP, GAP and ISO standards. Number of qualified farmers receiving project support. List of farmers compliant with the established I&R, animal welfare, disease control requirements.
- e) Number of businesses that have implemented HACCP.
- f) Updated Public Information Strategy Paper and implementation action plan.

3.4 Activities:

- a) Carry out a Gap Assessment on the existing legislation and its conformity with EC directives on food, veterinary and phytosanitary controls from farm to fork; evidence missing legislation
- b) Support working group on legislation in drafting lacking primary and secondary legislation
- c) Draft concordance table with the EU *acquis*
- d) Support FVA departments at headquarters and regional FVA offices in drafting and implementing annual work plans
- e) Draft standard operating procedures and guidelines for implementing EU-compliant control checks from farm to fork

- f) Monitor progress in implementing the standard procedures and guidelines and give advice whenever necessary
- g) Carry out a training needs assessment for FVA inspectors (veterinary, phytosanitary, and sanitary)
- h) Design a training programme to address general needs and develop individual training modules for each inspectorate, taking into account the part of the food chain under their control; deliver training using predefined tools (on-the-job training, internships, workshops, study visits, etc.)
- i) Carry out a comprehensive survey of medium-sized and large farmers, to be followed by a site visit to assess preconditions for implementing good farming practices and good hygiene practices in line with EU recommendations. Propose list of farms to be included in the project's support scheme
- j) Carry out a comprehensive survey of food business operators by category, including their transport, storage, processing and retail facilities
- k) Perform a site visit to assess preconditions for starting to implement a self-control system
- l) Implement preconditions for effective self-control system in the selected establishments
- m) Raise awareness among key stakeholders in food safety
- n) Carry out detailed assessment of infrastructure, technology and personnel of dairy, meat and fruit & vegetable processing establishments to confirm suitability to implement the HACCP system
- o) Based on the assessment, draft a list of establishments where HACCP can be introduced
- p) Introduce HACCP through on-the-job staff training in agri-food businesses. Training on HACCP to include training of trainers for Kosovo Veterinary and Food Agency on auditing the HACCP system
- q) Revise and update, if necessary, the public information and communication strategy drafted by the current twinning project 'Meeting EU standards on food safety and veterinary services in Kosovo'
- r) Implement the public information strategy, in particular for the design and provision of information to the food industry and farming community on requirements for applying quality and safety standards at production and processing level, namely HACCP, GHP, GMP, and GAP.
- s) Design and set up a functional and effective system of communication in the KFVA and between the KFVA and food industry consumers and other stakeholders.

Contracting arrangements

Twinning Contract — EUR 1.5 million

National co-financing of EUR 0.2 million is planned for this project.

3.5 Conditionality and sequencing

The project includes the following conditionalities:

- Co-financing is ensured;
- The regulation on the new organisational structure of the Food and Veterinary Agency is approved;
- The legal framework to allow implementation of GAP, GHP, GMP and HACCP is in place;
- The supervisory board of the Food and Veterinary Agency is set up and operating;

- Municipal inspectors are transferred to the Food and Veterinary Agency;
- The strategy for upgrading agri-food businesses is finalised and adopted.

If conditionalities are not met, the European Commission Liaison Office reserves the right to suspend or cancel the project.

3.6 Linked activities

The project is linked to the following ongoing EU assistance projects, none of which it should overlap:

Follow-up on Animal Identification, Registration and Movement Control, including GIS. Started in February 2010 and will run through to February 2012.

Regional project 'Control and Eradication of Animal Diseases'. Started in January 2010 and will run through to January 2012.

EU grants for upgrading agri-food businesses. The call for proposals is to be published in May 2010, beneficiaries selected and contracts signed by the end of 2010.

Other donor activities:

World Bank-funded project on Avian Influenza. Project started in April 2007 and ends in April 2011.

USAID 'Kosovo Private Enterprise Program'. One of the components is support to the Milk Control Laboratory of the Kosovo Food and Veterinary Agency.

3.7 Lessons learned

The overall impact realised through the previous assistance is satisfactory. Particular progress is noted in the institutional organization and improved delivery of services. Moreover, increased commitment towards adoption of EU policies, legislation and best practices is noted. However, a number of challenges remain, primarily linked to programming and implementation capacities of the adopted policies and legislation:

- *Legal reform in the sector:* Initial timelines for the adoption of legal instruments are not always adhered to, leading to delays in implementation and causing difficulties in project implementation. For this project, the basic legislation is in place; however, a number of regulations need to be adopted to enable some parts of the project to be implemented.
- *Enforcement:* The focus has very much been on setting up the legal framework in Kosovo. Capacity to enforce the law has not received enough attention. While legal reform has advanced, law enforcement and implementation have not followed. This creates a widening gap between the formal legal situation and practice 'on the ground'.
- *Conditionalities:* Often, project implementation suffers from either a lack of staff and resources allocated to (newly established) institutions or a lack of operational funds in the government budget to allow the relevant department to carry out its mandate appropriately. For this project, a strategy for upgrading agri-food businesses should be adopted, accompanied by a detailed assessment of the beneficiaries targeted (commercial farmers, food business operators) and a clear indication of the time line for implementing safety and quality standards.

- *Coordination within the government:* Further improvements — in line with the spirit of EU accession — could be made with stronger government leadership in coordination efforts among the ministries and departments. For example, assistance will be needed from the Ministry of Agriculture, Forestry and Rural Development through subsidy schemes, and from the Ministry of Environment and Spatial Planning with regard to environmental impact assessments, building permission for food business operators and commercial farms, etc.

4. Indicative Budget (amounts in EUR million)

			SOURCES OF FUNDING									
			TOTAL EXP.	IPA EU CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity: Support to Kosovo Food and Veterinary Agency			1.7	1.5	88	0.2	12	0.2				
Contract — Twinning	X		1.7	1.5	88	0.2	12	0.2				
TOTAL IB			1.7	1.5	88	0.2	12	0.2				
TOTAL INV												
TOTAL PROJECT			1.7	1.5	88	0.2	12	0.2				

NOTE: Amounts net of VAT

(1) In the Activities column use 'X' to identify whether institution building (IB) or investment (INV).

(2) Expressed in % of the **total** expenditure (EXP) (column (a))

5. Indicative Implementation Schedule

Contracts	Start of Tendering	Signature of contract	Project Completion
Twinning Contract	Q4 2010	Q3 2011	Q3 2013

6. Mainstreaming cross-cutting issues

6.1 Equal Opportunity (gender mainstreaming)

Promoting a more diverse workplace (in terms of gender and ethnicity) will be a strong element in strengthening the capacity of the target institutions. The project will ensure mainstreaming of gender and minority issues both (i) within the target institutions and (ii) in the outputs (services provided by these institutions) by:

- addressing the barriers in the workplace that prevent gender equality and ethnic diversity; creating a workplace culture supportive of gender equality and ethnic diversity to improve gender/ethnic balance within the organisation. Opening up new opportunities for minorities as well as opportunities for women to work in non-traditional areas will, in turn, contribute to changing the policy, business and customer focus of these institutions.
- introducing concepts of equality and diversity in strategic planning and management, including the business case for equality and diversity, so as to make the workforce more representative of and responsive to the Kosovo customer base. A work culture that is respectful and accommodating of diversity will in turn contribute to the creation of a multi-ethnic food safety and veterinary service in Kosovo. The project will promote the participation of women in all activities.

6.2 Environment

All support provided will be subject, where necessary, as required by the legislation in force in Kosovo and by EU Directives and standards, to include measures on controlling pollution, enhancing environmental protection, etc.

6.3 Minorities

The project will actively promote the participation of ethnic minorities in all activities, will make a particular effort to work in minority areas, and will deliver outputs that are ethnically disaggregated so that progress and achievements for minorities are transparent.

ANNEXES

- Annex I- Log frame in standard format
- Annex II- Amounts contracted and disbursed per quarter over the full duration of the programme
- Annex III- Description of institutional framework
- Annex IV - Reference to laws, regulations and strategic documents
- Annex V- Details per EU-funded contract

ANNEX I: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR PROJECT FICHE — Further assistance to the Kosovo Food and Veterinary Agency		Programme name and number IPA 2010	
Sector: European Standards		Contracting period expires: Ref Section 1.10	Disbursement period expires: Ref section 1.12
		Total budget: EUR 1.7 million	IPA budget: EUR 1.5 million
Overall objective	Objectively verifiable indicators	Sources of Verification	
To contribute to the consumer protection in Kosovo by ensuring food safety in accordance with EU standards	Improved safety and quality safety of food products in Kosovo.	European Commission Progress Report Government Monitoring Report	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
Strengthening the FVA's capacity to adopt and enforce EU policies and legislation on animal and plant health and hygiene, and to help agri-food businesses and the farming community implement EU standards.	Legal framework and guidelines for an effective food, veterinary and phytosanitary control system completed and harmonised with the <i>acquis</i> .	European Commission Progress Report Government Monitoring Report Project Reports Administrative Instructions and Guidelines	Political commitment of Assembly of Kosovo to approve the new legislation within a reasonable time period and ensuring full operation of the food safety system indicated by the provision of required resources Strong inter-institutional coordination and commitment to exchange information related to food safety; Food Business Operators and farmers motivated and able to implement and sustain food safety systems — HACCP, GMP and GHP.
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
1. Complete legal framework in compliance with the EU <i>acquis</i> on food safety, veterinary and phytosanitary drafted, completed and approved; long-term development strategy for Food and Veterinary Agency drafted	Number of primary and secondary legislation approved; Number of operational regulations drafted and issued;	Project Report Minutes of the Steering Committee Meetings Government Official Journal	Assembly of Kosovo approves new legislation in a timely manner;

2. Guidelines for FVA staff (veterinary, phytosanitary and sanitary), food business operators and farmers on implementing the legal framework drafted and approved.	Number of departments/offices, and laboratories set up and fully staffed; Number of operational rules and procedures drafted/implemented;	Operational Guidelines, rules and procedures available	The Prime Minister's office approves new structure in good time and allocates sufficient budget to hire new staff required under new organisational structure
3. FVA staff trained and capable of enforcing the legislation in place.	Number of FVA inspectors who have successfully completed training modules.	Post-Training and reports Certificates of successful completion of training.	FVA inspectors absorb the knowledge delivered through the CB events.
4. Food Business Operators and Farmers who received project support are complying with the guidelines on hygiene, safety, Identification & Registration, Animal Welfare, Disease Control, etc.	Number of Food Business Operators trained in food safety standards — GMP, GHP, GAP and ISO standards. Number of qualified farmers receiving project support. List of farmers compliant with the established Identification and registration, animal welfare, and disease control requirements.	Survey on medium and large farmers' available. List of farms who received support from the project is available. Project reports; List of food business operators who were part of the project support scheme.	Sufficient financial resources are allocated for the activities of inspectors and maintenance of equipment and vehicles. Farmers motivated to stimulate their participation in the project is in place. Food industry will benefit from the ECLO rural grants. Sufficient resources are made available by food businesses to sustain the HACCP system.
5. Certified HACCP system implemented in the selected businesses.	Number of businesses that have implemented HACCP.	Holding Inspection Reports and eventually reports of inspections carried for subsidy purposes. Project reports, HACCP certificates, inspection reports.	
6. Public information and communication strategy on food safety, veterinary and phytosanitary requirements updated and implemented	Updated Public Information Strategy Paper and implementation action plan.	Progress reports, publications and announcements, alert notifications, leaflets, brochures and other information material.	

Activities	Means	Costs	Assumptions
Further assistance to the Kosovo Food and Veterinary Agency	Twinning Contract	EUR 1.5 million EU Contribution EUR 0.2 million — National Co-financing	Basic laws, covering Food Safety, Veterinary, Phytosanitary/Plant Health and Sanitary are in place. Sufficient funds are available to maintain the purchased equipment and vehicles Farmers committed towards implementing project recommendations

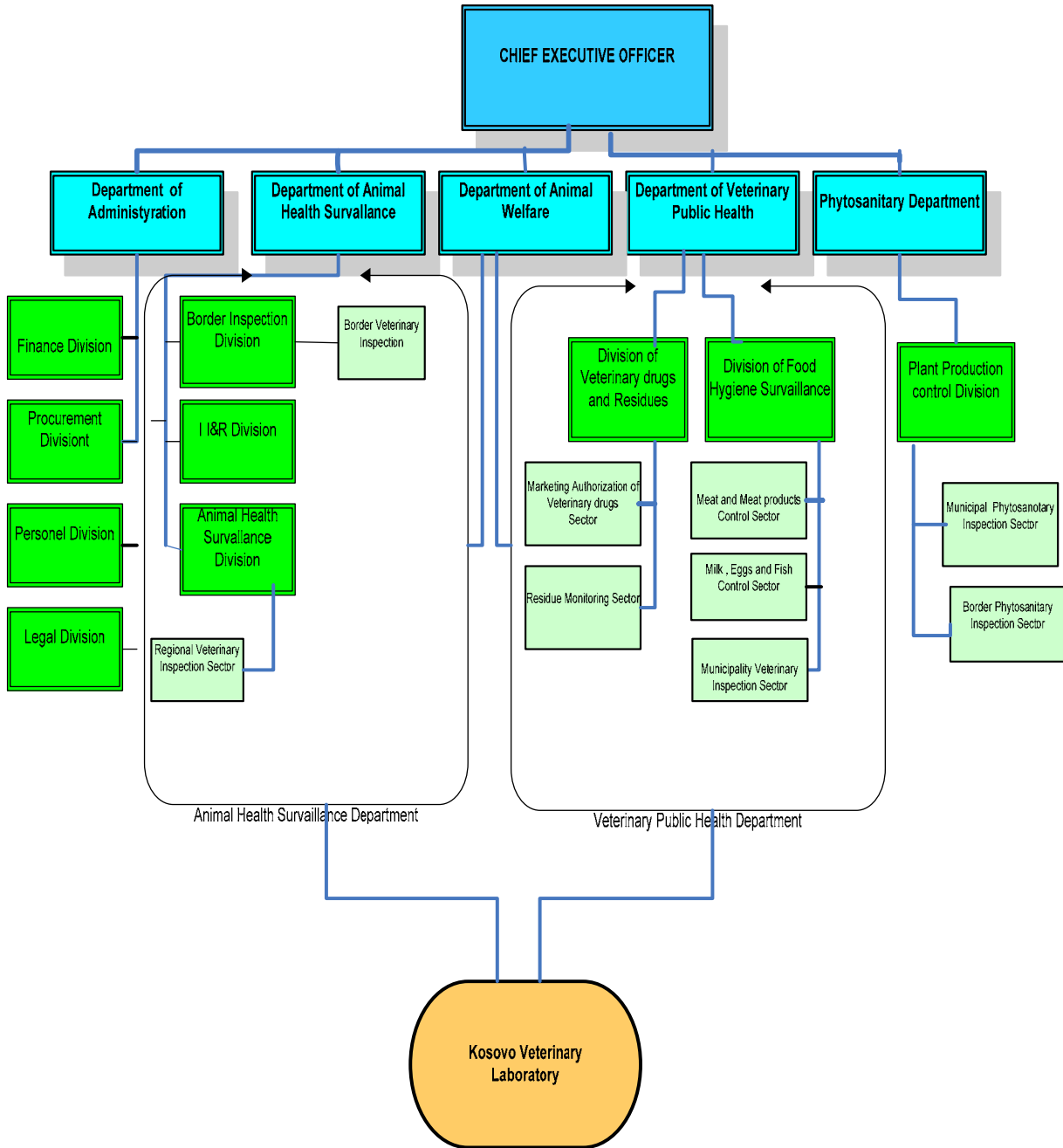
Pre-conditions:

- Regulation on new administrative organisation is in place. FVA-Regional offices established and functional!
- Transfer of Veterinary, Phytosanitary and Sanitary Inspectors from Municipalities to the Food and Veterinary Agency is completed.
- Implementation of Food safety and quality practices is covered by the relevant legislation,

ANNEX II: Indicative planning of the amounts (in EUR million) contracted and disbursed by quarter for the project (cumulated).

Contracted	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4
Twinning Contract					1.5							
Cumulated					1.5							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Disbursed												
Twinning Contract							1.0			0.5		
Cumulated							1.0	1.0	1.0	1.5		

ANNEX III: Institutional framework



ANNEX IV: Reference to laws, regulations and strategic documents

Reference list of Kosovo relevant laws and regulations

- Kosovo Veterinary Law No 21/04;
- Food Law No 03/L-016;
- Law on plant protection and production No02/L-95;
- Law on Kosovo Sanitary Inspection
- Strategy for upgrading Agri-food establishments to be finalised by the end of 2010;
- Agriculture Rural Development Plan 2009-2013.

Reference to European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

The project makes a reference to the following priorities identified in the *European Partnership* including:

- Updating legislation and strengthening implementation and controls on food safety and veterinary and phytosanitary issues.
- Continuing to upgrade veterinary, phytosanitary, wine and sanitary laboratories, inspectorates and controls at external borders.
- Continue strengthening veterinary, sanitary, phytosanitary and food safety legislation and controls.
- Prepare strategic plan for upgrading agri-food businesses.

Reference to national/sectoral investment plans

There are still legislative limitations in Kosovo that impede the implementation of rural development instruments. These limitations have been addressed by the Government and they are being revised.

The Food Law has been adopted by the Parliament and the FVA brought under the Prime Minister's office.

A new Law regulating packaging and labelling in conformity with EU standards has been adopted and intensive work is being done on transposing the new hygiene package (the Regulation on hygiene of food products has already been transposed).

The main policy objective for the sector is consistent with the general strategy included in the Agriculture and Rural Development Programme 2007-13, namely achieving additional incomes for farmers and rural dwellers, leading to improved living standards and working conditions in rural areas; improving competitiveness and efficiency of primary and processed agricultural production, in order to increase import substitution and access export markets; improving on-farm/in factory quality and hygiene standards; improving sustainable rural development and improved quality of life (including infrastructure) through promotion of farming and other economic activities that are in harmony with the environment; creating employment opportunities in rural areas; and aligning Kosovo's agriculture with that of the EU.

ANNEX V: Details per EU-funded contract

Twinning will be used to implement this activity. Standard twinning procedures are to be used. The Resident Twinning Advisor (RTA) is expected to be a senior civil servant from a similar institution in an EU member state (i.e. local authority). The RTA will be assisted by short- and medium-term experts from EU member states.

2010 Annual Programme — Project Fiche 9
Energy Sector Reform

1. Basic information

- 1.1 CRIS number: 2010/022-452
 1.2 Title: Energy sector reform
 1.3 ELARG statistical code: 03.15
 1.4 Location: Kosovo*

Implementing arrangements

- 1.5 Contracting authority: European Commission Liaison Office to Kosovo
 1.6 Implementing agency: n/a
 1.7 Beneficiary:

Project activity/component	Beneficiary institution	Contact point responsible for project/activity coordination
1. Institutional support for the Energy Regulatory Office (ERO)	Energy Regulatory Office (ERO)	Mr Nysret Avdiu, Power Market Expert in ERO e-mail: navdiu@ero-ks.org
2. Support for participation by KOSTT in the regional energy market	Kosovo Transmission System and Market Operator (KOSTT)	Mrs Resmije Ahma, Director for Regulatory Affairs in KOSTT e-mail: resmije.ahma@kostt.com

Financing

- 1.8 Overall cost (VAT excluded): EUR 2.0 million
 1.9 EU contribution: EUR 2.0 million
 1.10 Final date for contracting: 2 years following the date of conclusion of the financing agreement
 1.11 Final date for execution of contracts: 2 years after the final date for contracting
 1.12 Final date for disbursements: 1 year after the final date for execution of contracts

2. Overall objective and project purpose

2.1 Overall objective

The overall objective is to contribute to Kosovo's energy sector reforms in accordance with the requirements of the Energy Community Treaty.

* Under UNSCR 1244/1999.

2.2 Project purpose

The purpose is to support ERO with further development and implementation of the regulatory framework and to strengthen the capacity of KOSTT to participate in the regional energy market and in the European Network of Transmission System Operators for Electricity (ENTSO-E).

2.3 Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

The priorities set by the European Partnership Action Plan (EPAP) for Kosovo include implementing commitments stemming from the Energy Community Treaty (priority No 88), developing a legislative and regulatory framework to encourage mixed investments in the power sector (priority No 146) and integrating into the regional energy market (priority No 147). This project will support the specific action taken under the EPAP to implement these priorities.

The European Commission Progress Report for 2009 identifies weaknesses in ERO's institutional and legislative capacity and emphasises the need for progress on the regulatory framework, for further investment in infrastructure and for improving demand management, as well as the need to improve bill collection and network transparency. It recognises the losses incurred to KOSTT due to the non-participation of the TSO in the regional mechanisms for cross-border electricity transmission.

2.4 Link with the Multiannual Indicative Planning Document (MIPD)

The priorities for European integration in the MIPD for 2009-11 tie in with supporting development of strategies and policies compatible with European standards in the energy field and supporting participation by Kosovo in regional initiatives, including support to establish and/or enhance the necessary structures, legal basis and requirements for full participation by Kosovo in the Energy Community Treaty.

The expected results stated in the MIPD are to improve security of supply by strengthening the transmission network and its transparent use, to provide assistance for Kosovo to participate in regional cooperation mechanisms (the Energy Community Treaty), to support development of renewable energy sources and to improve energy efficiency.

2.5 Link with National Development Plan

Two of the strategic objectives of the energy strategy for Kosovo for 2009-18 are to continue reforms in compliance with the Energy Community Treaty and to develop further the transmission capacity and connections with the regional network.

2.6 Link with national/sectoral investment plans

The objective of the MTEF¹ for 2009-11 for the energy sector is to support implementation of the energy strategy for Kosovo by facilitating investments in upgrading the electricity transmission network in compliance with international technical standards, in order to ensure reliability and security of supply.

3. Description of project

3.1 Background and justification

¹ Medium-Term Expenditure Framework.

Kosovo's institutions have made some progress towards meeting the requirements of the Energy Community Treaty relating to the *acquis* on energy efficiency, renewable energy and electricity.

The energy sector is governed by the Law on Electricity, the Law on Energy and the Law on Energy Regulators, which were adopted in 2004 but are now under review for full compliance with the third EU energy package. In 2009 the Law on Natural Gas and the Law on District Heating were promulgated, but the relevant secondary legislation and regulations are still needed. There is no infrastructure for natural gas in Kosovo. However, the energy strategy envisages developing infrastructure to supply gas from the SEE regional gas ring project² which would connect Kosovo to interconnection points in the former Yugoslav Republic of Macedonia and Serbia. At the request of the Energy Community Secretariat, the Ministry of Energy and Mining (MEM) responded to a questionnaire on development of the gas transmission network and demand scenarios. A draft law on energy efficiency has been prepared but not yet approved.

In September 2009 the government of Kosovo approved the energy strategy for 2009-18 which envisages development of new power generation units fired by lignite (the new Kosovo power plant — NKPP³) by a public-private partnership mix of investment. Preparations and transactions for the NKPP project are being supported by advisors funded by the World Bank. The private investor⁴ in the NKPP is expected to be selected by the end of 2010. The strategy also envisages privatisation of electricity distribution and supply functions (Kosovo Electricity Distribution and Supply — KEDS) in 2011. At present these distribution and supply functions are amongst the responsibilities of the power utility KEK JSC⁵. With the assistance of a transaction advisor (from the IFC arm of the World Bank), the government is working on full unbundling of KEDS from KEK JSC, which is expected to be completed by the end of 2010. Both transactions will imply changes to the current power market model and market rules and to the regulatory framework.

The Energy Regulatory Office (ERO) has developed a sound regulatory framework, with the support of EU-funded technical assistance. However, the transactions for the NKPP and KEDS will imply further revision of the regulatory framework. In turn, developments stemming from the Energy Community Treaty related to the energy efficiency *acquis*, renewable energy, natural gas, etc. will require further improvements to the regulatory framework. Further development of the regulatory framework for renewable energy is required, including feed-in tariffs and certificates of origin. ERO will also need to develop the regulatory framework for the gas sector, based on the recently promulgated Law on Natural Gas.

Since 2006 transmission system operation (TSO) and market operation (MO) are performed by the legally unbundled operator KOSTT⁶. Based on the Law on Electricity, KOSTT has obtained two licences issued by the Energy Regulatory Office (ERO), one for transmission

² The World Bank/KfW South-East Europe Gasification Study (October 2007 and revised in November 2008).

³ The NKPP project includes privatisation of the existing Kosovo B power plant. However, the Kosovo Assembly has not yet decided whether the Kosovo B plant should be part of the package or should be kept under public ownership.

⁴ In March 2010 the Steering Committee for the NKPP project announced the shortlist of four consortia interested in investing in the project.

⁵ KEK JSC — Kosovo Electricity Corporation — is a joint stock company (JSC) established in December 2005 after incorporation of the vertically integrated company KEK with four core businesses: coal-mining, power generation, distribution and supply.

⁶ KOSTT — Kosovo Transmission System and Market Operator.

system operation, the other for market operation. KOSTT has developed a grid code and technical standards complying with generally acceptable standards (GAS), as required under the Energy Community Treaty. Since it was established, KOSTT has been actively participating in the SETSO⁷ regional task force of TSOs as observer, and in other technical working groups with a view to developing regional mechanisms such as coordinated auctioning at regional level. However, KOSTT was not allowed to participate in the inter-TSO mechanism for compensating for the transit of electricity through the Kosovo transmission grid and for allocation of interconnection capacity due to the ongoing border dispute between the Kosovo government and the Republic of Serbia. Currently, the Serbian operator EMS⁸ continues to bear the costs but also to receive the payments for the management of the capacities at the borders. This is estimated to imply a financial loss for KOSTT.

The market operation function is still at an early stage of development. The market rules have been developed by KOSTT and approved by ERO and are being implemented in two phases, starting with a transition phase before moving on to full implementation. This two-phase approach was decided mainly because the full market rules presuppose a surplus of production over demand, which is currently not the case in Kosovo.

The development of new generation capacity (NKPP) and privatisation of electricity distribution and supply (KEDS) will imply changes in market design and, consequently, in the market rules which will have to be implemented by KOSTT. In addition, KOSTT will have to prepare and implement connection agreements with the new market entrants in the generation and distribution network. KOSTT will need assistance with implementing the new market design and market rules and connection agreements.

During 2010 KOSTT expects to submit its application for membership of the European association of TSOs — ENTSO-E. KOSTT has made and needs to continue to progress on preparing the transmission system for compliance with UCTE technical criteria. KOSTT would need further support therefore to increase its capacity to implement requirements stemming from membership of ENTSO-E effectively.

3.2 Assessment of project impact, catalytic effect, sustainability and cross-border impact

The project will support activities that will have an impact on security of supply by facilitating investment in power generation from lignite or renewable energy sources, with due consideration to the environmental performance and impact assessment. Furthermore, the project will have an impact on improving the quality of service provided by the energy suppliers (including electricity, gas and district heating) and will enhance the mechanisms and procedures for consumer protection.

The SEE Energy Community Treaty is intended to increase cross-border trade in energy by creating a single market covering the Member States and South-Eastern Europe.

3.3 Results and measurable indicators

Results

Activity 1 — Institutional support for the Energy Regulatory Office (ERO)

⁷ SETSO — South-East European Transmission System Operator.

⁸ EMS — Serbian Transmission System Operator.

- Regulatory framework for electricity, district heating and natural gas is updated and completed.
- Regulatory procedures ensure transparency, competition and customer protection.
- ERO exercises regulatory responsibilities effectively.

Activity 2 — Support for participation by KOSTT in the regional energy market

- Participation in the regional market and in preparations for membership of ENTSO-E.
- Technical and operational capability of transmission system operator and market operator improved.
- KOSTT fully implements the applicable regulatory requirements of the Third Package and in particular ownership unbundling for the TSO.

Measurable indicators

Activity 1 — Institutional support for the Energy Regulatory Office (ERO)

- Updated rules/regulations for gas and electricity adopted and published.
- Number of measures completed on the electricity and gas road maps of the Energy Community.
- Tariff reviews for electricity and district heating completed on schedule, including a review of the tariff adaptation methodology.
- Number of applications for authorisation for renewable energy generation processed.
- Number of licences reviewed and issued to energy enterprises.
- Number of customer complaints registered and resolved.

Activity 2 — Support for participation by KOSTT in the regional energy market

- Transmission losses reduced and demand management improved.
- Capacity for system security planning and implementation improved.
- Number of new applications for connection to the transmission system.
- Number of staff trained on tariff application.
- Compliance by KOSTT with licence conditions for transmission system operation and for market operation.

3.4 Activities

Activity 1 — Institutional support for the Energy Regulatory Office (ERO)

The energy sector in Kosovo is governed by the Law on Energy, the Law on Energy Regulators, the Law on Electricity, the Law on Natural Gas and the Law on District Heating. The primary legislation (the Laws on Energy, Energy Regulators and Electricity) is under review in the light of legal requirements imposed by the Energy Community Treaty and ongoing developments related to restructuring and private-sector involvement in power generation and in privatisation of electricity distribution and supply. As a participant in the Energy Community, Kosovo is required to comply with the *acquis* on energy, the environment, competition and renewables.

The Energy Regulatory Office (ERO) has received considerable EU support for setting up the Office and a sound regulatory framework. However, the revised primary legislation will imply changes in the regulatory framework (licensing, tariff methodology, market rules, market monitoring issues, dispute resolution procedures, etc.). The ongoing restructuring of

the sector and involvement of the private sector will require additional revision of the regulatory framework.

Furthermore, in the light of development of the gas networks in the region under the Energy Community Treaty, ERO will need to focus on putting in place a regulatory framework that will facilitate investment in natural gas infrastructure.

As a relatively small and young institution, ERO needs medium-term assistance to help it deal effectively with developments relating to regional electricity and gas markets.

Activity 2 — Support for participation by KOSTT in the regional energy market

KOSTT has a role in the regional electricity market and related mechanisms established under the Energy Community Treaty. In the last two years, with the support of EU-funded assistance under IPA 2007, KOSTT has focused on preparing the system for compliance with the technical standards and with requirements for membership of the association of European TSOs, ENTSO-E. Good results have been achieved on upgrading technical and management skills on planning and operating transmission systems. KOSTT has also developed transitional electricity market rules, which were adopted by ERO, along with technical codes in accordance with the existing legislation and methods and procedures for regulatory reporting and financial management.

However, further capacity-building is needed in KOSTT for reviewing and implementing the market rules in the light of the privatisation of KEDS and the concession for the new power generation unit. A step by step approach to achieving membership of ENTSO-E⁹ is important and participation in the regional technical and commercial mechanisms (compensation for transmission, congestion management and balancing mechanism) will place new obligations on KOSTT to operate efficiently on the integrated regional market. KOSTT will need further support to increase its technical capacity so that it can become a competent player on the market, meeting the requirements of the Energy Community Treaty and ENTSO-E.

This project therefore includes technical support on implementation of connection charging methodology and connection agreements in the transmission network, further support on long-term forecasting of demand for electricity, support on market operation and on review and implementation of market rules in the light of new developments on the electricity market (privatisation of the distribution network and new generation capacity), reviews of operational codes and further support on financial and regulatory issues.

Security of supply, one of the priorities of European energy policy, implies strengthening transmission system capability and improving management of energy flows on the electricity markets. One objective of the Kosovo energy strategy for 2009–18 is fully to integrate Kosovo's transmission grid into the regional and European energy network, in compliance with the Energy Community Treaty.

⁹ ENTSO-E is the newly formed European Network of Transmission System Operators for Electricity which has replaced all six previous European TSO associations (including the UCTE) and now includes 42 TSOs from 34 countries. UCTE — the Union for the Coordination of Transmission of Electricity — previously coordinated the activities of transmission system operators in 22 European countries, including those in the Balkans.

3.5 Conditionality and sequencing

- Government commitment to implement the requirements of the Energy Community Treaty, including consultation with the European Commission and the Energy Community Secretariat on reviewing and/or preparing new legislation before adoption.
- Government commitment to ensure the operational and financial independence of the Energy Regulatory Office.
- Government commitment to ensure professional members on the Board of KOSTT and the Board of ERO.
- Harmonisation of the draft law on energy efficiency with the *acquis* in consultation with the Energy Community Secretariat and promulgation of the law by 2011.
- Establishment of the Energy Efficiency Agency in 2011 as an independent and professional agency responsible for implementing the government's strategy and policies on energy efficiency and use of renewable energy sources. Adequate funding from Kosovo's consolidated budget should be earmarked for the Agency's running costs for at least one year of operation.
- Implementation of the Third Package with a special view on TSO unbundling and independence of the regulator.

3.6 Linked activities

EU-funded linked activities

Project	Start/End	Activities/Results
Support for KOSTT (EUR 13 million under IPA 2009; EUR 7.5 million under IPA 2008; EUR 1.0 million under IPA 2007)	2009-2010 2010-2012 2010-2012	Assistance to KOSTT (IPA 2007). Construction of Ferizaj 2 substation (IPA 2008). Replacement of high-voltage equipment in Prizren 2 substation (IPA 2009). IT equipment for market operation (IPA 2009).
Assistance to the Energy Regulatory Office (ERO) (EUR 1.0 million under IPA 2007)	2009-2010	Technical support provided to ERO to develop and implement an energy regulatory framework for establishment of a competitive energy market in Kosovo.
Assistance to the Ministry of Energy and Mining (MEM) (EUR 1.0 million under IPA 2007)	2009-2010	Institutional support to the MEM on implementing Energy Community Treaty requirements, updating the energy strategy and preparing policies to promote energy efficiency and renewable energy sources and secondary legislation on energy efficiency.
Training for energy auditors and public awareness campaign (EUR 0.8 million under IPA 2008)	2009-2010	Training of energy auditors and establishment of an energy auditing process in Kosovo. Public-awareness campaign to promote efficient use of energy and renewable energy sources.

Other donors' projects supporting the energy sector

- USAID is providing support under the Kosovo Economic Development Initiative for privatisation of publicly owned enterprises, including KEK. This programme includes support for the MEM and the Project Steering Committee for developing the new Kosovo power plant (NKPP) project. USAID is providing management support to the

power company KEK, with the aim of improving the performance of networks and supply, and supporting the privatisation of distribution and supply functions (KEDS). In addition, USAID is providing assistance on coordinating issues related to privatisation of KEDS with relevant stakeholders (government, ERO and KOSTT) and other related donor-funded projects. USAID is also funding the feasibility study on the investment required in the existing Kosovo B power plant to comply with environmental standards (the Large Combustion Plant Directive).

- KfW is supporting KOSTT on improving the transmission infrastructure. In 2008 a grant agreement was signed for construction of the new Peja 3 transmission substation (400/110 kV) and of a 400 kV transmission line to Albania. These projects will contribute to security of supply in Kosovo and to the overall reliability of the regional grid. In addition, KfW is the only IFI operating in Kosovo in the Western Balkans Investment Framework (WBIF) co-funded by the European Commission which covers preparation of energy investment projects.
- The World Bank is providing technical assistance to the government in the Lignite Power Technical Assistance Project (LPTAP) preparing for the new power plant, the new coal-mine and, possibly, for privatisation of the existing Kosovo B plant. As part of the LPTAP, the feasibility study for the new HP Zhur hydropower station in Kosovo (300 MW) has been prepared.

3.7 Lessons learned

- *Continuity and complementarity:* As the energy sector is highly capital-intensive, it is vital that reforms are coupled with investment in the sector in order to make a greater impact in terms of the objectives for the sector. It is also important to ensure that economic benefits are achieved from a regional, as opposed to purely national market, perspective.
- *Coordination:* Close consultation between the many stakeholders in the energy sector and a collaborative approach are essential to ensure that all stakeholders are fully informed and support the reforms to be carried out.
- *Ownership:* The involvement of beneficiaries as counterparts in projects is crucial for 'ownership' of projects. This project will help Kosovo institutions to implement energy reforms and build further capacity for sustainable development and integration into the Energy Community in South-East Europe.

4. Indicative budget (amounts in EUR million)

			SOURCES OF FUNDING									
			TOTAL EXP.	IPA EU CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1: Institutional support for ERO			1.0	1.0	100							
Contract 1 — Service	X		1.0	1.0	100							
Activity 2: Support for KOSTT			1.0	1.0	100							
Contract 2 — Service	X		1.0	1.0	100							
TOTAL IB			2.0	2.0	100							
TOTAL INV												
TOTAL PROJECT			2.0	2.0	100							

NOTE: Amounts net of VAT

(1) In the Activities column use 'X' to identify whether institution building (IB) or investment (INV).

(2) Expressed in % of the **total** expenditure (EXP) (column (a))

5. Indicative implementation schedule (periods broken down by quarter)

Contracts	Start of tendering	Signature of contract	Completion of project
Contract 1	Q1 2011	Q3 2011	Q2 2013
Contract 2	Q1 2011	Q3 2011	Q2 2013

6. Cross-cutting issues

6.1 Equal opportunities

This project will promote participation by women, minorities and vulnerable groups in beneficiary organisations. Its effects and impact on them and the opportunities it creates for them will be identified.

Equal opportunities will be ensured in the management and individual components of the project. The team of experts involved in the project must possess relevant skills to ensure effective mainstreaming of gender equality and inclusion of and participation by minorities.

6.2 Environment

In line with the Energy Community Treaty, this project will address all requirements related to the *acquis* on the environment and will build the institutional capacity for implementation. The assistance with development of the regulatory framework will apply environmental standards appropriately in the licensing and authorisation procedures and will address the tariff review process for all energy enterprises. The environmental impact assessment will be one of the criteria for determining the projects in KOSTT's investment plans.

6.3 Minorities

This project will target minority groups by contributing to better electricity supply. In addition, affordability and social concerns will be taken into account in the review of electricity and district heating tariffs carried out by ERO.

ANNEXES

Annex I- Log frame in standard format

Annex II- Amounts contracted and disbursed per quarter over the full duration of the programme

Annex III- Description of institutional framework

Annex IV - Reference to laws, regulations and strategic documents

Annex V- Details per EU-funded contract

ANNEX I: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche Energy sSector Reform		Programme name and number: IPA 2010	
		Contracting period expires: See Section 1.10	Disbursement period expires: See Section 1.12
		Total budget: EUR 2.0 million	IPA budget: EUR 2.0 million
Overall objective	Objectively verifiable indicators	Sources of verification	
To contribute to Kosovo's energy sector reforms in accordance with the requirements of the Energy Community Treaty.	Action specified in the Energy Community road map for electricity taken by institutions in Kosovo and KOSTT. The regulatory framework for electricity is completed and fully aligned with the <i>acquis</i> .	Progress Reports by the Energy Community Secretariat. Energy laws and associated secondary legislation.	
Project purpose	Objectively verifiable indicators	Sources of verification	Assumptions
To support ERO with further development and implementation of the regulatory framework and to strengthen the capacity of KOSTT to participate in the regional energy market and in the European Network for Transmission System Operators for Electricity (ENTSO-E).	Requirements stemming from the primary legislation implemented in the regulatory framework. Increased investment in electricity infrastructure, including power generation, transmission and distribution networks. KOSTT staff actively participating in the regional and ENTSO-E working groups for technical and commercial questions related to transmission system operation and market operation. KOSTT staff capable of handling any technical problems in system and market operation. KOSTT staff capable of reporting in accordance with regulatory requirements.	Reports, papers, etc. prepared by ERO for regional working groups, fora, conferences, etc. ERO's annual report. Official announcements on ERO website. Rules, decisions, licences, working papers and other regulatory output produced by ERO. ENTSO-E reports. Regular monitoring reports produced by KOSTT departments for planning, operations and development. Transmission Development Plan for 2009-18. KOSTT's annual report. ERO's annual report.	Government commitment to implement fully the <i>acquis</i> and the requirements of the Energy Community Treaty. Government creates conditions for attracting investment in energy infrastructure.
Results	Objectively verifiable indicators	Sources of verification	Assumptions
Activity 1 — Institutional support for ERO 1. Regulatory framework for electricity, district heating and natural gas is updated and completed. 2. Regulatory procedures ensure transparency,	Activity 1 Updated rules/regulations for gas and electricity adopted and published.	Reports by ENTSO-E. Reports by the Energy Community Secretariat.	ERO has decision-making and financial independence. ERO is sufficiently staffed.

<p>competition and customer protection.</p> <p>3. ERO exercises regulatory responsibilities effectively.</p> <p>Activity 2 — Support for KOSTT</p> <p>1. Participation in the regional energy market and in ENTSO-E.</p> <p>2. Technical and operational capability of transmission system operator and market operator improved.</p> <p>3. KOSTT has fully implemented the applicable regulatory requirements.</p>	<p>Number of measures completed on the electricity and gas road maps of the Energy Community.</p> <p>Tariff reviews for electricity and district heating completed on schedule.</p> <p>Number of applications for authorisation for renewable energy generation processed.</p> <p>Number of licences reviewed and issued to energy enterprises.</p> <p>Number of customer complaints registered and resolved.</p> <p>Activity 2</p> <p>Transmission losses reduced and demand management improved.</p> <p>Capacity for system security planning and implementation improved.</p> <p>Number of new applications for connection to the transmission system.</p> <p>Number of staff trained on tariff application.</p> <p>Compliance by KOSTT with licence conditions for transmission system operation and for market operation.</p>	<p>KOSTT's annual report.</p> <p>ERO's report on compliance with licence conditions.</p>	<p>Successful privatisation of distribution system and public supplier with the support of other donor-funded assistance.</p> <p>KOSTT obtains membership of ENTSO-E in 2011.</p> <p>KOSTT has the financial means to implement the requirements of the grid code.</p>
Activities	Means	Costs	Assumptions
<p><u>Activity 1 — Institutional support for ERO</u></p> <p><u>Activity 2 — Support for KOSTT</u></p>	<p>2 Service contracts, 24 months duration</p>	<p>EUR 2.0 million</p>	<p>ERO has decision-making and financial independence.</p> <p>ERO coordinates assistance from donors involved in complementary regulatory activities related to privatisation/concession of new generation units and distribution/supply.</p> <p>No undue delays from ERO or third parties with work carried out under the project.</p> <p>Good coordination between KOSTT and stakeholders on the path to membership of ENTSO-E.</p> <p>ERO and KOSTT continue a positive</p>

			<p>approach and dialogue to seek a long-term solution to new asset investment.</p> <p>KOSTT ensures coordination with other donor activities related to privatisation of distribution/supply and related implications for connection agreements and market rules.</p> <p>KOSTT management continues to seek long-term solution for investment funding.</p>
--	--	--	--

Preconditions:

- Government support to ensure the financial and operational independence of ERO.
- Government commitment to ensure professional members on the Board of KOSTT and the Board of ERO.
- Harmonisation of the draft law on energy efficiency with the *acquis* in consultation with the Energy Community Secretariat and promulgation of the law by 2011.
- Establishment of the Energy Efficiency Agency in 2011 as an independent and professional agency responsible for implementing the government's strategy and policies on energy efficiency and use of renewable energy sources. Adequate funding from Kosovo's consolidated budget should be earmarked for the Agency's running costs for at least one year of operation.

ANNEX II: Amounts (in EUR million) contracted and disbursed by quarter for the project

Contracted	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1
Contract 1	1.0								
Contract 2	1.0								
Cumulated	2.0								
Disbursed									
Contract 1			0.2		0.35		0.35		0.1
Contract 2			0.2		0.35		0.35		0.1
Cumulated			0.4	0.4	1.1	1.1	1.8	1.8	2.0

ANNEX III: Institutional framework

Following the signing of the Athens Memorandum in 2003 establishing the regional electricity and gas markets in South-East Europe (SEE), in 2004 the Energy Regulatory Office (ERO) was established by the Law on Energy Regulators. The Ministry of Energy and Mining (MEM) was established in December 2004 by Annex XIII to UNMIK Regulation No 2005/15 amending UNMIK Regulation No 2001/19 on the Executive Branch of the Provisional Institutions of Self-Government in Kosovo. The MEM is responsible for energy policy and strategy development, preparation of the programme implementing the energy strategy and coordination of stakeholder activities to implement this policy and strategy. The MEM's detailed roles and responsibilities are clearly defined in Law No 2004/8 on Energy and in Annex XIII to UNMIK Regulation No 2005/15.

Three laws were promulgated by UNMIK in June 2004: the Law on Energy, the Law on Electricity and the Law on Energy Regulators. These laws are currently being amended to ensure full compliance with the *acquis*, as required under the Energy Community Treaty for South-East Europe.

In the energy sector a monopoly is held by the Kosovo Energy Corporation — KEK, which is a joint stock company with four core functions: coal-mining, power generation, distribution and supply. The distribution and supply businesses are prepared for full unbundling from KEK into a separate company KEDS which is expected to be privatised by 2011.

The power transmission function was unbundled and an independent transmission system and market operator (KOSTT) was established in July 2006.

Both KEK and KOSTT are publicly owned enterprises (POEs). Under the Law on POEs, the Ministry of Economy and Finance (MEF) is responsible for planning and monitoring the performance of all POEs in Kosovo.

ANNEX IV: Laws, regulations and strategy papers

- Law on Energy, June 2004
- Law on Electricity, June 2004
- Law on Energy Regulators, June 2004
- Law 2009/03-L-133 on Natural Gas
- Energy Community Treaty, 2005
- KOSTT's grid code, technical standards for equipment, market rules, licence for transmission system operation, licence for market operation
- Law 2003/4 on Spatial Planning
- Law 2003/9 on Environmental Protection
- Law 2004/5 on Trade in Petroleum and Petroleum Products
- Law 2004/42 on Scientific Research Activity
- Regulation 2005/13 on the long-term allocation of socially owned immovable property managed by the municipalities in Kosovo
- Law No 02/2005 on Foreign Investments
- Government Decision No 06/2005 on restructuring KEK JSC
- Government Decision No 04/36, 2008 on unbundling KEK JSC
- Government Decisions No 03/38, 2008 and No 08/39 on establishment of an Energy Distribution and Supply Company and its privatisation by public tendering
- Law No 03/2008 on Public Enterprises
- Government Decisions No 11/39 and No 13/39 on property policies for central public enterprises
- Law No 36/2004 on Competition
- Government Decision No 02/40, 2008 on the possibility of developing the hydropower plant in Zhur
- Law on Expropriation
- Law on District Heating
- Law on Public-Private Partnerships and Concessions

➤ European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

- European Partnership Action Plan (EPAP)
- EPAP 2.1.3: Regional issues and international obligations
- EPAP 2.3.2: Sectoral policies
- European Commission Progress Report for Kosovo, 2009

➤ MIPD 2009-11

2.3.1.1 Objectives and choices

Axis 1: Political criteria

Improving **the performance of Kosovo's public administration** and pursuing the civil service reform should be priorities of EU assistance, so as to create an effective and professional public administration at all levels which is able to design and implement a coherent and interconnected body of legislation and to provide efficient public services across Kosovo in a transparent and accountable manner.

Axis 2: Economic criteria

Improving **good governance of public utilities and developing infrastructure** in order to promote business-related activities and enhance the quality of public goods and services. The areas of energy, transport, the environment, education, health, information technology and digitalisation of television have to be developed as cornerstones of future economic growth.

Axis 3: European standards

Supporting Kosovo to participate in **regional initiatives**, including support to establish and/or enhance the necessary structures, legal basis and requirements (e.g. in the areas of safety, security and air traffic management) for Kosovo's full participation in the Energy Community Treaty and the South-East European Transport Observatory, with a particular focus on development of a comprehensive energy and transport strategy, the European Common Aviation Area Agreement and adoption of the relevant single European sky *acquis* in the framework of the 'Implementation of the single European sky in South-East Europe' (ISIS) initiative.

➤ National Development Plan

Energy strategy 2009-18 — Strategic goals

- To develop and implement policy, strategy and the legal framework for reforming and restructuring the energy sector in line with the EU *acquis*.
- To promote and support development of a competitive energy market which will be integrated into the EU energy market in the future.
- To promote restoration of the financial viability of the energy enterprises.
- To ensure security of energy supply to customers at the lowest cost and in the most environmentally friendly manner.
- To encourage exploration and development of new reserves of lignite and other minerals.
- To develop and implement policy, strategy and the legal framework for the mining sector.
- To promote private investment in the energy and mining sectors in the form of public-private partnerships.

➤ Reference to national/sectoral investment plans

Medium-Term Expenditure Framework (MTEF) 2009-12 — Objectives

- Continuing the restructuring and reforms of the energy sector, with the purpose of increasing efficiency in the energy sector.
- Securing the credibility of energy generation capacity by providing a reliable supply.
- Modernising the transmission and distribution network, by ensuring integration with the regional and European energy system by 2011.
- Addressing the environmental consequences of existing thermal power plants, including repairing old mines and ash dumps with strict application of international environmental protection norms.

ANNEX V: Details per EU-funded contract

Activity 1 — Institutional support for ERO

Result 1. Regulatory framework for electricity, district heating and natural gas is updated and completed.

1.1 Review and complete rules on licensing and tariff methodology for electricity, district heating and natural gas.

Result 2. Regulatory procedures ensure transparency, competition and customer protection.

2.1 Assist with reviewing new licence applications for electricity, district heating and natural gas.

2.2 Assist with review/approval of authorisations for new generators based on renewable resources.

2.3 Implement tariff reviews.

2.4 Assist with dispute settlement and handling customer complaints.

Result 3. ERO exercises regulatory responsibilities effectively.

3.1 Implement internal quality management procedures.

3.2 Assist ERO with participating in regional bodies and working groups established under the Energy Community Treaty.

Activity 2 — Support for KOSTT

Result 1. Participation in the regional market and in ENTSO-E.

1.1 Response by KOSTT to all queries from the ENTSO-E technical evaluation teams.

1.2 Assist with implementation of the electricity road map and requirements of the Energy Community Treaty.

Result 2. Technical and operational capability of transmission system operator and market operator improved.

2.1 Training for transmission system development staff.

2.2 Assist with developing long-term transmission development plan and demand forecasting.

2.3 Assist with market operation, balancing settlements and invoicing and interconnection capacity allocation.

2.4 Assist with review and implementation of market rules.

2.5 Assist with reviewing the applications for connections to the transmission grid and with preparing the connection agreement; prepare any required adjustments in the grid code.

2.6 Review and amend the market rules with a view to new entrants to the electricity market.

Result 3. KOSTT has fully implemented the applicable regulatory requirements.

3.1 Assist the regulatory and finance departments on the regulatory principles and methodologies and regulatory accounting.

3.2 Assess the suitability of financial recording and reporting systems.

3.3 Assist with tariff regulatory review.

2010 Annual Programme — Project Fiche 10
Environment

1. Basic information

- 1.1 CRIS Number: 2010/022-452
 1.2 Title: Environment
 1.3 ELARG Statistical code: 03.27
 1.4 Location: Kosovo*

Implementing arrangements:

- 1.5 Contracting Authority (EC): European Commission Liaison Office to Kosovo
 1.6 Implementing Agency: n/a
 1.7 Beneficiary:

Project activity/component	Beneficiary institution	Contact point responsible for project/activity coordination
1. Institutional support to the Ministry of Environment and Spatial Planning (MESP)	Ministry of Environment and Spatial Planning	Arben Çitaku, Permanent Secretary in the MESP Arben.Citaku@ks-gov.net
2. Support for the Ministry of Environment and Spatial Planning (MESP) in water management and monitoring of water resources	Ministry of Environment and Spatial Planning	Arben Çitaku, Permanent Secretary in the MESP Arben.Citaku@ks-gov.net Naser Bajraktari
3. Construction of Water Treatment Plant for regional water company 'Prishtina'	Regional Water Company Pristina J.s.c. (Project Implementing Agency); Ministry of Economy and Finance (MEF) as owner of the Regional Water Company Pristina Municipality of Pristina, Fushe Kosove, Obiliq, Podujevo, Graçanica	Arben Çitaku, Permanent Secretary in the MESP Arben.Citaku@ks-gov.net
4. Support for the National Institute for Public Health in Kosovo with the supply of laboratory equipment	National Institute for Public Health in Kosovo	Burbuqe Nushi-Latifi buqen@yahoo.com

- 1.8 Overall cost (VAT excluded): EUR 38.9 million
 1.9 EU contribution: EUR 8.5 million
 1.10 Final date for contracting: 2 years after the signature of the financing agreement
 1.11 Final date for execution of contracts: 2 years after the final date for contracting
 1.12 Final date for disbursements: 1 year after the final date for the execution of contracts

* Under UNSCR 1244/1999.

2. Overall objective and project purpose

2.1 Overall objective:

Improving the state of the environment including water, waste and management of urban settlements in accordance with the EU environmental *acquis* and with EU best practice to provide better health and living conditions for the citizens of Kosovo.

2.2 Project purpose:

The purposes of this programme, under the Instrument for Pre-accession Assistance (IPA), are as follows:

- Strengthening the capacity of the Environment Ministry and stakeholders in completing and enforcing the implementation of secondary legislation on water and river basin management, management of water infrastructure including dams, waste management, spatial and urban planning management, and nature protection and biodiversity.
- Supporting the Environment Ministry in drafting a water strategy and an action plan including preliminary and preparatory work such as data collection, studies, and analyses of water resources in Kosovo.
- Providing a sustainable supply of reliable and safe drinking water to the population of Pristina, through the improvement of laboratory analyses and adoption of advanced water treatment processes.

2.3 Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

The human and financial resources and **administrative capacity** of the Environment Ministry and related institutions (both at national and local level) are still largely insufficient to address Kosovo's environmental challenges. Coordination between institutions is insufficient to address environmental issues. Investment in environmental infrastructure will need to be substantially increased to address the challenges ahead.

The European Partnership priorities provide a basic framework for Kosovo's efforts to approximate its environmental legislation with that of the EU. Kosovo has made important advances. However, there has been limited progress with other European standards in the field of the environment. In those areas where there is some approximation, attention needs to focus on implementation and enforcement, which should be substantially strengthened, in particular by defining and adopting implementing strategies and plans, building institutional capacity and substantially increasing funding.

Improvement of the water ecosystem and infrastructure is included in the 2008 Kosovo Environmental Action Plan for European Partnership and the Mid-Term Expenditure Framework (MTEF) 2009-2011. This is to be done by devising water management policies and strategies and enhancing planning capacity at all levels.

2.4 Link with the Multiannual Indicative Planning Document (MIPD)

While Kosovo has made progress on adopting legislation and policies, more work is needed to create an administrative environment that will ensure further approximation to European standards. According to the MIPD (Axis 3), capacity to develop and implement sector strategies is weak. The environment remains one of the priority sectors and an adequate increase in support to ensure steady progress in this sector is recommended.

Beside specific action in the sector, environmental considerations will be duly reflected in all IPA-financed activities, in particular as concerns environmental impact assessments. This is particularly

relevant where there is potentially a high environmental impact, such as co-financing of investment, new legislation, etc.

2.5 Link with the National Development Plan

Key environmental areas in the MTEF include:

- Limited water reserves and depleted river basins
- River beds that have been damaged and polluted and hence dangerous for public health
- Water infrastructure to improve the water supply for all Kosovo citizens, and
- Improved spatial planning capacity at all levels of Kosovo government.

2.6 Link with national/sectoral investment plans

The main objectives of the Strategy for the Environment Sector in Kosovo are as follows:

- Completion of the legislation and implementation of existing legislation on environmental protection
- The integration of environmental protection into all sectors dealing with or affecting the environment, so that environmental protection becomes part of the sector development policies, plans and programmes
- Integration into European structures for environmental protection.

3. Description of project

3.1 Background and justification

Kosovo is facing very serious environmental issues in a broader sense, in particular concerning water, waste and land management. The situation is rather difficult in urban areas due to changed demographics and the pressure of migration from rural areas. This is reflected in unplanned construction, a poorly managed urban environment and inefficient public services such as waste collection and treatment.

Anthropogenic pressure on the environment is increasing continuously, specifically with regard to the discharge of waste water, insufficient control and management of the use of water and uncontrolled extraction of gravel from river beds. Most of the urban population has access to the sewerage system but the lack of wastewater treatment facilities means that untreated sewage is discharged directly into rivers. There is no monitoring of the quantities or the quality of the discharged wastewater. In villages and other small settlements, wastewater is disposed of into open earth channels which contaminate surface and groundwater, resulting in poor-quality drinking water from wells. Neither is industrial wastewater treated; the effluent is discharged directly into rivers. The problem is graver in areas around mining-waste dump sites, where there are indications of pollution of ground and surface waters with heavy metals.

Component 1. Institutional support for the Ministry of Environment and Spatial Planning

Departments responsible for the environment continue to suffer from a lack of resources. The secondary legislation is not complete and institutions dealing with the water sector, waste collection and processing, and environmental improvement in urban areas need further capacity-building support to manage the growing problems.

Under the law, the competent authority for water management, protection and planning is the Ministry of Environment and Spatial Planning. The Water Law states that the competent authorities on water administration are: the Government, the Kosovo Water Council, the Environment Ministry, the River Basin District Authorities, and Municipalities. Nevertheless, neither the Kosovo Water Council nor the River Basin Authorities have been set up yet. The reasons differ but relate to their financing, organisational structure, human resources, etc. Water resources remain unprotected

for lack of appropriate legislation to define protection zones and implementing arrangements. The ownership and management of water supply infrastructure including dams and other assets is not covered in the current legislation. This has a bearing on the safety of large infrastructure, such as dams, dykes and water intakes.

The legislation on waste management does not cover all the issues, such as natural or legal persons empowered to manage waste. Further issues such as rationalising the collection, sorting and treatment of waste are beyond the management capacity of the current administrative structures.

Population drift toward urban areas and current demography puts a heavy burden on the Environment Ministry and requires appropriate legislation and effective structures to regulate issues such as town planning and management, physical structure, infrastructure, construction and other activities.

Component 2. Support for the Ministry of Environment and Spatial Planning in water management and monitoring of water resources.

With environment legislation incomplete, Kosovo does not have an appropriate policy for development of the water sector. The Water Strategy Plan (2007-2013) drafted by the technical inter-sectoral government group specified investment targets in terms of percentage of connection to the water supply, percentage of connection to the sewerage system, technical losses, fee collection, and surface water quality. Due to political changes in the Government of Kosovo the strategy was never approved by parliament and never became official policy.

Increasing demands on Kosovo's water resources — for drinking water, irrigation of agricultural fields, delivery of bulk water to power plants and industry, better management of water quality and management of risks from extreme phenomena such as floods and droughts — make it imperative to develop a fair, implementable longer-term water strategy. Development of the National Strategy is acknowledged by the Government of Kosovo as a priority of the highest order, given the long-term development needs of the country.

The project should provide institutional support to the water department in the Environment Ministry and other relevant institutions to draft a strategy and action plan for the water sector based on preparatory work such as data collection, studies and analyses of the water resources in Kosovo. The action plan should be based on a detailed assessment of the needs of the sector and should provide concrete implementable plans and priority projects with a realistic cost estimates.

Component 3. Construction of Water Treatment Plant for regional water company 'Prishtina'

The Regional Water Company Pristina (RWCP) is the largest of seven incorporated Regional Water Companies in Kosovo owned by the Ministry of Economy and Finance. It provides water supply and sewerage services to more than of one third of Kosovo's population.

Ongoing projects in Pristina, Peja and Prizren focus on reducing technical water losses, increasing connection to water supply services and first measures in sewerage — in the case of Pristina, the main transmissions, the existing network and the Badovc water treatment plant will be rehabilitated.

The project in Pristina also addresses water demand management via measures to improve metering, pricing and awareness building. Institutional support is being provided to improve billing and collection efficiency in order to stabilise the income of the water companies, and thereby ensure that investment is sustainable.

Nevertheless, more investment in the RWCP water supply system is needed. Urban population growth in Kosovo is outrunning the existing infrastructure — particularly in Pristina, where urban migration is very noticeable from the extensive construction sites in the city. Currently only 95 % of the population in the capital and 77% of the surrounding municipalities are supplied with piped water and households face severe rationing, e.g. in terms of service hours. Of the population not connected to piped supplies, most obtain water from shallow wells or boreholes, which have been

shown to be highly vulnerable to pollution. A feasibility study funded under the Infrastructure Project Facility Western Balkans and carried out by consultants WYG pointed out that existing resources (Battlava lake, Badovc lake and Kroni wellfield) are too small to meet future water demands and therefore proposed the construction of a new water treatment plant.

In short, the new water treatment plant would help to cover present and future water demand and to secure a reliable and safe drinking water supply to the population of Pristina, Obiliq, Drenas, Lipjan, Shtime, Podujeva and Fusha Kosove (in total more than 600 000 inhabitants, forecast to rise to 1 200 000 by 2030).

Component 4. Support to NIPHK in supply of laboratory equipment

The EU-funded feasibility study of drinking water revealed a number of shortcomings in the quality of drinking water. The acute problem is the technical capacity and equipment of the National Institute for Public Health in Kosovo (NIPHK) to control drinking water quality and check compliance with the requirements of the Drinking Water Directive (98/83/EC).

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

The project will have a positive impact through strengthening the capacity of Kosovo's institutions, particularly the Environment, Water, Spatial Planning and Housing Department of the Environment Ministry, including the NIPHK.

The project will have a positive impact on overall environmental conditions, especially water supply and management of water resources. Strengthening this sector is a catalyst for socioeconomic development and will accelerate the implementation of European standards and improve the quality of life for all citizens.

The impact should also be visible in terms of better managed waste water and solid waste. Furthermore, urban areas in Kosovo should benefit and the impact will be visible in improved, regulated construction and better planning.

3.3 Results and measurable indicators

Component 1. Institutional support to the Ministry of Environment and Spatial Planning (MESP)

Results:

1. Secondary legislation is adopted in accordance with EU directives and licensing, permit and control procedures are defined in the following fields:
 - Water quality, water resource management
 - Waste management
 - Spatial urban planning, housing and construction
 - Nature protection and biodiversity.
2. Institutional framework for monitoring and controlling water quality and water resource management is up and running, including river basin management plans; roles and institutional responsibilities for water infrastructure such as dams and water reservoirs are laid down;
3. Institutional framework for effective waste management and control in central government is working;
4. Administrative capacity of the Environment Ministry and Institute for Spatial Planning is strengthened so they perform their duties and responsibilities efficiently with regard to spatial and urban planning, prevention of illegal construction and regularisation of informal settlements.

Objectively verifiable indicators:

- Secondary legislation and regulations on water, waste, urban management and nature protection approved by the end of the project.
- River basin management institutions set up in accordance with the Water Framework Directive.
- Established administrative procedures and legal acts concerning ownership and management of water infrastructure.
- Methodology devised for protection of water resources, zoning and measures.
- Responsibilities for dam management clearly allocated.
- Responsibilities for waste management and services clearly allocated and institutional coordination between the Environment Ministry and municipalities enhanced.
- Revised Spatial Plans and legal acts and norms drafted for urban planning and management, construction standards, informal settlements.
- Municipal institutions in charge of construction activity up and running.

Component 2. Support to the Ministry of Environment and Spatial Planning (MESp) in water management and monitoring of water resources.**Results:**

1. Relevant data on water resources including precipitation, surface and ground water are acquired and incorporated into the existing water information system.
2. Draft Water Strategy drafted and accepted by the Environment Ministry and other relevant institutions.
3. Action plan identifying priority projects for water infrastructure including water and waste water treatment plants, rehabilitation/construction of water reservoirs, intakes and dykes, and rehabilitation of water pipelines has been drafted.

Objectively verifiable indicators:

- Water management information system upgraded, including relevant data on surface and ground water for the entire Kosovo territory.
- Water strategy document available.
- Action plan with details and cost estimates for specific investment projects available.

Component 3. Construction of Water Treatment Plant for regional water company 'Pristina'.**Results:**

1. Operational water treatment plant in Pristina, pumping station, main transmission line and installed reservoir.

Objectively verifiable indicators:

Available and functioning adequate infrastructure and equipment at the water treatment plant in Pristina.

Component 4. Support to NIPHK in supply of laboratory equipment

Results: Improvement of the NIPHK's regulatory functions regarding drinking water quality in Kosovo.

Objectively verifiable indicators: Available and functioning equipment in the NIPHK laboratory.

3.4 Activities**Component 1. Institutional support to the Ministry of Environment and Spatial Planning (MESP).**

1. Review the existing legal framework, including support for drafting secondary legislation and regulations in accordance with EU directives, and draft implementation, licensing, permit, and control procedures in the following fields:
 - water quality, water resource management;
 - waste management;
 - spatial urban planning and housing and construction;
 - nature protection and biodiversity.
2. Support the Environment Ministry with developing structures for monitoring and controlling water quality and water resource management, including river basin management plans, definition of water resource protection zones, definition of roles and institutional responsibilities regarding water infrastructure such as dams and water reservoirs.
3. Support the Environment Ministry with building institutional capacity and defining roles and responsibilities of central government in waste management and the control of services in urban and rural areas.
4. Support administrative capacity building in the Environment Ministry and Institute for Spatial Planning so they can perform their duties and responsibilities efficiently with regard to spatial and urban planning, prevention of illegal construction and regularisation of informal settlements.

Support should be provided, in the following areas, among others:

- Preparation of procedures and guidelines on drafting urban spatial plans and in issuing permits (construction, environmental);
- Definition nature-protected zones;
- Preparation of construction standards and codes in accordance with EU best practice.

Component 2. Support to the Ministry of Environment and Spatial Planning (MESP) in water management and monitoring of water resources.

1. Conduct a study and analyses to collect relevant data on water resources including precipitation, surface and ground water and incorporate them into the information management system.
2. Support the Environment Ministry and other relevant institutions in drafting a water strategy in accordance with current EU requirements and directives.
3. Draft the action plan to implement the water strategy and assist the Environment Ministry with defining the short-term/long-term priorities with concrete project concepts to be presented to international financial institutions through the IPF.

Component 3. Construction of Water Treatment Plant for regional water company 'Prishtina'.

Activity 1: Construct water treatment plant in Pristina:

- preparation of design (including an environmental impact assessment) and technical specification,
- preparation of tender documents,
- tendering and contract award,
- execution of construction works (water treatment plant, reservoir, pumping station, main transmission line),
- supervision of construction works by the selected consultant.

Component 4. Support to NIPHK in supply of laboratory equipment.

Activity 1. Prepare tender dossier and procurement of water quality control equipment for the NIPHK. Train NIPHK staff in the use of the equipment.

Contracting arrangements

Component 1 – 1 twinning contract;
Component 2 – 1 service contract;
Component 3 – 1 delegation agreement (with KfW); and
Component 4 – 1 supply contract.

Project management and administration

The European Commission Liaison Office (ECLO) in Pristina will manage procurement, implementation, quality control, reporting and coordination with other donors of development assistance and of financial and technical cooperation related to components 1.2 and 4 of the project, taking remedial actions as needed. The ECLO is responsible for drafting the project terms of reference and all other relevant tender documents.

Project Steering Committees will be responsible for the overall direction of projects and comprise representatives from the beneficiary institution and the Commission Office.

Component 3 will be implemented through delegation agreement between the European Commission Liaison Office to Kosovo and KfW. KfW is the only IFI (International Financial Institution) operating in Kosovo which is able to perform this kind of activity. Furthermore they have been working on the water sector for a long time now and have ongoing projects with the Pristina Regional Water Company. KfW will subsequently conclude a grant agreement for the IPA funds with the Government of Kosovo, represented by the Ministry and Economy and Finance and the Regional Water Company Pristina J.s.cm which will act as implementing agency. A management board will be established for the purpose of steering the implementation of the project and will comprise of Commission Office, KfW and the MEF.

Component 4 is a supply contract.

3.5 Conditionality and sequencing

It is very important that the following activities are completed before a project commences:

- Sufficient resources are made available by the Government to all beneficiary institutions;
- Beneficiaries demonstrate an attitude of ownership of the project.
- Working groups, steering and coordination committees have been organised, and members selected and appointed, and training activities, seminars and study visits have been held by the beneficiaries, in line with the project work plan.

- The Government is dedicated to the devolution of power, to the development of professionalism in the administration and to its commitment to the process of European integration.

The delegation agreement (component 3) is subject to the following conditionalities:

- Co-funding of the project by the Kosovo Government (EUR 5.0 million) and by the Municipality of Pristina (EUR 5.0 million).
- Approval of the KfW loan of up to EUR 20 million by KfW's board and by the German Government.
- Further information on the following issues, which will be covered by an ongoing study funded by German special grant fund:
 - capacity of water extraction from the Gazivoda Lake;
 - ownership of proposed locations for pumping stations and the treatment plant;
 - agreement on alternative models for the design of the treatment plant;
 - analysis of raw water quality;
 - alignment of transmission lines from the water treatment plant to the reservoir;
 - agreement on integrated water resource management: commitment of all key stakeholders to increase source capacity for drinking water in order to prevent conflicts between different users;
 - legal clarification of prioritised water user rights.
- Prior agreement on infrastructure measures with the relevant operator for maintenance of the canal.

If conditionalities are not met, suspension or cancellation of the project or specific activities will be considered.

3.6 Linked activities

Previous assistance includes EU-funded capacity-building for Environment Ministry support of publicly owned water and wastewater utilities and the waste regulatory office and projects supporting infrastructure improvements in both the water and wastewater sectors. A new wastewater treatment facility (the first in Kosovo) is being constructed in Skenderaj/Srbica. The most relevant projects financed by European Commission are as follows:

Institutional support for environmental management for the Ministry of Environment and Spatial Planning, Kosovo	(Oct. 2003-March 2005),	The overall objective of the project was to lay a strong foundation for Environment Ministry in particular, and for the government of Kosovo in general, to implement the EU environmental <i>acquis</i> . The project provided institutional support to outline and establish the strategies, policies, concepts, procedures and capacities required for managing, implementing, and enforcing environmental policy in Kosovo. This included strengthening environmental management and training officials and key staff, as well as supplying equipment and logistical support for targeted sectors such as environmental monitoring and data management.
Institutional strengthening and capacity building of all departments of MESP	ended in Sept. 2007	This project provided practical assistance to the Water Resources Management Department mainly and focused on assisting drafting subsidiary laws, river basin management issues, flood management, and drinking water protection. One of the main outputs is provision of practical tools (GIS and hydraulic models) which will be compatible with the existing Information Management Systems (IMS) already installed in the Environment Ministry and KEPA.
Institutional support to the Ministry of Environment and Spatial Planning,	ended Sept. 2007	The objective of this project was to broaden and deepen the environmental management capacity of the Environment Ministry mainly on the issues of permitting and pollution control at municipal level, nature conservation and environmental protection in the Ministry, and spatial planning for the Ministry. Under this project the capacity of

Kosovo		local authorities will also be assessed, in terms of implementing environmental legislation. The assessment will identify those that can serve as pilots for the reinforcement of local control systems to be extended to all 30 in due course.
Further support to the Association of Kosovo Municipalities	May 2006 — July 2008	The scope of this project was to further strengthen the institutional capacity of the Association of Kosovo Municipalities as an effective forum to enhance inter-municipal cooperation and dialogue with central government in areas of municipal competence and the local government reform process.
European Commission through the EAR has financed a project to rehabilitate the hydrometric network in Kosovo (EUR 200 000).	2001 – 2003	River gauging stations were rebuilt and some meteorological stations were also restored. Part of the project was capacity building at Hydromet, including staff recruitment, upgrading the facilities and providing training. The rehabilitation of the hydrometric network included 22 river gauging stations. Unfortunately, today only eight gauging stations are still operating due to interference by unauthorised persons.
The European Commission has funded the ‘Support Kosovo municipalities and MESP for the implementation of environmental Laws at municipal level’	Jan 2008 — April 2009	The purpose of this project was to strengthen the institutional capacity of Kosovo’s municipalities and the Environment Ministry and to improve enforcement of environmental laws and regulations and to ensure better communication and cooperation between the central and local government (five regional offices/inspectors, municipalities, local councils, mayors’ offices).
‘Support MESP for the water resources management in Drini river basin	Jan 2008 — Jan 2010	The project aimed to establish water monitoring programs, integrated databases and associated Geographical Information System (GIS) applications for the management and control of water resources, in Drini River Basin. The project also provided support for strengthening the institutional capacity of the Water Resources Management Department of the Environment Ministry, particularly for water resources management, and assisted development of River Basin Authorities.

In addition, a number of international donors provide assistance in the water sector. KfW supports the operation, consolidation and incorporation of water utilities in the Prizren and Peje regions and has carried out studies regarding sewage disposal at Prizren and is in the process to carry out sewage disposal studies for Peja and Gjakova. Some of the initial institutional assistance has been carried out with the support of GTZ. Austria funds better water supplies in villages.. The most important projects related to this programme are:

- **A water management preparatory project in Kosovo financed by the Ministry of Foreign Affairs of Finland (2004)**, the main objective of which was to provide the Environment Ministry, wastewater utilities and major industries with a province-based wastewater treatment strategy to guide licensing, spatial planning and relative investment.
- **An Italian government-financed central laboratory for testing water, air and soil, at the KEPA.** The analytical equipment ensured the accessibility of key environmental data, which will help to initiate further development of the environmental information system in Kosovo. To ensure effective use of these instruments, some staff were sent abroad for training. However, the laboratory is not operating as the Environment Ministry has not provided connections to public utilities (electricity and sewage).
- **Development of south and south-eastern water resources, financed by the Swiss Development Agency** (ends 2007) with co-financing from Austria, which is mainly involved with river basin management (surface and groundwater) in the south-eastern part of Kosovo, and establishing a water information system and database. The project also deals with groundwater monitoring issues in the area and provides technical support to the Water Directorate (River Basin Division).

There are strong links between KfW's engagement in the project 'Water Supply and Sewage Programme in the City of Pristina (Phase I)' and that of the EU (EAR), which funded a main transmission line. The costs of the first phase amounted to EUR 8.5 million, of which EUR 8 million was financed by KfW grants including infrastructure investments and accompanying measures and the remaining EUR 0.5 million is a contribution of the Kosovo Government. This project is currently under implementation.

The second phase 'Water Supply and Sewerage Programme in the City of Pristina (Phase II)' amounts to some EUR 17 million. This amount consists of EUR 6 million in soft loans under German Financial Cooperation and an EUR 11 million grant ('Financial Contribution') from the European Commission provided under the Infrastructure Project Facility (IPF). The loan, financing and project agreements will be signed within the first half of 2010.

Both projects aim to improve the water supply service for Pristina and to protect natural water resources. The projects comprise measures to reduce technical water losses by rehabilitating main transmission lines and parts of the supply network and to reduce administrative losses by renewing house connections and water meters. The existing treatment plant and a pumping station will also be rehabilitated to improve water quality and be able to expand the service area. First measures on sewerage will include cleaning the main sewers. Through accompanying measures the Regional Water Company Pristina will be strengthened in its management and administration skills and in its capacity to counteract the prevailing waste of water through better demand management.

The project will be an extension of the ongoing projects.

3.7 Lessons learned

Although the impact made with the previous assistance is satisfactory overall, a number of challenges remain:

- *Staffing*: Often project implementation is hampered by either a lack of staff and resources or a lack of funds in the budget to allow appropriate implementation of the mandate. Therefore, it is of crucial importance that relevant institutions sign internship and employment contracts with students before their departure.
- *Cross-cutting issues*: There is more need to institute formal checks that cross cutting themes are respected in all dimensions of project activities to enhance relevance and impact.
- *Flexibility*: Recurring reference is made to the importance of flexibility in planning and projects to accommodate needs at the time; and the importance of avoiding duplication.
- *Coordination*: Close consultation among the many stakeholders involved in the project and a collaborative approach are essential to ensure that all these stakeholders are fully informed and are supportive of the project to be carried out.

4. Indicative budget (amounts in EUR million)

			TOTAL EXP.	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1: Support to MESP			2.0	1.8	90	0.2	10	0.2				
Contract - Twinning	X		2.0	1.8	90	0.2	10	0.2				
Activity 2: Support to MESP in water management			1.4	1.2	86	0.2	14	0.2				
Contract - Service	X		1.4	1.2	86	0.2	14	0.2				
Activity 3: Pristina Water Treatment Plan			35.0	5.0	14	30	86	5	5	20		
Contract - Delegation agreement with KfW		X	35.0	5.0	14	30	86	5	5	20		
Activity 4: Support to NIPHK in supply of laboratory equipment			0.5	0.5	100							
Contract - Supply		X	0.5	0.5	100							
TOTAL IB			3.4	3.0	88	0.4	12	0.4				
TOTAL INV			35.5	5.5	15	30.0	75	10		20		
TOTAL PROJECT			38.9	8.5	22	30.4	78	10.4		20		

NOTE: Amounts net of VAT

(1) In the Activities column use 'X' to identify whether institution building (IB) or investment (INV).

(2) Expressed in % of the **total** expenditure (EXP) (column (a))

5. Indicative Implementation Schedule (by quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1 - Twinning	Q1 2011	Q3 2011	Q3 2013
Contract 2 - Service	Q1 2011	Q1 2011	Q1 2013
Contract 3 - Grant	n/a	Q3 2011	Q2 2014
Contract 4 - Supply	Q2 2011	Q3 2011	Q3 2012

6. Cross cutting issues

6.1 Equal opportunity (gender mainstreaming)

The project will promote the participation of women in environmental protection issues and awareness raising for the public. Promoting a more diverse workplace (in terms of gender and ethnicity) will be a strong element in strengthening the capacity of the target institution. The project will ensure mainstreaming of gender and minority issues both (i) within the target institution and (ii) in outputs (services provided by the institution) by:

- addressing the barriers in the workplace that prevent gender equality and ethnic diversity; creating a workplace culture supportive of gender equality and ethnic diversity to improve gender/ethnic balance within the organisation. Opening up new opportunities for minorities as well as opportunities for women to work in non-traditional areas will, in turn, contribute to changing the policy, business and customer focus of these institutions.
- introducing concepts of equality and diversity in strategic planning and management, including the business case for equality and diversity, so as to make the workforce more representative of and responsive to the Kosovo customer base. A work culture that is respectful and accommodating of diversity will in turn contribute to the creation of an environment sector at the service of a multi-ethnic Kosovo.

The terms of reference will state the project's intended effects, impact, and opportunities on or for women and minorities. Data systematically disaggregated by sex and ethnicity will be produced to set a baseline and measure progress. Team of experts must possess relevant skills to ensure effective mainstreaming of gender equality and minority inclusion/participation.

6.2 Environment

Given that the main objective is to improve the state of the environment in Kosovo, the results of all projects are expected to have an environmental impact. The project will be consistent with environmental legislation and the Environment Protection Strategy.

6.3 Minorities

The project will promote the participation of minority communities in all its activities. The terms of reference will explicitly identify the project's intended effects, impact, and opportunities on and for minorities.

ANNEXES

- Annex I- Log frame in standard format
- Annex II- Amounts contracted and disbursed per quarter over the full duration of the programme
- Annex III- Description of institutional framework
- Annex IV - Reference to laws, regulations and strategic documents
- Annex V- Details per EU-funded contract

ANNEX I: Logical framework matrix in standard format

Project: Support for the improvement of environmental conditions in Kosovo		Programme name: IPA 2010	
		Total budget: EUR 38.9 million	IPA budget: EUR 8.5 million
Overall objective	Objectively verifiable indicators	Sources of Verification	Assumptions
Improvement of the state of environment including water, waste and management of urban settlements in line with the EU environmental <i>acquis</i> and in accordance with the EU best practices to provide for better health and living conditions of Kosovo citizens.	Statistics on the availability of quality drinking water, irrigation, and industry consumption in Kosovo.	European Commission progress report. KEPA annual report. WWRO annual report	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
The purposes of this IPA programme are as follows: <ul style="list-style-type: none"> ▪ Strengthening the capacity of the Environment Ministry (MESP) and stakeholders to complete and enforce the implementation of secondary legislation on water and river basin management, management of water infrastructure, including dams, waste management, spatial and urban planning management, nature protection and biodiversity. ▪ To support the MESP in drafting a water strategy and action plan including preliminary and preparatory work such as data collection, studies and analyses of water resources in Kosovo. ▪ Sustainable supply of reliable and safe drinking water to the population of the Pristina region, and improved water quality, meeting EU standards, through improved laboratory analyses and adoption of advanced water treatment processes. 	Secondary legislation covering water, waste and biodiversity is completed. Secondary legislation covering the planning, construction and other urban management issues completed. Water Strategy available in the MESP and approved by the Parliament of Kosovo. Action plan for the water sector identifying the priority projects completed.	The official MESP documents confirming approval of the secondary acts and administrative instructions. Kosovo Parliament documents confirming approval of the water strategy. Action plan adopted by the MESP and project concepts submitted to IPF.	The Government of Kosovo makes improving performance of the corresponding departments a priority item on its agenda and recognises the need for the aforementioned investments and programs. The Government of Kosovo carries out initiatives to boost transparency in issuing permits and licenses. Sufficient technical capacities in the beneficiary institutions to fulfil their commitments.
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
Component 1 1. Secondary legislation is adopted in accordance with the EC directives and licensing, permit and control procedures are defined in the following fields: <ol style="list-style-type: none"> a. water resource management b. waste management; c. spatial/urban planning and housing and construction; d. Nature protection and biodiversity. 2. Institutional framework for monitoring and controlling water quality and water resource management is established and functional including river basin management plans and definition of roles and institutional responsibilities regarding water infrastructure such as dams and water reservoirs; 3. Institutional framework for effective waste management and control in central government is functional; 4. Administrative capacities in the MESP and Institute for Spatial Planning strengthened to perform efficiently their duties and responsibilities in regard spatial and urban planning, prevention of illegal construction and regularisation of informal settlements.	Number of legal acts and administrative instructions covering water, waste and biodiversity, planning, construction and other urban management issues completed. Licensing and permit procedures defined for all sectors in the MESP. Elaborated Methodology for protection of the water resources, zoning and measures. Legal acts defining the responsibility of water infrastructure management and protection. Legal acts defining the responsibilities of institutions in the central and local level in management of waste. Revised spatial plans and defined procedures for permits and licensing in construction sector.	The official documents in the MESP. Plans and documents available in the Institute for Spatial Planning.	Availability and sufficient capacity of key stakeholders to actively and effectively participate in the project; Defined and developed structure, framework, for management of needs identification, prioritisation of investment; Defined responsibilities of relevant government entities; Coordination of key stakeholders and timely information.

<p>Component 2</p> <ol style="list-style-type: none"> 1. Relevant data concerning water resources including precipitation, surface and ground water are acquired and incorporated in the existing water information system; 2. Draft Water Strategy prepared and accepted by the MESP; 3. Action plan is drafted identifying priority projects for water infrastructure including water and waste water treatment plants, rehabilitation or construction of water reservoirs, intakes, and dykes and rehabilitation of water pipelines. <p>Component 3</p> <p>Sustainable supply of reliable and safe drinking water and rational use of water for the population in Pristina region.</p> <p>Component 4</p> <p>Awareness raised and improved quality standards for drinking water in Kosovo.</p>	<p>Water management information system upgraded including relevant data on surface and ground water for the entire Kosovo territory.</p> <p>Upgraded information database in the Water Department in MESP to include accurate data on water resources in Kosovo.</p> <p>Strategy document available.</p> <p>Action plan available.</p> <p>Reduced water cuts in the Pristina region.</p> <p>Annual documents on drinking water quality produced by the NIPHK.</p>	<p>MESP Water Department information system database and modelling tools.</p> <p>The Ministry cabinet in MESP and the office of the permanent secretary.</p> <p>Pristina water factory.</p> <p>NIPHK laboratory.</p>	<p>The Municipality of Pristina provides sufficient land resources and all necessary permits and licences for construction and use of the facilities.</p> <p>The NIPHK provides technically competent staff.</p>
Activities	Means	Costs	Assumptions
<ol style="list-style-type: none"> 1. Institutional support for the Ministry of Environment and Spatial Planning (MESP) 2. Support for the Ministry of Environment and Spatial Planning (MESP) in water management and monitoring of water resources 3. Water Treatment Plant Pumping Station Main transmission line Reservoirs 4. Support for the NIPHK for the supply of laboratory equipment 	<p>Twinning Contract</p> <p>Service Contract</p> <p>Delegation Agreement with KFW</p> <p>Supply Contract</p>	<p>EUR 1.8 million for twinning and EUR 0.2 million national co-financing</p> <p>EUR 1.2 million for technical assistance and EUR 0.2 million national co-financing</p> <p>EUR 5 million from IPA fund National co-financing EUR 10 million EUR 20 million – delegation agreement with KFW</p> <p>EUR 0.5 million - EU contribution</p>	<p>Sufficient political will in the Kosovo government to support regulatory acts concerning water quality, water resource management and protection, waste management, spatial urban planning and housing and construction, nature protection and biodiversity.</p> <p>Appropriate legal expertise available from the EU.</p> <p>Sufficient means allocated to implementing the regulations.</p> <p>The MESP undertakes the surface and ground water studies at larger scale to cover the entire Kosovo territory.</p> <p>The Water Department professional and human capacity adequate to undertake the project tasks.</p> <p>The Municipality of Pristina provides sufficient land resources and all necessary permits and licences for construction and use of the facilities.</p> <p>The NIPHK provides technically competent staff.</p>

Pre-conditions:

- Sufficient resources are made available by the Government to all beneficiary institutions before the start of the project.
- Beneficiaries demonstrate strong attitude of ownership of the project.
- Working groups, steering and coordination committees are organised and members selected and appointed, training activities, seminars and study visits held by the beneficiaries in line with the project work plan.
- The Government is dedicated to the devolution of powers, to the development of professionalism in the administration and to its commitment to the process of European integration.

If conditionalities are not met, suspension or cancellation of the project or specific activities may be considered.

ANNEX II: Amounts (in EUR million) contracted and disbursed by quarter for the project

Contracted	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4
Contract 1 Twinning				1.8									
Contract 2 Service		1.2											
Contract 3 Grant				5.0									
Contract 4 Supply				0.5									
Cumulated		1.2	1.2	8.5									
Disbursed													
Contract 1 Twining					0.6				0.7		0.5		
Contract 2 Service		0.2				0.5			0.3		0.2		
Contract 3 Grant				2.5		2.5							
Contract 4 Supply					0.3				0.2				
Cumulated		0.2	0.2	2.7	3.6	6.6	6.6	6.6	7.8	7.8	8.5		

ANNEX III: Description of institutional framework

The Ministry of Environment and Spatial Planning continued its activities immediately after the creation of the Kosovo Government, and after its separation from the Ministry of Health, (regulation 2002/5, 3/1/2003). The role of the Ministry is to develop, coordinate, monitor and oversee the sector encompassing environmental protection, water resource management and spatial planning. The Environment Ministry has a Minister and Cabinet, the Office of Permanent Secretary, and five departments:

- Environment Protection,
- Spatial Planning,
- Housing and Construction,
- Water Resources Management,
- Administration and Professional Services.

The Ministry is responsible for the Kosovo Agency for the Protection of the Environment (KEPA), which includes the Hydro-meteorological Institute and the Institute for Nature Protection (INEP), the Inspectorate, and other units such as the International Office and the Information Office which are linked directly under the highest Ministry bodies.

The mission of the **Water Resources Management Department** within the Ministry is to ensure sufficient quality and quantity of water for the citizenry and ecology of Kosovo. Its Strategy Plan (2007-2013) specified investment targets in terms of percentage of connection to water supply, percentage of connection to the sewerage system, technical losses, fee collection, and surface water quality. The Water Department is struggling to fulfil its mandate under tight budgetary constraints and marginalisation within the Ministry. The Water Department has four divisions:

- The **General Water Policy** Division carries out analysis and strategic planning of the use, exploitation, and protection of waters (it includes the Analysis and Strategic Planning Unit, the Projects, Investments and Budget Unit, and the Information System Unit).
- The **Water Resources Management** Division is responsible for regulating the use and protection of water. The Division grants permits and licences for the use of water. The Division is divided into four units: the Unit for water protection from negative impacts, the Unit for the Protection and Control of Water Quality, the Licences Unit, and the Water Flow Management Unit.
- The Division for **River Basin Coordination** collects data, establishes and organises databases on river basins, collects information on monitoring, cooperates with other relevant institutions in Kosovo, maintains evidence of water property, governs water resources at river basin level including planning and compensation for using and polluting waters, and carries out environmental impact assessments during the development of spatial and urban plans. This Division is divided into two units paralleling the two River Basin Management Districts that have been established: for the Drini I Bardhe Basin and the Iber, Morava e Binces and Lepenc Basin.
- The **Water Inspection** Division, which was recently absorbed by the Inspectorate, includes inspectors from the DoE and DWRM. It carries out inspections and supervision of the implementation of the law on water management, water use and water resources, water protection, regulation of water flows and other types of waters, and water protection from negative effects. It supervises the implementation of flood protection plans and the status of water bodies, as well as plans for water protection. The unit also supervises management of large dams and controls the application of measures for protection in water-protected zones. The Division consists of three units: the Water Use and Capital Water Infrastructure Unit, the Unit for Protection from Waters, and the Water Protection Unit.

ANNEX IV: Reference to laws, regulations and strategic documents

The current legislative situation is presented below:

Law for Environmental Protection	The 2003 law has been amended, and is in the process of being approved by the assembly
Law for Air Protection	Approved by the assembly in 2004, and planned to be amended in 2009. Draft prepared by the MESP.
Law for Water	Approved by the assembly in 2004 and planned to be amended in 2009.
Nature Protection Law	Approved by the assembly in 2006 and planned to be amended in 2009.
Law for Waste Management and Disposal	Approved by the assembly in 2006.
Law for chemicals	Approved by the assembly in 2007.
Law for Environmental Impact Assessment	The law is in the process of being approved by the assembly.
Draft law on Integrated Prevention Pollution Control	Draft is in the process of being approved by the Government
Law for protection from noise	Approved by the assembly in 2007
Law on Protection from Non-Ionised, Ionised Radiation and Nuclear Security	Approved by the assembly in February 2010 and promulgated in March 2010
Law on IPPC	The law is in the process of being approved by the assembly
Law on Strategic Environmental Impact Assessment	The law is in the process of being approved by the assembly
Administrative Directive on regulation and standards for emissions from stationary sources	The law was approved by the government in 2007
Administrative Directive on regulation and standards for emissions from mobile sources	The draft is in the process of being approved by the Government
Following the adoption of Regulation 2004/49 on the Activities of Water, Waste Water and Waste Services Providers, the Water and Waste Water Regulatory Office adopted regulations in 2005 to implement it.	
Other administrative directives are being drafted (water, waste, nature, air).	

Reference to National Development Plan

The existing Kosovo Environmental Strategy (KES) adopted in July 2004 is a document produced by the Government of Kosovo to define the process of improving the state of the environment, approximating legislation and integrating with the EU. The Strategy identifies key environmental problems and sets out strategic guidelines based on the State of Environment Report 2003.

The main priorities are as follows:

- Completion of environmental protection legislation in harmony with existing conditions in Kosovo; gradual fulfilment of EU standards, and efficient implementation of existing legislation;
- Establishment of competent and capable institutions equipped with appropriate human capacities and equipment for implementing environmental policies.
- Gradual increase in access to clean drinking water, sewage systems, waste treatment systems, and support to programmes for recycling sewage water and waste.

The Kosovo Environmental Action Plan 2006–2010 (KEAP) produced in April 2006 follows the operational part of the KES, which was an obligation derived from the existing Law on Environment Protection. The KEAP is addressing the strategic obligations deriving from EU laws and other international agreements on environment protection. Like the strategy, the KEAP is to be used in developing a process for improving the current state of the environment. It is an open document which will be subject to continuous updating and revision as it is acted upon.

Environmental progress in Kosovo is mainly legislative. Significant efforts are still required in most sectors to transpose, implement and enforce the legislation, despite a lack of human and financial resources both nationally and locally. Appropriate coordination mechanisms between all institutions dealing with environmental protection also need to be put in place.

ANNEX V: Details by EU-funded contract

Component 1 Institutional support for the Ministry of Environment and Spatial Planning

Standard twinning instrument and procedures will be used to implement this component. The Resident Twinning Advisor (RTA) is expected to be a senior civil servant from a similar institution in a member state (preferably Ministry of Environment). The RTA will be assisted by EU member state short- and medium-term experts. The twinning partners will mainly:

1. review the existing legal framework including support for drafting the relevant secondary legislation and regulations and draft implementation procedures including licensing and permit procedures in the following fields:
 - water quality and water resource management;
 - waste management;
 - spatial urban planning and housing and construction;
 - nature protection and biodiversity.
2. support the Environment Ministry in developing institutional structures for monitoring and controlling water quality and water resource management including river basin management plans, definition of water resource protection zones, and definition of roles and institutional responsibilities regarding water infrastructure such as dams and water reservoirs;
3. support the Ministry with institutional capacity building and defining the roles and responsibilities of central government in waste management and control of services in urban and rural areas;
4. provide support for administrative capacity building in the Ministry and Institute for Spatial Planning so they can perform their duties and responsibilities efficiently with regard to spatial and urban planning, prevention of illegal construction and regularisation of informal settlements.

Component 2 Support for the Ministry of Environment and Spatial Planning in water management and monitoring of water resources.

A service contract will be used to implement this component. A technical assistance team will support the Water Department in the Ministry with implementing the following activities:

1. collecting information and conducting field studies of water resources including precipitation, surface and ground water, and updating the water balance information management system;
2. drafting the Water Strategy in accordance with current EU requirements and directives;
3. drafting the action plan for the water strategy and assisting the Ministry with defining short-term/long-term priorities with concrete project concepts to be presented to international financial institutions through the IPF.

Component 3 Construction of Water Treatment Plant for regional water company 'Prishtina'

IPA funds will be implemented on the basis of indirect centralised management. Use of indirect centralised management is chosen since it has been proven to be successful, for instance in the implementation of several IPF (Infrastructure Project Facility) projects. Therefore, a delegation agreement will be concluded between the European Commission Liaison Office to Kosovo and KfW. KfW will subsequently conclude a grant agreement with the Government of Kosovo, represented by the Ministry and Economy and Finance and the Regional Water Company Prishtina J.s.cm which will act as Implementing Agency.

Component 4. Support to NIPHK in supply of laboratory equipment.

A supply contract will be used to implement this component.

2010 Annual Programme — Project Fiche 11 General Technical Assistance and ‘Kosovo Communication’ Follow-up Facility
--

1. Basic information

- | | |
|-----------------------------|--|
| 1.1 CRIS number: | 2010/022-452 |
| 1.2 Title: | General technical assistance (GTA) and ‘Kosovo Communication ¹ ’ follow-up facility |
| 1.3 ELARG statistical code: | 04.40 |
| 1.4 Location: | Kosovo* |

Implementing arrangements

- | | |
|----------------------------|--|
| 1.5 Contracting authority: | European Commission Liaison Office to Kosovo |
| 1.6 Implementing agency: | n/a |
| 1.7 Beneficiary: | |

The newly established Ministry of European Integration, plus line ministries and public institutions directly involved in Kosovo’s EU reform agenda.

Financing

- | | |
|---|--|
| 1.8 Overall cost (VAT excluded): | EUR 6.1 million |
| 1.9 EU contribution: | EUR 6.1 million |
| 1.10 Final date for contracting: | 2 years after signature of the financing agreement |
| 1.11 Final date for execution of contracts: | 2 years after the final date for contracting |
| 1.12 Final date for disbursements: | 1 year after the final date for execution of contracts |

2. Overall objective and project purpose

2.1 Overall objective

An effective, efficient and transparent public administration at all levels that ensures sustained socio-economic development, strengthens sectoral approximation and constructively engages in regional cooperation.

2.2 Project purpose

The purpose of the GTA and follow-up facility is to support the newly established Ministry of European Integration, line ministries and beneficiaries in preparing action linked to the priorities for EU integration, socio-economic development, sectoral approximation and regional cooperation. Another aim is to fund action to support measures proposed in Commission Communication COM(2009) 534 of 14 October 2009 ‘Kosovo — Fulfilling its European perspective’.

* Under UNSCR 1244/1999.

¹ COM(2009) 534 of 14 October 2009.

2.3 Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

The four most recent reference documents are:

- The *European Partnership Action Plan* (EPAP — 2009), which calls for upgrading the institutions' authority and powers to lead the process of European integration in Kosovo effectively.
- The *European Commission's 2009 Progress Report on Kosovo*, published in October 2009, which identifies the challenges the government needs to address as part of its efforts to advance with EU approximation and its EU reform agenda.
- The *European Commission's Communication COM(2009) 534 'Kosovo –Fulfilling its European perspective'*, published on 14 October 2009, which proposes a number of measures the EU could take to ensure that Kosovo stays connected with EU-related developments in the region and makes tangible progress in terms of its European perspective. The individual activities to support these measures cannot be determined yet, as they will depend on developments in Kosovo's legislation and institutions and the results of a series of expert fact-finding missions initiated by the Commission.
- The *General Affairs Council conclusions of December 2009*, which welcomed the Commission's Communication on Kosovo and invited the Commission to take the necessary measures to support Kosovo's progress towards the EU in line with the European perspective of the region. The Council attached particular importance to measures relating to trade and visas and encouraged the Commission to open up participation in Union programmes to Kosovo, integrating Kosovo into the economic and fiscal surveillance framework, activating the second component of the IPA and strengthening the dialogue within the Stabilisation and Association Process.

2.4 Link with the Multiannual Indicative Planning Document (MIPD)

EU assistance must be directly linked to Kosovo's development and action plans set in a clear European perspective, e.g. the Action Plan for implementation of the European Partnership priorities and Kosovo's Medium-Term Expenditure Framework.

Greater local ownership of EU assistance to Kosovo is essential for effective targeting and for achieving agreed results in line with EU standards. The planning and project preparation capacity of Kosovo's authorities therefore has to be improved.

2.5 Link with National Development Plan

The objective of Kosovo's Medium-Term Expenditure Framework (MTEF) is for Kosovo to become more economically integrated into Europe. The MTEF therefore refers to standards necessary for EU integration and linked to policies and measures under the EPAP. The MTEF is also closely linked to the public administration reform strategy in the area of European integration, specifically policy area 8 'Policies and legislation'.

2.6 Link with national/sectoral investment plans

Not applicable (as a follow-up facility, this could support several different plans). To be clarified during the project identification phase.

3. Description of project

3.1 Background and justification

The European Union has repeatedly stated its commitment to stepping up its role in Kosovo. The December 2007 European Council underlined the EU's readiness to play a leading role in implementing a settlement, including a CSDP mission (EULEX) and a contribution to an international civilian office as part of the international presence. The importance of economic and political development in Kosovo, in line with the European perspective of the region, was also stressed. Implementing the European agenda is the key to long-term stability in Kosovo and the wider region. The UN has consistently highlighted the importance of the European approximation process for Kosovo's development.

EU Member States decide on their relations with Kosovo in accordance with their national laws and procedures. Twenty-two EU Member States have recognised Kosovo, five have not. The Commission maintains a 'status neutral' position. All EU Member States agree that Kosovo shares an EU perspective with the rest of the Western Balkans, as confirmed by a series of Council conclusions, most recently in December 2009.

In February 2008, the EU appointed an EU Special Representative (EUSR) in Kosovo, 'double-hatted' as the international civilian representative. Council Joint Action 2008/123/CFSP of 4 February 2008 was updated in February 2009 and 2010. The EUSR's mandate expires at the end of August 2010.

The EU also deployed its rule of law mission (EULEX) in Kosovo, which mentors, monitors and advises Kosovo on police, justice and customs matters. EULEX also performs some executive functions. EULEX has been fully operational throughout Kosovo since April 2009. The legal basis for EULEX is Council Joint Action 2008/124/CFSP of 4 February 2008, which expires in June 2010.

Following the General Affairs Council conclusions of December 2009 and in line with its October 2009 Communication 'Kosovo — Fulfilling its European perspective', the Commission has upgraded Kosovo's participation in the EU's Stabilisation and Association Process. High-level dialogues take place at plenary and sectoral levels. This process allows the Commission to follow legislative developments and comment on issues relevant to compliance with EU standards. Kosovo also benefits from substantial financial assistance from the EU.

The European Commission Liaison Office was opened in September 2004 and plays a key role in implementing EU policy in Kosovo by deploying all the enlargement tools provided by the Stabilisation and Association Process, maintaining a permanent technical and political dialogue with Kosovo and managing a substantial financial assistance budget from the IPA.

Both the 2009 Progress Report on Kosovo and the Commission Communication 'Kosovo — Fulfilling its European perspective' identify the challenges Kosovo needs to address and the measures the EU can take to help Kosovo advance along the path of its European perspective. These aim, on the one hand, to help prepare and implement action responding to the challenges

identified in the 2009 Progress Report, which cannot be specified at this stage, and, on the other, any action found necessary to support the measures the EU could take in line with the Commission's Kosovo Communication, but which cannot be identified at this stage as they will depend on the progress made with Kosovo's legislation and institutions.

3.2 Assessment of project impact, catalytic effect, sustainability and cross-border impact

Not applicable. The individual measures to be financed under this project cannot be identified yet.

3.3 Results and measurable indicators

Due to the fact that the actions foreseen under this facility are still to be identified it is very difficult to indicate concrete results to be achieved, nevertheless the general results include:

- Kosovo's Ministry of European Integration and relevant line ministries capable of rapidly preparing and carrying out urgent and unforeseen action related to Kosovo's EU approximation efforts and EU reform agenda.
- Kosovo's institutional and socio-economic development more sustainable, including its macro-economic and fiscal framework, private-sector development, improvement of employment and social policies and higher standards for education, training and research.
- Increased capacity of Kosovo's institutions to attract investment, stimulate growth and ensure sound socio-economic development.

3.4 Activities

The GTA and follow-up facility will support preparation and/or implementation of action identified as necessary within the IPA programme and Kosovo's EU reform agenda. Action supported will target, in particular, but not exclusively, areas such as the rule of law, decentralisation, trade, economic development and revitalisation (including macro-economic and fiscal mechanisms), private-sector development, public administration reform, employment and social policies, education, training and research, culture and the EU perspective and minority communities, sectoral approximation (energy, the environment and transport) and building institutional capacity. Implementation will follow three guiding principles:

- Action will be based on priorities identified in the Commission's annual Progress Reports or related strategy papers, notably the Communication 'Kosovo — Fulfilling its European perspective'.
- Action will include institution-building and support for investment directly related to the EU approximation process and Kosovo's EU reform agenda.
- Action will target specific, achievable and sustainable results.

Standard PRAG implementation rules will apply, taking due account of the standard derogations they allow. Action financed under this heading can take the form of services, supplies, or works.

3.5 Conditionality and sequencing

Beneficiary institutions should be fully associated with any action financed under either facility and should cooperate in planning all activities. Project selection should be based on the selection

procedure and checklists (project selection criteria) approved by the Steering Committee and agreed with DG ELARG C3.

3.6 Linked activities

Not applicable.

3.7 Lessons learned

Many projects have been successfully implemented under previous programmes, including CARDS and the 2007-09 IPA programmes. Experience confirms that this type of assistance is particularly useful for responding quickly to urgent needs identified in the course of implementation of the IPA and EU approximation. It gives Kosovo the possibility of addressing unforeseen tasks linked to further strengthening its administrative capacity in order to advance with its EU reform process.

4. Indicative budget (amounts in EUR million)

			TOTAL EXP.	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+ (z)	% (2)	Central EUR (x)	Regional/ local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1			3.0	3.0	100							
GTA and Kosovo Communication follow-up facility	X		3.0	3.0	100							
Activity 2			3.1	3.1	100							
Kosovo Communication follow-up	X		2.8	2.8	100							
Kosovo Communication follow-up		X	0.3	0.3	100							
TOTAL IB			5.8	5.8	100							
TOTAL INV			0.3	0.3	100							
TOTAL PROJECT			6.1	6.1	100							

NOTE: Amounts net of VAT

(1) In the Activities column use 'X' to identify whether institution building (IB) or investment (INV).

(2) Expressed in % of the **total** expenditure (EXP) (column (a))

5. Indicative implementation schedule (periods broken down by quarter)

Contracts (10-15 services, supplies, works) Q1 2011 - Q4 2013

6. Cross-cutting issues

6.1 Equal opportunities

Equal opportunities and non-discrimination against women, minority and vulnerable groups (including children, disabled and elderly people) will be taken into consideration in all aspects of EU-funded activities, particularly in relation to public services, legislative matters and socio-economic support programmes.

6.2 Environment

Environmental considerations will be duly reflected in all IPA-financed activities, in addition to specific action on the environment, in particular environmental impact assessments. This is particularly relevant where there could potentially be a strong environmental impact, such as in the case of co-financing of investments, new legislation, etc.

6.3 Minorities

The aim will be to contribute to **multi-ethnic** representation in the institutions benefiting from this project, which will address the ethnic groups fairly and equitably in accordance with the law, along with other marginalised groups.

ANNEXES

Annex I- Log frame in standard format

Annex II- Amounts contracted and disbursed per quarter over the full duration of the programme

ANNEX I: Logical framework matrix

LOGFRAME PLANNING MATRIX FOR Project:		Programme name: General technical assistance (GTA) and 'Kosovo Communication' follow-up facility	
		Total budget: EUR 6.1 million	IPA budget: EUR 6.1 million
Overall objective	Objectively verifiable indicators	Sources of verification	
An effective, efficient and transparent public administration at all levels that ensures sustained socio-economic development, strengthens sectoral approximation and constructively engages in regional cooperation.	<ul style="list-style-type: none"> • EU integration structures in place and operational. • Level of FDI in Kosovo invested in the private sector. • Number of regional cooperation initiatives undertaken by Kosovo institutions. 	<ul style="list-style-type: none"> • Contractors' regular reports. • European Commission Progress Reports on Kosovo. • Policies and mechanisms developed and adopted by the government. 	
Project purpose	Objectively verifiable indicators	Sources of verification	Assumptions
The purpose of the GTA and Kosovo Communication follow-up facility is to support the Ministry of European Integration, line ministries and institutional beneficiaries in preparing action linked to the priorities for EU integration, sustained socio-economic development, increased sectoral approximation and increased regional cooperation.	<ul style="list-style-type: none"> • EPAP priorities implemented as planned. • Increase in MEI's capacity to take responsibility for coordination and management of EU assistance programmes. 	<ul style="list-style-type: none"> • Monitoring reports on implementation of the EPAP. • Regular reports from contractors. • IPA 2011 and 2012 project factsheets and ToRs. 	Government allocates sufficient resources to implement the output of the project. Commitment from the beneficiaries to implement the project. Coordination of donors ensured by the government.
Results	Objectively verifiable indicators	Sources of verification	Assumptions
<ul style="list-style-type: none"> • The MEI is able to initiate and prepare timely capacity-building or other urgent and unforeseen action. • Increased capacity of Kosovo's institutions to trade and attract investment, stimulate growth and ensure socio-economic development. • Socio-economic development more sustainable, including the macro-economic and fiscal framework, private-sector development, improvement of employment and social policies and higher standards for education, training and research. • Increased capacity of Kosovo's institutions for adapting the legislation to process readmission 	<ul style="list-style-type: none"> • EPAP priority milestones achieved. • IPA programmes implemented with increased local ownership and involvement compared with previous years. • Level of progress made by the government on conducting effective trade policy. • Number of laws aligned in the areas of intellectual property rights and copyright. • Number of macro-economic and fiscal policies developed and implemented by the government. 	<ul style="list-style-type: none"> • Monitoring reports on implementation of the EPAP. • Project implementation reports and indicators. • Independent monitoring exercises. • Number of reports. • Strategy paper. 	EU integration is the priority of the government and of the Assembly of Kosovo. Institutional framework in place. Kosovo makes progress towards negotiating and benefiting from the trade agreement. Progress made with document security, fighting organised crime, migration and border security. Progress made in the dialogue on visas.

requests and to implement an effective reintegration strategy.	<ul style="list-style-type: none"> • Number of economic and fiscal reports prepared by the government. • Comprehensive strategy developed and put in place to guide Kosovo's efforts to meet EU requirements for visa liberalisation. 		
Activities	Means	Cost	Assumptions
<p>The GTA and follow-up measures in this project will support preparation and/or implementation of action under the IPA programme.</p> <p>Action supported will target, in particular, but not exclusively, areas such as the rule of law, decentralisation, trade, economic development and revitalisation (including macro-economic and fiscal mechanisms), private-sector development, public administration reform, employment and social policies, education, training and research, culture and the EU perspective and minority communities, sectoral approximation (energy, the environment and transport) and building institutional capacity.</p>	Standard PRAG implementation rules will apply, taking due account of the standard derogations they allow.	EUR 6.1 million — for the 'Kosovo Communication' follow-up facility.	<p>Government provides financial and political support to the beneficiary institutions.</p> <p>Beneficiaries show commitment to the project and allocate sufficient and appropriate staff.</p> <p>Public administration is capable of absorbing the activities.</p>

Preconditions: Beneficiary institutions should be fully associated with any action financed under either facility and should cooperate in planning all activities.

Project selection should be based on the selection procedure and checklists (project selection criteria) approved by the Steering Committee and agreed with DG ELARG C3.

ANNEX II: Amounts (in EUR million) contracted and disbursed by quarter for the project

Contracted	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4
Contract 1.1			3.0									
Contract 1.2					2.8							
Contract 1.3						0.3						
Cumulated			3.0	3.0	5.8	6.1						
Disbursed												
Contract 1.1			1.5		1.5							
Contract 1.2					1.4		1.4					
Contract 1.3						0.15		0.15				
Cumulated			1.5	1.5	4.4	4.55	5.95	6.1				