

ANNEX 1

ACTION PROGRAMME FOR KOSOVO* FOR THE YEAR 2016 – PART I

1 IDENTIFICATION

Beneficiary	Kosovo
CRIS/ABAC Commitment references	2016/039 744 / EUR 18 500 000 22.02 01 01 2016/039 745 / EUR 27 000 000 22.02 01 02
Total cost	EUR 71 150 000
EU Contribution	EUR 45 500 000
Budget lines	22.02 01 01 and 22.02 01 02
Management Mode/ Entrusted entities	Direct management by the European Commission Indirect management by the entrusted entities listed below: International Organisation for Migration (IOM) for Action 3: Support to Communities' Rights in Kosovo; European Bank for Reconstruction and Development (EBRD) for Action 4: Support to Enhance Kosovo Competitiveness.
Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary	At the latest by 31 December 2017
Final date for concluding <u>delegation agreements</u> under indirect management	At the latest by 31 December 2017
Final date for concluding <u>procurement and grant contracts</u>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
Final date for operational implementation	6 years following the date of conclusion of the Financing Agreement.
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement.
Programming Unit	NEAR D3 The former Yugoslav Republic of Macedonia, Kosovo
Implementing Unit/ EU Delegation	European Union Office in Kosovo

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

- **Rationale for the selection of the specific sectors under this programme:**

Under the Action Programme for Kosovo for the Year 2016 – Part I, the following sectors will be supported: democracy and governance, rule of law and fundamental rights, competitiveness and innovation, and education, employment and social policies.

The main aim of the action under **democracy and governance** is to further support Kosovo's integration into the global economy and strengthen the role of the Kosovo administration in promoting socio-economic development in trade, free movement of goods and services and strengthening sectorial approximation in line with the obligations of the Stabilisation and Association Agreement (SAA). Particular focus will be given to efforts to strengthen technical and administrative capacity of the Kosovo administration in relation to Kosovo's European agenda and in supporting the effective and efficient management and absorption of IPA funds. The programme will also support the implementation of the EU facilitated dialogue for the normalisation of relations between Belgrade and Pristina and the increase of effectiveness, independence and accountability of civil society in its participation in the policy making process.

The action under the **rule of law and fundamental rights** sector will contribute to a stable multi-ethnic society in Kosovo by enabling sustainable livelihoods and the durable integration of displaced persons into Kosovo society. This includes Internally Displaced Persons (IDPs), Displaced Persons in the Region (DPRs) and refugees as defined by Kosovo's Strategy for Communities and Return (2014-2018). Specifically this action will aim to increase the capacity of public and non-governmental actors at all levels to facilitate the dignified, sustainable return and reintegration of up to 400 families displaced in the region to Kosovo, including Roma, Ashkali and Egyptian families currently in informal settlements and camps in the former Yugoslav Republic of Macedonia and Montenegro.

The main aim of the action under **competitiveness and innovation** is to enhance competitiveness of the Kosovo micro, small and medium enterprises (MSMEs), by providing direct financial and technical support. Support will be provided through grants and a credit

facility to blend funds of the European Bank for Reconstruction and Development (EBRD) with IPA funding in order to facilitate access to finance for development projects of Kosovo enterprises that have potential for export promotion, import substitution and job creation.

The action in the sector **education, employment and social policies** aims to improve enrolment and inclusion of children in pre-school education and enhance the quality of pre-school and primary education according to the new Kosovo Education Strategic Plan 2017-2021. It should also instigate reforms in public administration that will lead to the implementation of education, employment and social policies in line with the recently signed SAA. The action also aims to increase formal employment and social inclusion in Kosovo by targeting youth and women and by strengthening human capacity of the beneficiary institutions in order to reduce undeclared work and increase employability and sustainable employment prospects for disadvantaged groups.

- **Overview of past and on-going EU, other donors' and/or IPA II beneficiary's actions in the relevant sectors:**

The actions under each sector build on past EU assistance delivered through IPA I and IPA II 2014 and 2015: lessons learned from past evaluations and audits were taken in account when designing the actions herein, as well as complementarity with actions financed from other donors.

In the sector of **democracy and governance** previous assistance focused on strengthening the capacity of Kosovo institutions, including the Assembly, in transposing, applying and implementing the EU acquis, especially in areas covered by the Stabilisation and Association Agreement. Furthermore, support was provided for the effective and efficient management and absorption of IPA funds, the implementation of the EU facilitated dialogue for the normalisation of relations between Belgrade and Pristina and increases in effectiveness, independence and accountability of Kosovo's civil service. The Young Cell Scheme (YCS), initiated in 2004, included nine rounds of selection of students. A total of over 246 grants were awarded by YCS since its inception and the grantees enrolled in master's programmes in various EU Countries (Belgium, the Netherlands, Italy, Portugal, Estonia, Latvia, United Kingdom, Germany, Austria, France, Hungary) and in different fields ranging from EU law and economics to European affairs and public policy, environmental sciences, agricultural

studies, statistics, aviation safety and regulations, engineering, telecommunications, food safety etc.

Assistance under **rule of law and fundamental rights** addressed challenges both in the justice and home affairs sub-sectors. In justice, EU assistance focused on providing a criminal records system, reforming the regulatory framework on property rights, strengthening the framework of the penitentiary system, improving correctional, probation and legal forensic services as well as protection of personal data. Support was also provided in strengthening legal education to increase levels of professionalism, accountability and efficiency of the judiciary.

Under the "home affairs" sub-sector, focus was on increasing efficiency and effectiveness of law enforcement and rule of law institutions in their provision of services to the "justice" sub-sector and Kosovo society in general. Activities aimed to strengthen the structures dealing with migration in line with the relevant benchmarks of the visa roadmap and strengthen institutions fighting trafficking in humans beings.

Previous assistance under **competitiveness and innovation** aimed to improve the competitiveness of the private sector, in particular through the improvement of municipal infrastructure and performance of Kosovo companies with the aim of increasing exports of products and services. Assistance also targeted Kosovo SMEs to increase their performance, outputs, export capacities and employment by providing an alternative access to finance. In addition, support was provided to strengthen Kosovo's trade policy by enhancing trade facilitation and negotiation expertise within the civil service and to reduce Kosovo's trade deficit by increasing exports of products and services.

Actions under previous programmes in the sector of **education, employment and social policies** aimed to improve the level of education and employability of young people in Kosovo by promoting a regional initiative in higher level vocational education and training compatible with the needs of the labour market while, at the same time, building community relations and promoting sustainable, multi-ethnic collaboration. Furthermore, Kosovo was supported in improving the quality and efficiency of education and training services by integrating information and communication technology into teaching and learning processes, thereby improving lifelong learning and employability perspectives. EU assistance contributed to poverty reduction through the enhancement of economic opportunities for

Kosovo population, especially the most marginalized groups (achieving adequate minority representation in training and coaching, promoting adequate minority recruitment and representation in the civil service, the central and local administration and meeting the specific needs of Serbian, Roma, Ashkali, Egyptian and other communities).

List of Actions foreseen under the selected Sectors/Priorities:

Democracy and Governance

DIRECT MANAGEMENT	
Action 1 "Facility for Approximation with the EU Acquis	EUR 7 500 000
Action 2 "Facility for Implementation of Political priorities, including the EU Facilitated Dialogue for the Normalisation of Relations Between Belgrade and Pristina"	EUR 3 000 000
TOTAL	EUR 10 500 000

Rule of Law Fundamental Rights

INDIRECT MANAGEMENT WITH INTERNATIONAL ORGANISATION	
Action 3 "Support to Communities' Rights in Kosovo"	EUR 8 000 000
TOTAL	EUR 8 000 000

Competitiveness and Innovation

DIRECT MANAGEMENT		OTHER IMPLEMENTATION ARRANGEMENTS	
Action 4 "Support to Enhance Kosovo's Competitiveness"	EUR 5 000 000	Indirect management with the European Bank for Reconstruction and Development	EUR 5 000 000
TOTAL	EUR 5 000 000	TOTAL	EUR 5 000 000

Education, Employment and Social Policies

DIRECT MANAGEMENT	
Action 5 "Support to Education in Kosovo"	EUR 9 000 000
Action 6 " Implement Active Labour Market Measures and Support Fight Against Undeclared Work"	EUR 8 000 000
TOTAL	EUR 17 000 000

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

SECTOR 1	Democracy and Governance		EUR 10 500 000
Action 1	Facility for Approximation with the EU Acquis	Direct management	EUR 7 500 000

(1) Description of the Action, objective, expected results and key performance indicators

The main aim of this action is to further support Kosovo's integration into the world economy and strengthen the role of the Kosovo administration in promoting socio-economic development in trade, free movement of goods and services and strengthening sectorial approximation through effective regulatory functions in line with Stabilisation and Association Agreement obligations. In addition, the facility aims to strengthen technical and administrative capacity of the administration in relation to Kosovo's European reform agenda and to support the effective and efficient management and absorption of IPA funds.

Expected results:

- Capacity of Kosovo's government to develop, negotiate and implement trade policy, with a special focus on the protection and enforcement of intellectual property. In line with international trade requirements and EU practices, Kosovo's capacity to support its traders will be improved;
- Kosovo legislation in the fields of quality infrastructure, market surveillance and consumer protection is further aligned with the EU acquis and the institutions in charge of quality infrastructure, consumer protection and market surveillance are capable to implement the legislation in Kosovo's internal market;
- The EU Services Directive (Directive 2006/123/EC) is effectively and fully transposed and implemented in the internal market in Kosovo;
- Well-coordinated response in order to meet specific and urgent needs related to Kosovo's European reforms and for the implementation of IPA funds.

Key indicators:

- Kosovo legislation further aligned with the EU acquis in line with better regulation approach and Kosovo can show progress in its implementation;
- Export-Import coverage index (%) improved.

(2) Assumptions and conditions

The following conditions will need to be met if the above indicative results are to be achieved: political commitment to the reform process; commitment of staff in the relevant ministries; commitment of all stakeholders to the better regulation approach, the allocation of adequate resources. Failure to comply with the requirements set out above may lead to the recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation arrangement for the action: direct management

Essential elements of the action

Depending on the needs related to Kosovo's European path, the measures described above will be implemented through a number of service/framework contracts as well as works and supply contracts where the need for a rapid response of the European Commission to non-programmable events is such that the duration of the procedure to amend this decision would frustrate the purpose of such response. The implementation will include:

Procurement: Global budgetary envelope reserved for procurement: EUR 6,250,000

Indicative number and type of contracts: 3 – 6 Service Contracts, 3-5 Framework Contracts and 2-3 supply or work contracts.

Indicative time frame for launching the procurement procedure: Q3 2016 – Q1 2018

Grant – Twinning – Call for proposal: Twinning: EU Services Directive

- a) Objectives and foreseen results: To build the capacity of the Ministry of Trade and Industry to effectively transpose and implement the EU Services Directive in the internal market in Kosovo (Directive 2006/123/EC;

- b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies;
- c) The essential selection criterion is the operational capacity of the applicant;
- d) The essential award criteria are technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action;
- e) Maximum rate of EU co-financing: The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management;
- f) Indicative amount of Twinning contract: EUR 1.0 million;
- g) Indicative date for launching the selection procedure: Q2 2017.

Grant – Twinning – Call for proposal: Twinning light: Approximation with the EU Acquis

- a) Objectives and foreseen results: Approximation with the EU Acquis in line with SAA obligations;
- b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies;
- c) The essential selection criterion is the operational capacity of the applicant;
- d) The essential award criteria are technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action;
- e) Maximum rate of EU co-financing: The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management;
- f) Indicative amount of Twinning contract: EUR 0.25 million;
- g) Indicative date for launching the selection procedure: Q3 2017.

SECTOR 1	Democracy and Governance		EUR 10 500 000
Action 2	Facility for Implementation of Political Priorities, Including the EU Facilitated Dialogue for the Normalisation of Relations Between Belgrade and Pristina	Direct management	EUR 3 000 000

(1) Description of the Action, objective, expected results and key performance indicators

The main objective of the action is to support Kosovo institutions in implementing measures related to urgent political priorities in support of Kosovo's European perspective and those that may arise from the EU facilitated dialogue for the normalisation of relations between Belgrade and Pristina, the normalisation of relations with Serbia, the EULEX mandate (with a view to gradually transferring more responsibilities to the authorities in charge and strengthening their ownership), visa liberalisation and any other political developments.

Expected results include the following: relations between Pristina and Belgrade have improved; progress has been made in the integration of Northern Kosovo and mutual trust between communities has increased; and capacity of Kosovo authorities to assume their responsibilities has been strengthened in line with the EULEX mandate.

Key indicators:

- Degree of implementation of Agreements reached within the EU facilitated dialogue for the normalisation of relations between Belgrade and Pristina.
- Businesses established or supported in Northern Kosovo.

(2) Assumptions and conditions

The following conditions need to be met if the above results are to be achieved: Government allocates sufficient resources to implement the agreements reached in the EU facilitated

dialogue for the normalisation of relations between Belgrade and Pristina; Kosovo starts implementing its agenda for Northern Kosovo; the security situation in Northern Kosovo allows for unimpeded implementation of projects; the EULEX mandate is implemented with a view to gradually transferring more responsibilities to the authorities in charge and strengthening their ownership.

Failure to comply with the requirements set out above may lead to the recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation arrangement for the action: direct management

Essential elements of the action

Depending on the needs related to implement the objectives and results set out above, including the EU facilitated dialogue for the normalisation of relations between Belgrade and Pristina and the EULEX mandate (with a view to gradually transferring more responsibilities to the authorities in charge and strengthening their ownership), the measures described above will be implemented through a number of service/framework contracts as well as works and supply contracts where the need for a rapid response of the Commission to non-programmable events is such that the duration of the procedure to amend this decision would frustrate the purpose of such response. The implementation will include:

Procurement: Global budgetary envelope reserved for procurement: EUR 3,000,000

Indicative number and type of contracts: 3 – 5 Service Contracts, 3-5 Framework Contracts and 2-3 supply or work contracts.

Indicative time frame for launching the procurement procedure: Q1 2017 – Q4 2019

SECTOR 2	Rule of Law Fundamental Rights		EUR 8 000 000
Action 3	Support to Communities' Rights in Kosovo	Indirect management with international organisation	EUR 8 000 000

(1) Description of the Action, objective, expected results and key performance indicators

This action will contribute to a stable multi-ethnic society in Kosovo by enabling sustainable livelihoods and the durable integration of displaced persons into Kosovo society, including Internally Displaced Persons (IDPs), Displaced Persons in the Region (DPRs) and refugees as defined by the Strategy for Communities and Return (2014-2018). Specifically this action will aim to increase the capacity of public and non-governmental actors to facilitate the dignified, sustainable return and reintegration of up to 400 families displaced in the region to Kosovo, including Roma, Ashkali and Egyptian (RAE) families currently in informal settlements and camps in the former Yugoslav Republic of Macedonia and Montenegro.

Expected results include the following: Capacity of central and municipal authorities in facilitating voluntary return and reintegration is enhanced; Up to 400 displaced families returned to Kosovo; sustainability of reintegration of returnee families improved through the provision of tailor-made socio-economic support; enhanced access to civil status documents and public services.

Key indicators include:

- Number of minority families (displaced in the region) facilitated to return and reintegrate to Kosovo disaggregated by gender, ethnicity and age.
- Number of RAE families (displaced in camps in the former Yugoslav Republic of Macedonia and Montenegro) facilitated to return and reintegrate to Kosovo disaggregated by gender, ethnicity and age.

(2) Assumptions and conditions

The following conditions need to be met if the above results are to be achieved: The political and security situation remains stable to return and reintegrate beneficiaries; receiving communities demonstrate a positive attitude towards returnees from minority groups; willingness of the relevant central and municipal public and non-governmental actors to collaborate and cooperate; - Municipal authorities allocate public land for landless returnee cases.

Failure to comply with the requirements set out above may lead to the recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation arrangement for the action:

Indirect Management – Pillar Assessed Delegation Agreement (PADA)

(3)(a) Entity entrusted with budget implementation tasks

The action shall be implemented by International Organisation for Migration (IOM) due to their significant experience in the sector. IOM is a longstanding partner of both the Kosovo Ministry of Communities and Return (MCR) and the EU in the field of minority community rights. The involvement of IOM in this case is further justified considering:

(i) IOM presence and experience in Kosovo and the fact that they have implemented both the EU and MCR programme funds in the last several years in the sector [(i) Return and Reintegration in Kosovo (RRK) under IPA 2010 and IPA 2012 programmes; (ii) Community Stabilisation Programme under IPA 2009, IPA 2011 and IPA 2014];

(ii) IOM (under the RRK phase IV project funded through the IPA 2012 programme) has fully taken over the process of facilitating the return of the remaining Roma, Ashkali and Egyptian families displaced in camps in the former Yugoslav Republic of Macedonia and Montenegro;

(iii) IOM's increased involvement in facilitation and support of the regional inter-governmental dialogue between Kosovo and Montenegro and the former Yugoslav Republic of Macedonia respectively and

(iv) IOM's close cooperation with the MCR and concerned municipalities on all issues of return, re-integration and stabilisation of minority communities.

(3)(b) Short description of the tasks entrusted to the entity

This action is made of several different activities (so-called multi-sectorial approach) all of which would be entrusted to IOM: (i) facilitation of pre-return activities (beneficiary assessment and final selection), (ii) inter-ethnic dialogue and reconciliation activities, (iii) housing construction, (iv) facilitation of physical return, (v) access to social services, including civil registration, education and healthcare, (vi) inclusive community development projects, and (vii) employment and income generation activities.

Indicative time frame for concluding the agreement: Q2 2017.

SECTOR 6	Competitiveness and Innovation		EUR 10 000 000
Action 4	Support to Enhance Kosovo's Competitiveness	Indirect management with international organisation	EUR 5 000 000
		Direct management	EUR 5 000 000
		Total:	EUR 10 000 000

(1) Description of the Action, objective, expected results and key performance indicators

The main objective of the action is to support Kosovo micro, as well as small and medium enterprises (MSMEs and SMEs) in accessing finance and know-how to start/grow their businesses and increase their competitiveness and sustainability leading to growth in (M)SME output and new job creation.

This action will consist of:

1. A credit and advisory facility to be implemented by EBRD comprising the following elements:
 - a. **Long-term financing for Enterprises** to facilitate access to long-term funding for eligible investments that will enhance SME competitiveness. The funding will be provided by EBRD contribution and channelled to the SMEs through Kosovar Banks and Micro Finance Institutions, jointly referred to as Partner Financial Institutions (PFIs);
 - b. **Investment Incentives for Enterprises** to blend EBRD funding and incentivise investments by SMEs. This component will be funded from the European Union (EU) contribution under IPA II;
 - c. **Technical Assistance to PFIs** to build their capacity, develop systems and tools to provide appropriate and dedicated services in support of SME competitiveness. This component will be funded from the EU contribution under IPA II;
 - d. **Advisory services to Enterprises** to provide access to know-how for the enterprises, beneficiaries of the facility in order to facilitate access to finance,

growing their businesses and enhance their competitiveness. This component will be funded from the EU contribution under IPA II.

2. A grant facility targeting MSMEs in 6 priority sectors (wood processing including furniture, ICT, textiles and leather processing, metal works and metal processing, services, tourism) to be implemented by the EU Office in Kosovo.

Expected results include improved access to finance for Kosovo micro and SMEs (women entrepreneurs will be specifically targeted by the action).

Key indicators include:

- Volume of new investments by Kosovo MSMEs.
- Number of MSMEs receiving support services.
- Number of new jobs created within supported MSMEs.
- Total amount of finance provided to eligible MSMEs

(2) Assumptions and conditions

The following conditions need to be met if the above results are to be achieved: absorption capacity of the MSMEs; appetite within MSMEs for expansion, need for funds; MSMEs should be able to satisfy the prerequisites set by the PFIs for obtaining loans.

Failure to comply with the requirements set out above may lead to the recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation arrangement for the action:

Indirect Management – Pillar Assessed Delegation Agreement (PADA)

Entity entrusted with budget implementation tasks

The European Bank for Reconstruction and Development (EBRD) has a significant experience in the sector competitiveness, and in the implementation of similar facilities. During 2011-2015 the EBRD was implementing partner on IPA 2008 Energy Efficiency Financing Facility project in Kosovo where one of the direct beneficiaries were SMEs. During 2010-2014 the EBRD was implementing partner of the projects 'Turn Around Management' and 'Business Advisory Support to SMEs'.

In these previous actions, EBRD has proven to be a reliable partner ensuring successful implementation of projects, proper coordination and maximisation of resources.

Based on their previous experience and based on their technical capacities, regional presence, knowledge of the sector, existing offices and equipment it is important that the implementation of the credit and advisory facility is implemented by EBRD.

Short description of the tasks entrusted to the entity

The Credit and Advisory Facility for SMEs implemented by the EBRD will comprise of the following key elements:

- (i) **Investment Incentives for Enterprises.** Grants to blend with EBRD funding and incentivise investments by SMEs;
- (ii) **Technical Assistance to PFIs** to build their capacity, develop systems and tools to provide appropriate and dedicated services in support of SME competitiveness;
- (iii) **Advisory services to Enterprises** to provide access to know-how for the enterprises, beneficiaries of the facility, in order to facilitate access to finance, growing their businesses and enhance their competitiveness.

Essential elements of the action (for direct management)

Grant – Call for proposal: Grant Facility for Enterprises

The implementing modality of this activity is direct management by the EU Office in Kosovo, This activity will provide capital intensive investments to key MSMEs in priority sectors (wood processing including furniture, information and communication technology (ICT), textiles and leather processing, metal works and metal processing, services, tourism) to their related suppliers (value chain approach).

- a) Objectives and foreseen results: Increase the selected enterprise's performance, outputs, export capacities, and employment levels, by providing direct financial support;
- b) The essential eligibility criteria: Micro, Small and Medium Enterprises registered in Kosovo and operational in the following sectors: wood processing including furniture,

information and communication technology (ICT), textiles and leather processing, metal works and metal processing, services, tourism;

- c) The essential selection criteria are financial and operational capacity of the applicant;
- d) The essential award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action;
- e) Maximum rate of EU co-financing: The maximum possible rate of EU co-financing for grants under this call is maximum 90% of the eligible cost of the action;
- f) Indicative amount of the call: EUR 5.0 million;
- g) Indicative date for launch of the call for proposals: Q2 2017.

SECTOR 7	Education, Employment and Social Policies		EUR 17 000 000
Action 5	Support to Education in Kosovo	Direct management	EUR 6 000 000
		Direct management through a grant contract with a MS authority	EUR 3 000 000
		Total:	EUR 9 000 000

(1) Description of the Action, objective, expected results and key performance indicators

The action aims to improve quality of education in Kosovo at all levels, with special emphasis on pre-school education, inclusion of children belonging to minority communities and reforming the public administration.

Expected results include: Increased participation in pre-school education from all communities with special emphasis on vulnerable groups such as those from rural areas and

minorities; increased number of teachers that receive training to improve their performance; improved achievement from pupils in reading/writing and maths.

For the Young Cell Scheme, the expected result includes an increase in the number of selected candidates (chosen on the basis of professional administrative capacity gaps of the Kosovo civil service) which complete postgraduate degrees in EU universities in relevant fields and are subsequently employed in the civil service.

Key indicators include:

- Number of kindergartens built.
- Number of children - including children belonging to minority communities/vulnerable groups - aged 0-5 enrolled in pre-school education.
- Number of pre-school educators and primary education teachers trained.
- Number of YCS grantees employed.

(2) Assumptions and conditions

The following conditions need to be met if the above results are to be achieved: Municipalities in which kindergartens will be constructed are willing and able to allocate sufficient resources to ensure maintenance and sustainability of community projects; concerned municipalities allocate land and provide technical documentation, permits as well as access to proper infrastructure; support from local and central authorities; key stakeholders from both central and local levels of governance are sufficiently involved in the assessment of needs related to improvement of teacher professional development to ensure teacher commitment and accuracy of the provided trainings.

For the Young Cell Scheme: Interest of EU universities in being involved in the selection process; candidates will not withdraw after selection, coordination between the Ministry of European Integration and all line institutions is functional; non-resignation of the graduates from the Kosovo civil service.

Failure to comply with the requirements set out above may lead to the recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation arrangement for the action:

Essential elements of the action (for direct management)

Grant - Direct grant award (*Young Cell Scheme*)

a) Objectives and foreseen results:

The objective is to generate a core group of civil servants in fields identified as weak areas for Kosovo, who will initiate reforms necessary for SAA implementation. The expected results are that selected candidates (chosen on the basis of professional administrative capacity gaps in the Kosovo civil service) complete postgraduate degrees in EU universities in relevant technical fields and are subsequently employed in the civil service.

b) Justification for the use of an exception to calls for proposals:

FR RAP Article 190 (f): for actions with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative power, on condition that the actions concerned do not fall within the scope of a call for proposals.

This activity is to be implemented through a direct grant award to the British Council as the best placed entity to implement the project due to its considerable administrative and technical expertise and capacities in running scholarships schemes. The British Council has acted as a longstanding partner of the Ministry of European Integration (MEI) and the EU Office on the Young Cell Scheme scholarship programme.

YCS is the only scholarship programme in Kosovo that offers the opportunity/obliges the awarded grantees with a 3-year employment contract in the Kosovo public administration upon their return from masters studies abroad. Up to 10% of scholarships will be allocated to existing civil servants. The scheme allows the Kosovo public administration to receive relevant expertise in the field of public administration, law and economics and it helps keep the best graduates in Kosovo.

The British Council has experience in running the YCS programme in the three past consecutive rounds (Round IX in 2012/13, Round IXa in 2014/15, and Round X in 2015/16)

and has advantage of physical presence and operational experience in Kosovo (its own branch office, permanent staff, wide pool of experts, regular coordination with civil service officials in charge of the YCS programme). British Council's global reputation and wide network of partner universities that have experience with YCS grantees have furthermore resulted in the programme being able to secure discounts in the 10th round on enrolment fees with certain EU universities, while some EU universities also agreed to prolong their deadlines for enrolment of students exclusively for the YCS programme (even if the official deadlines were already missed).

- c) Name of the beneficiary: British Council
- d) The essential selection criteria are financial and operational capacity of the applicant. The award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- e) Indicative amount of the grant: EUR 3.0 million
- f) Maximum rate of EU co-financing: for grants under this call is 75% of the eligible cost of the action.

The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

- g) Indicative time frame for concluding the grant agreement: Q2 2017.

Procurement:

- a) the global budgetary envelope reserved for procurement: *EUR 6.0 million*
- b) the indicative number and type of contracts:

There will be: 1 works' contract for activity 1: Support improvement of education infrastructure, and 1 service contract for activity 2: Improved capacity building for teacher professional development

- c) indicative time frame for launching the procurement procedure: Q1 2017

SECTOR 7	Education, Employment and Social Policies	EUR 17 000 000
Action 6	Implement Active Labour Market Measures and Support Fight Against Undeclared Work	Direct Management EUR 8 000 000

(a) Description of the Action, objective, expected results and key performance indicators

The main objectives of the action is to increase employment and social inclusion of youth and women and strengthening human capacity of beneficiary institutions in order to reduce undeclared work by increasing employability and sustainable employment prospects for disadvantaged groups.

Expected results include: Ministry of Labour and Social Welfare (MLSW) is capable to design, implement and monitor the active labour market measures focusing on disadvantaged groups, notably on youth and women; capacity of Labour Inspectorate and relevant social partners enhanced; public awareness increased regarding the fight against undeclared work.

Key indicators:

- Unemployment rate (total, male, female, people younger than 25).
- Poverty rate
- Number of declared workers.

(b) Assumptions and conditions

The following conditions are expected to be met in order to allow for achievement of the results envisaged: There is a continuous political commitment for delivery of locally appropriate strategies and Active Labour Market Measures (ALMM) in Kosovo; job creation

is at the same level as in 2015 or increased; level of financing for ALMM will remain the same or it will be increased; political will to improve the current levels of undeclared work; commitment of the Government for continuing reform process and fighting undeclared work.

Failure to comply with the requirements set out above may lead to the recovery of funds under this programme and/or the re-allocation of funding.

(3) Implementation arrangement for the action: direct management

Essential elements of the action

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR 2.0 million
- b) the indicative number and type of contracts: 2 service contracts
- c) indicative time frame for launching the procurement procedure: Q2 2017

Grant – Call for proposal I: *Support to Vocational Training and On-the-job Training, Self-employment and Entrepreneurship*

- a) Objectives and foreseen results: Increase employability of women and youth
- b) The essential eligibility criteria:
 - a. Applicants: Employment Offices, Vocational Schools, Excellence Centres, Vocational Training Centres, civil society associations and foundations
 - b. Types of actions: training and re-training targeted to women and youth; with the aim of entrepreneurship and self-employment
- c) The essential selection criteria are financial and operational capacity of the applicant.
- d) The essential award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- e) Maximum rate of EU co-financing: The maximum possible rate of EU co-financing for grants under this call is 95 % of the eligible cost of the action.
- f) Indicative amount of the call: EUR 4.0 million
- g) Indicative date for launch of the call for proposals: Q3 2017

Grant – Call for proposal II: *Support to employers of disadvantaged groups, notably women and youth, and support to social enterprises.*

- a) Objectives and foreseen results: Increase employment through financing employment related activities of employers and social enterprises
- b) The essential eligibility criteria:
 - a. Applicants: enterprises that create employment and social enterprises
 - b. Types of Actions: investment support to business expansion activities (construction, equipment, materials etc.); technical support to marketing, standards, temporary subsidies to salaries by employing disadvantaged people; etc.
- c) The essential selection criteria are financial and operational capacity of the applicant.
- d) The essential award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- e) Maximum rate of EU co-financing: The maximum possible rate of EU co-financing for grants under this call is 90 % of the eligible cost of the action.
- f) Indicative amount of the call: EUR 2.0 million
- g) Indicative date for launch of the call for proposals: Q1 2018

3 BUDGET

3.1 INDICATIVE BUDGET TABLE - ACTION PROGRAMME FOR KOSOVO

		Direct Management			
		EU Contribution	IPA II beneficiary Co-financing	Total expenditure	MM
Objective 1	Sector 1 Democracy and Governance	EUR 10 500 000		EUR 10 500 000	direct
	Action 1 Facility for Approximation with the EU Acquis	EUR 7 500 000		EUR 7 500 000	direct
	Action 2 Facility for Implementation of Political Priorities, Including the EU Facilitated Dialogue for the Normalisation of Relations Between Belgrade and Pristina	EUR 3 000 000		EUR 3 000 000	direct
	Sector 2 Rule of Law and Fundamental Rights	EUR 8 000 000	EUR 2 750 000	EUR 10 750 000	indirect with IO
	Action 3 Support to Communities' Rights in Kosovo	EUR 8 000 000	EUR 2 750 000	EUR 10 750 000	indirect with IO
Total Budget for Objective 1- budget line 22.02 01 01		EUR 18 500 000	EUR 2 750 000	EUR 21 250 000	mixed
Objective 2	Sector 6 Competitiveness and innovation	EUR 10 000 000	EUR 20 500 000	EUR 30 500 000	mixed
	Action 4 "Support to Enhance Kosovo's Competitiveness"	EUR 10 000 000	EUR 20 500 000	EUR 30 500 000	mixed (direct + indirect with IO)
	Sector 7 Education, Employment and Social Policies	EUR 17 000 000	EUR 2 400 000	EUR 19 400 000	direct
	Action 5 "Support to Education in Kosovo"	EUR 9 000 000	EUR 2 000 000	EUR 11 000 000	direct
	Action 6 " Implement Active Labour Market Measures and Support Fight Against Undeclared Work"	EUR 8 000 000	EUR 400 000	EUR 8 400 000	direct
Total Budget for Objective 2 - budget line 22.02 01 02		EUR 27 000 000	EUR 22 900 000	EUR 49 900 000	mixed
TOTALS		EUR 45 500 000	EUR 25 650 000	EUR 71 150 000	mixed

4 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES

DIRECT MANAGEMENT:

Part of this programme shall be implemented by direct management by the EU Office in Kosovo in accordance with article 58(1)(a) of the Financial Regulation and the corresponding provisions of its Rules of Application.

Procurement shall follow the provisions of Part Two, Title IV Chapter 3 of the Financial Regulation No 966/2012 and Part Two, Title II, Chapter 3 of its Rules of Application.

Grant award procedures shall follow the provisions of Part Two Title IV Chapter 4 of the Financial Regulation No 966/2012 and Part Two Title II Chapter 4 of its Rules of Application.

Under the Financial Regulation, Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

The Commission may also use services and supplies under its Framework Contracts concluded following Part One of the Financial Regulation.

Twinning:

Twinning projects shall be set up in the form of a grant agreement, whereby the selected Member State administrations agree to provide the requested public sector expertise against the reimbursement of the expenses thus incurred.

The contract may in particular provide for the long-term secondment of an official assigned to provide full-time advice to the administration of the IPA II beneficiary as resident twinning advisor.

The twinning grant agreement shall be established in accordance with relevant provisions of Part Two Title IV Chapter 4 of the Financial Regulation and Part Two Title II Chapter 4 of its Rules of Application. Parts One and Three of the Financial

Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

INDIRECT MANAGEMENT:

Part of this programme shall be implemented by indirect management with entrusted entities other than the IPA II beneficiary in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

The general rules for procurement and grant award procedures shall be defined in the Financing Agreement and the relevant delegation agreements between the Commission and the entrusted entity implementing such action.

5 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Indicative Strategy Paper for Kosovo.

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by DG NEAR and the IPA II Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee which will ensure a monitoring process at sector level.