

2013 Annual Programme

Balanced Regional Development: 06 – 2013 / 02

1 IDENTIFICATION

Project Title	Balanced Regional Development
CRIS Decision number	2013 / 024-216
Project no.	06
MIPD Sector Code	3. Private Sector Development
ELARG Statistical code	02.22
DAC Sector code	43040
Total cost (VAT excluded)¹	€ 14.9 million
EU contribution	€ 11.5 million
Management mode	Centralised. Component 1 of Activity 3 will be implemented in joint management with UNESCO.
EU Delegation in charge	European Union Office in Kosovo *
Implementation management	European Union Office in Kosovo. Component 1 of Activity 3 will be implemented by UNESCO in joint management.
Implementing modality	1 service contract, up to 5 work contracts, grant contracts, one Contribution Agreement with UNESCO.
Project implementation type	C01
Zone benefiting from the action(s)	Kosovo

¹ The total project cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

* 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 RATIONALE

2.1 PROJECT CONTEXT: ISSUES TO BE TACKLED AND NEEDS ADDRESSED

Kosovo municipalities are generally characterised by weak infrastructure, which has been identified as one of the main obstacles to economic development. Lack of basic local roads and energy connections makes it difficult to establish businesses. In addition many municipalities in Kosovo lack proper buildings for administrative and educational purposes, for cultural and recreational activities. This results in uneven development between municipalities. In part, the reason for this is a lack of financial resources, but it is also due in part to a lack of capacity amongst municipalities and other local and regional bodies to develop and implement appropriate projects.

The recent preparation of regional development strategies in the five economic regions of Kosovo have highlighted the same issues, i.e. the need to substantially improve the quality of local infrastructure and the general business environment in order to create the conditions whereby investment can take place that will lead to the creation of new jobs which will in turn contribute to enhanced economic and social cohesion and balanced regional development throughout all of Kosovo. Moreover, the regional analysis also concluded that the lack of capacity of municipalities, in both financial and human resource terms, was a serious barrier to addressing these issues. Consequently, the following key challenges have been addressed:

- The poor quality of municipal infrastructure
- The need to enhance local and regional economic development

The overall objective of this project, therefore, is to support a more balanced regional development in Kosovo through a reduction in the disparities between municipalities in terms of quality of life and in term of economic development potential.

In order to achieve this objective the project seeks to:

- a.* improve the quality and quantity of both social and business related infrastructure in municipalities throughout Kosovo by providing financial assistance (incl. grant schemes) for the provision of relevant infrastructure, and
- b.* enhance the capacity of municipalities and other bodies through ongoing financial assistance to the Regional Development Agencies who will continue to provide support to the municipalities and other bodies..

Kosovo is heavily dependent on its rural economy to sustain its population and to achieve economic development. Urban centres are juxtaposed with historic rural communities.

Novobërdë/NovoBrdo is an example that illustrates the development problems and potentials of Kosovo's regions and municipalities: It is situated 40 minutes from Prishtinë/Priština and has the potential to benefit from educational and recreational tourist flows whilst simultaneously increasing its market supply to the capital city. A special comparative advantage of

Novobërdë/NovoBrdo is its 13th century castle which, suitably exploited, can serve as a catalyst for the development of small businesses, agricultural and rural development and tourism development.

2.2 LINK WITH MIPD AND SECTOR STRATEGIES

A key priority of the Multi-annual Indicative Planning Document (MIPD) 2011 – 2013 is to support Kosovo's efforts to improve its business environment, to attract investment, and stimulate growth and thus the creation of formal jobs to ensure that Kosovo's socio-economic development can continue.

In that context, the Economic Development Plan 2011 – 2014 identifies roads, rail, energy supply, and privatisation of socially-owned enterprises in telecommunications and electricity distribution as being among the key activities that can be expected to yield direct effects in economic development of Kosovo as well as increase the private sector capital in the economy with a positive effect in reducing unemployment. The development of public infrastructure is expected to have a direct positive effect in employment; in empowerment of small and medium businesses; in rural development etc. In addition, it is estimated that the implementation of projects in this sector will enable infusion of fresh private capital in economy and will generate new jobs.

The priorities of the Medium Term Expenditure Framework 2012 – 2014 are oriented towards the implementation of projects of strategic importance that result in economic development, such as road infrastructure, energy, quality education and capacity building, establishing a favourable environment for business development, and support for certain sectors such as agriculture that have positive impact in generating employment. It foresees numerous infrastructure projects developed by municipalities to enhance the social and economic aspects of their communities. The Action Plan for the Implementation of the Decentralisation process of the government of Kosovo also represents a set of detailed actions required, including legislative reform and the establishment of the new municipalities.

Furthermore, Activity 3 is closely associated with the following objectives of the 2011-2013 MIPD, and with the sector strategies of the Ministry for Agriculture, Forestry and Rural Development and the Ministry for Trade and Industry:

- Improvement of infrastructure
- Skill development, especially of young people
- Encouragement to private investment
- Use of modern social communication technology
- Increased agricultural and rural development
- Support Kosovo's cultural and socio-economic development
- Create rural employment

2.3 LINK WITH ACCESSION PARTNERSHIP (AP) / EUROPEAN PARTNERSHIP (EP) / STABILISATION AND ASSOCIATION AGREEMENT (SAA) / ANNUAL PROGRESS REPORT

The EC Progress Report on Kosovo 2011 indicates 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.

According to the Action Plan 2011 for the Implementation of the European Partnership, Kosovo still faces challenges, especially on the issue of implementation and enforcement of environmental legislation. Further efforts are needed to establish an effective administrative and institutional infrastructure for environmental measures.

2.4 PROBLEM ANALYSIS

Activity 1 – Municipal Infrastructure

Kosovo municipalities are generally characterised by weak infrastructure, which has been identified as one of the main obstacles to economic development. Lack of basic local roads and energy connections makes it difficult to establish businesses. In addition many municipalities in Kosovo lack proper buildings for administrative and educational purposes, for cultural and recreational activities. Even though the municipalities are able to keep up existing infrastructure, their own capacities to invest in new municipal infrastructure are limited. There is a need to increase not only financial resources, but also the technical skills of local administration to provide services to their constituencies in an effective manner. Therefore, there is a need to provide both types of support to meet the various needs of the municipalities.

Kosovo has the youngest population in Europe; about 65% of population is below the age of thirty. However, there is generic lack of properly equipped kindergartens and elementary schools in municipalities. Furthermore, Kosovo's youth often find themselves involved in street activities. This is as a result of the lack of appropriate facilities where young people could participate. Establishment of centres for educational purposes is crucial since it will help youth to gain the necessary tools for lifelong success, and it would offer the opportunity to create a society free from discrimination of any kind and promote the integration of disadvantaged groups from the different ethnicities, religions and different backgrounds, which is the key priority of the EU partnership.

Activity 2 - Local Economic Development

In addition to the basic infrastructure needs identified above, the regional strategies also identified the need to improve the business environment in all municipalities including both physical infrastructure related to business activities such as business parks, business incubators, etc., and also the overall business environment in order to attract and sustain business investment. All municipalities in Kosovo have a statutory obligation to promote economic development but most of them lack the resources to do so. Only seven out of thirty-seven municipalities have made any budgetary provision for capital expenditure on economic development for 2011 and while this is far from satisfactory, it is also understandable when the pressures on health, social welfare, education and science expenditure are inevitably seen as more important. There is clearly a pressing need to support greater investment by municipalities in capital projects that will enhance the business environment.

Activity 3 - Novobërdë/NovoBrdo pilot project for comprehensive regional development

A first impression of Novobërdë/Novo Brdo marks it as an isolated small community left behind by urban-focussed development initiatives in Kosovo. However, the people and local administration of the Novobërdë/Novo Brdo Municipality have a determined, open and realistic assessment of the future of their community. They can draw on the past: a medieval town with Saxon roots, a substantial 13th century castle, silver and lead mines, a rich agricultural landscape and growing entrepreneurship.

The challenge is to connect this potential with the relatively wealthy population of the capital city Prishtinë/Priština, the city of Gjilan/Gnjilane, the culturally aware Kosovo young population, and a wealthy European and international population seeking recreational activities and adventure within Kosovo. To this end, there are three main challenges to overcome:

- The rural farming community is not well connected to retail outlets, production is below capacity, and interest in personal investment is low because of the lack of perspective;
- Citizens are discouraged because they see the local values of their place neglected and they are lacking in skills to bridge their historic past to a modern European future;
- The focal point of the community, the castle, is without protection and has not been researched or exploited or protected in a way that allows for profitable touristic usage.

At the same time, a number of challenges have already been addressed:

- The medieval town of Novobërdë/Novo Brdo is recognised in Kosovo law as a zone under special protection; this also makes a place of special interest and investment for the Ministry of Culture, Youth and Sports and adds a formal protection to its development;
- The road infrastructure around Novobërdë/Novo Brdo has been significantly improved, including asphalted roads to the vicinity of the Castle and connecting the municipal administrative centre to the major road structures. Further repair and improvement is under consideration;
- Rural tourism activities are already established in Novobërdë/Novo Brdo with a visitors centre and an active, local non-governmental organisation, this includes a network of domestic small businesses offering accommodation services;
- A draft agreement has been reached with foreign tourist agencies to bring visitors to the castle once appropriate conditions exist (renovation and visitors facilities).

2.5 LINKED ACTIVITIES AND DONOR COORDINATION

The problems outlined above are not new, and initiatives to address them have already been undertaken with the support of IPA and other donors. In relation to municipal infrastructure the following support has been provided or is foreseen:

Earlier similar interventions in support of municipal infrastructure under the Municipal Social and Economic Programme financed by the European Union (EU) in Kosovo from IPA 2007, 2010, 2011 and 2012 programmes.

EURED Grants have been delivered via IPA 2008, 2009, 2010 and 2011 programmes in the total amount of €17.3 million. These grants have so far supported the municipalities and Non-Governmental Organisations in implementing demand-based initiatives in the fields of agriculture, tourism and business development.

(in € million)

IPA Year	EU	Co-financing
2007	8.0	2.5
2008	14.0	14
2009	19.0	0.0
2010	10.0	2.5
2011	10.0	2.5
TOTAL	61.0	8.9

In relation to local economic development, the IPA-supported EURED Grant Scheme programme has provided substantial support to projects supporting local economic development in many municipalities in Kosovo. To date the following support has been provided or is foreseen.

IPA Year	EU	Co-financing
2008	2.5	0
2009	4.9	0
2010	4.0	0.9
2011	4.5	0.5
TOTAL	15.9	1.4

In relation to developing local capacity, to date the following support to the establishment and ongoing operating costs of the Regional Development Agencies has been provided or is foreseen:

IPA Year	EU	Co-financing
2008	0.75	0

2009	1.4	0
2010	1.0	0.055
TOTAL	3.15	0.055

In addition to the above direct assistance to municipalities and RDAs, technical assistance has been provided to the RDAs and the Ministry of Local Government Administration. To date the following support has been provided or is foreseen:

IPA Year	EU	Co-financing
2008	3.0	0
2010	2.5	0
TOTAL	5.5	0

Other donors and organisations supporting MLGA and Municipalities;

EU Twinning European Cooperation for Stronger Municipalities Planning for Service Delivery, UNDP/SDK Support to Decentralization in Kosovo, DFID , GTZ Modernisation of local services , UN Habitat, USAID / DEMI Democratic Effective Municipalities Initiative (DEMI), LOGOS Swiss-Kosovo Local Governance and Decentralization Support and JICA .

Activity 3 benefits from a range of complementary activities:

- Existing IPA projects are giving support to the development of agriculture and rural sector, to forestry and to small and medium enterprises;
- Investments by the Ministry of Agriculture, Forestry and Rural Development are providing support to establish collection facilities for storage and packaging of agriculture products in regional areas including in Anamorava.

2.6 LESSONS LEARNED

Despite of the progress and achievements from earlier support to municipal infrastructure and EURED process, it is clear that there have been several problems associated with implementation of these programmes. Some lessons learnt that should be considered in the design and implementation of future activities could include:

- Municipalities and grassroots organisations most often do not have the capacities for preparing and implementing good project proposals. This is still a problem and it is apparent that they will continue to need ongoing and appropriate support in identifying

and designing good projects. Targeted training activities need to be envisaged and partnerships with more advanced organisations are to be encouraged

- EURED grant schemes have proved very helpful, but much more still needs to be done to improve both the business environment and the physical environment throughout Kosovo. A more comprehensive programme in support of business developments is necessary.
- With so many municipalities being simply too small and thus lacking the resources to undertake proper project development, support to them from the Regional Development Agencies is critical to the development of good quality projects that can fully utilise the financial resources available and make a demonstrable difference to the quality of life and the economic development of municipalities, and thus of Kosovo as a whole.
- Latest experience with most of municipalities that have benefited from EURED grant schemes has shown that they have serious problems in managing these projects following EU procedures. More guidance and support from RDA or other actors will be instrumental in future similar initiatives. Coordination and harmonisation of activities of the five RDAs with the central institutions needs to be improved. Furthermore, the scope and focus of RDAs activities should be better standardised and to each other and existing and upcoming policies and initiatives related to regional development.
- It should be ensured that land ownership issues (including access) shall be fully solved when selecting a project or scheme (i.e. land available must already be the property of the beneficiary and this must be certified unambiguously by a cadastral extract).
- Ownership of project: The beneficiary's sense of ownership is key to the success of these initiatives. Therefore, a close and regular involvement of the beneficiary from the very early stages of the project and throughout the entire project cycle is of utmost importance.
- Operation and maintenance after hand-over: Experience shows that municipalities very often underestimate or even neglect the costs for operation and/or maintenance of the scheme/facilities implemented for and handed over to them after Provisional Acceptance. Criteria related to operation and maintenance must already be included in the selection process of submitted project proposals and formal agreements (i.e. MoU) regarding operation and maintenance signed with the selected municipalities.
- Prioritising investment needs: Despite the serious infrastructure deficit at the municipal level, it is vital that the municipalities properly prioritise their needs before submitting project proposals. All submitted projects proposals shall be fully in line with existing municipal development, spatial and urban plans and the Steering Committee properly assess these criteria during the selection process.
- Past performance as criteria for future support: Experience shows that properly assessing the track record of a municipality related to previous EU-funded projects is a criterium that shall be included in the project selection process. Too often it is the same municipalities which show an unsatisfactory level of cooperation during the project cycle and which then fail to live up to their responsibilities once the facility or scheme has been handed over to them.

- 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 the Kosovo-wide level. Through their involvement with the Grant Scheme, Regional Development Agencies (RDAs) should contribute to more effective donor cooperation at regional level and avoid unnecessary duplication of activities.

3 DESCRIPTION

3.1 OVERALL OBJECTIVES OF THE PROJECT

The overall objective is to ensure a more balanced regional development in Kosovo through a reduction in the disparities between municipalities in terms of quality of life and in term of economic development potential;

3.2 SPECIFIC OBJECTIVE(S) OF THE PROJECT

Activity 1 and 2

- To improve public services through the upgrade of municipal infrastructure in order to better serve the needs of the population
- To enhance economic development and employment in Kosovo's regions and municipalities
- To improve the living conditions of the population in the areas benefiting from the project
- To make Kosovo regions and municipalities more attractive for business development and domestic and external investments.

Activity 3

- Sustainable restoration of the Novobërdë/NovoBrdo castle
- Promotion of local agricultural and food production by providing retail outlets, storage and marketing.
- Improved skills and perspectives for the youth of Novobërdë/NovoBrdo

3.2 RESULTS

Activity 1 and 2:

1. Upgraded municipal infrastructure improving the public service delivery
2. Strengthened capacity of municipalities to deal with identifying, formulating, designing, tendering and implementing/supervising small to medium-sized infrastructure projects.
3. Improved business environment, investment and creation of new jobs through grant projects supporting regional development, implemented successfully.

Activity 3:

1. The **people** results are skill development of young people and of persons providing tourism services and products in Novo Brdo, plus, an increase in the total number of people aware of Novo Brdo, its unique character and the range of products that can be purchased from Novo Brdo producers. Without improved visitor attractions Novo Brdo receives 5,500 visitors per year of which 35% are foreigners. The target after improvement is 17,100 of which 40% foreigners. The register of families offering accommodation is 15 but is targeted to double with increased inflows. 100 young people are to be included in training programmes with a target of 20 to continue in employment.
2. The **business enterprise** results focus principally on the farmer community of Novo Brdo, providing them with an enterprise-stimulating processing and storage facility and an access to new retail outlets, this leading to increased private investment in Novo Brdo rural tourism. A secondary business result is the improvement of the cultural-rural tourism opportunities. The farmers' association has 355 members with project opportunities open to all.
3. The **place** results for Novo Brdo focus on regeneration of the castle site as a special unique feature to create a 'magnet' and catalyst for economic development. A professionally protected and restored castle with visitor facilities and attractions creates the interest through which Novo Brdo can be marketed to a wider community.

3.3 MAIN ACTIVITIES

Activity 1 – Municipal Infrastructure

1.1 – Implement up to 5 works contracts to upgrade or construct municipal infrastructure such as:

- business parks, industrial zones, tourist infrastructure.
- socio-economic infrastructure such as educational buildings including pre-schooling institutions.
- transport infrastructure such as local roads and bridges.
- environmental infrastructure such as water supply systems, waste management.

1.2 – Provide training and assistance to municipal staff on the entire process of project identification and preparation.

Activity 2 – Regional Economic Development

Activity 2 will be implemented through a call for proposals to be implemented by the Contracting Authority.

2.1 – preparation of grant application package

2.2 – launch and contracting of grants

2.3 – grants implementation and monitoring

Activity 3 - Novobërdë/NovoBrdo pilot project

Activity 3 will consist of two components.

Component 1 will consist of the sustainable restoration of the Novobërdë/NovoBrdo castle. This component will be implemented in joint management with UNESCO. The main activities will be:

3.1.1 Archaeology - There needs to be a comprehensive archaeological examination of the castle and the area surrounding it. This element of the project will take time and should be designed to not delay the restoration of the Castle as a tourist attraction. The archaeological dig on its own could be a part of the visitor attraction to the site, and also if extensive enough, it could be used as training centre for Kosovans in this science. International archaeological expertise is required.

3.1.2 Restoration - The restoration of the Castle itself must balance the need for proper conservation of the remains with a sustainable and affordable project. It should have as a basic minimum outcome that its historical and cultural value can be easily understood through basic interpretive information linked to the current tourism organization in the town.

Component 2 will be implemented through one open call for proposals to be implemented by the Contracting Authority and will include the following activities.

3.2.1 – preparation of grant application package

3.2.2 – launch and contracting of grants

3.2.3 – grants implementation and monitoring

The following kind of activities will be considered for funding under the grant schemes:

A: Activities that exploit the unique characteristics of the Castle:

- *Visitor Venue* - The aim is for the Castle to become a major visitor attraction based on its historical significance. Apart from basic interpretive information the aim should be to further develop a centre for visitors close to the castle (tourism) and for schools (education) using the combination of a new facility close to the Castle and extended use of the existing Visitor's Centre close to the municipal office. The centre would provide information about local farms, possibilities of visit and purchase, and an exhibition area where archaeological artefacts found at the archaeological sites would be exhibited. Facilities can be used for multiple purposes; meeting rooms/ classrooms/theatre/ AV facilities as well as for arrangements for accommodation and excursions.
- *Outdoor Venue* - In the average year the weather is suitable for using the Castle as an outdoor venue for seven months (April to October). The type of events could include concerts, music festivals, theatre, banqueting, cinema, historical re-enactments, and

pageants. This would start to develop the location as a cultural centre. The events staged could strongly themed around the history of the castle and the locality. However because of the character of the castle and its situation could also be used for international cultural events eg. Shakespeare plays-Macbeth, Hamlet etc.

B: Activities that stimulate Local Business Development

- *Local Retail* – The immediate castle site should be provided with retail outlets for local produce and crafts were available. Since it is difficult to secure a market for agriculture products, linked to the visitor's centre could be small retail outlet that will help the local population to promote and increase selling of agriculture products, food and handicrafts from the countryside which is seen as a priority for the Municipality.
- *Tourism* – Further stimulation to be given to the existing rural tourism initiatives and facilities to improve the quality of services and support the set up of new businesses to provide accommodation and food. Special emphasis will be given to marketing initiatives to attract visitors from close centres like Pristina and Kosovo generally, and to the international market, using website, social networking and other modern social communication technology, and documentary media.
- *Productivity Development* – Assistance to existing producers in the farmers' association to increase the life-span of fresh produce and to prepare them for a wider market using both improved farming techniques and shelf-life extensions through conservation and refrigeration, and through access to the collection centre near Gjilan.
- *Market Increase* – Advisory support to farmers as to the range of products that can be produced, broader market outlets, methodology for increased production and marketing of local products. Advisory support to food and craft retailers.

C: Activities that enhance the skills and perspectives of youth

- *Young Persons Programme* – Provision of a range of training courses for young people (14 to 24) addressing usable skills in the economic development of Novobërdë/NovoBrdo: language, tour guiding, hoteliery, food preparation, catering, event organisation, marketing, tourism, communication and archaeology.
- *International Youth Camp* - Organisation of two international youth camps for high school and university through which students of history, archaeology, rural development and international relations are invited to Novobërdë/NovoBrdo to study and support the objectives of the project and develop relationships with Novobërdë/NovoBrdo
- *Authoring* – competitive sponsorship of written articles on contemporary and Novobërdë/NovoBrdo for both academic and social audiences in Europe

3.4 ASSESSMENT OF PROJECT IMPACT, CATALYTIC EFFECT AND CROSS BORDER IMPACT (WHERE APPLICABLE)

The impact of the foreseen interventions will be significant, as it has been the case during previous and ongoing Municipal Social and Economic Infrastructure projects, because the implemented schemes will have a direct effect on sustained local and regional development and integration, and contribute as well to strengthened social cohesion, even more so in minority areas. In addition, the foreseen multi-purpose facilities for youth, sports and leisure

will directly target some of the needs of Kosovo's young population, allow them to grow up in a more appropriate environment and help them to develop to their best. These facilities will as well contribute to create a society free from discrimination of any kind and to integrate disadvantaged groups, which is a priority of the European Partnership. Furthermore, the project will continue to further improve the municipalities' abilities to provide adequate services to their citizens and the foreseen training component contribute to the municipal administrations being more proficient when dealing with infrastructure projects.

The mostly very positive results of previous and ongoing schemes financed under EU-funded Municipal Social and Economic Infrastructure projects may trigger additional future investments from central government and other donors alike into a sector (i.e. local infrastructure) which has been rather neglected during the last years. In addition, the foreseen investments will release funds from municipal budgets for other high priority projects. Despite almost unanimous support to the decentralisation process, the support pledged often focuses too much on technical assistance ("soft" component), but neglects existing capital investment needs ("hard" component), or at worst even remain a lip service. The municipalities' improved capability to provide quality public services to their citizens will lead to a better quality of life, improved citizens' satisfaction and increased revenues for the municipalities from the said services. Furthermore, the improved management of infrastructure projects will result in a more efficient and effective use of the often scarce municipal funds.

The direct involvement of the beneficiary municipalities from the very early stages of the project cycle will create a sense of ownership and greatly contribute to the sustainability of the schemes. All facilities or schemes will have to be in line with the existing municipal and urban development and urban regulatory plans. In addition, the municipalities will be required to show evidence of budget availability for proper operation and maintenance, and formal agreements (i.e. MoU) will be signed between the municipalities, the Ministry of Local Government Administration, and the EU Office clearly outlining the responsibilities of the different parties.

The project will not only contribute to the enhancement of cultural rights of Novobërdë/NovoBrdo Community, but will also strengthen the capacity and sustainability of the civil society sector in the field of cultural heritage, tourism, market increase and participation of youth in different programmes.

3.5 SUSTAINABILITY

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As regards the third component, different sustainability concepts apply to each group of activities. In respect of group 1 the intention is to make the castle permanently safe for future generations to enjoy and through its exhibition also enable development of archaeological, cultural, educational gastronomic, ecological and other types of tourism. In respect of group 2 the intention of the project is to open the Novobërdë/NovoBrdo farmers to a wider and sustained market; the proposed support to increase the market availability of fresh produce is seen as a valuable investment step to create these market opportunities and assistance to the farmers' association. Group 3 is aimed at a longer term international perspective for Novobërdë/NovoBrdo where knowledge of the history and interest of the community can be understood in Europe and where young people of Novobërdë/NovoBrdo are trained to assist their community to a future that relies on visitor interest and tourism.

3.6 ASSUMPTIONS AND PRE-CONDITIONS²

Experience of the current and previous support in this sector has shown that a critical success factor is the capacity of the beneficiaries (in particular municipalities) to design and implement good quality, relevant projects and to that end it is assumed that the ongoing support to municipalities from the RDAs will significantly contribute to that. Furthermore, the provision of improved facilities will attract private investment as well as improve the quality of life for residents in the assisted municipalities and thus contribute to the overall objective.

- The interested municipalities are able to develop quality project proposals in line with their Municipal Development and Urban Development Plans and to submit them on time.
- All necessary pre-requisites such as solving of all land ownership and other legal issues, appointment of municipal staff to follow up implementation, agreements for proper maintenance, etc. are met by the selected municipalities (supported by MLGA and Technical Assistance).
- The selected municipalities show strong sense of ownership for their projects.

² Assumptions are external factors that have the potential to influence (or even determine) the success of a project but lie outside the control of the implementation managers. Such factors are sometimes referred to as risks or assumptions but the Commission requires that all risks shall be expressed as assumptions. Pre-conditions are requirements that must be met before the sector support can start.

- Kosovo government is willing to develop the overall policy, legal framework and institutional framework for the regional economic development process.

Sufficient capacity of grant beneficiaries to implement their projects successfully (Note: capacity building support will be provided to successful applicants by RDAs and through existing TA contract. In addition the RDAs and TA will assist in the monitoring of contracted projects to identify any potential problems)

As regard the third component, it is a pre-condition of the project that the Kosovo institutional stakeholders agree to the various elements of the project and commit to achieve complementarities in their own initiatives to support Novobërdë/NovoBrdo and the project.

It is assumed that the general political and security situation in Kosovo will not prohibit cultural and rural development.

The government has had the intention for some time to develop a 'Master Plan' for the medieval town of Novobërdë/NovoBrdo to which this project can be a significant contributor. It is assumed that the master plan working group, if or when formed, will harmonise the castle aspects of this project into their plans.

4 IMPLEMENTATION ISSUES

Activity 1: will be implemented through 1 service contract of € 1.0 million and max. 5 works contracts with a total value of up to € 3.0 million. Parallel co-financing of € 2.5 million is envisaged.

Activity 2: will be implemented through grant contracts awarded through a Call for proposals (€ 4.5 million). Parallel co-financing of € 0.9 million is envisaged.

Activity 3:

Component 1 will be implemented in joint management with UNESCO in accordance with Article 53d of the Financial Regulation. To this end, the EU Office will sign a contribution agreement with UNESCO (€ 1 million).

UNESCO has been chosen as the implementing partner for this part of the project because it is the leading international organisation for the protection of cultural heritage and has significant relevant experience in the restoration of historical monuments in Kosovo.

Component 2 will be implemented through grant contracts awarded through 1 open call for proposals implemented by the Contracting Authority (€ 1.0 million).

4.1 INDICATIVE BUDGET

Indicative Project budget (amounts in EUR)

PROJECT TITLE			SOURCES OF FUNDING									
			TOTAL EXPENDITURE	IPA CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION	
	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 - Municipal infrastructure			8.0	5.5	69	2.5	31	2.5				
contract 1.1 (service)	X		1.0	1.0	100							-
contract 1.2 (works)		X	4.5	4.5	100							-
Parallel co-financing		X	2.5			2.5	100	2.5				
Activity 2 - Regional Economic Development			4.9	4.0	82	0.9	8					
contract 2.1: EURED grant scheme		X	4.0	4.0	100							-
Parallel co-financing		X	0.9			0.9	100	0.9				-
Activity 3			2.0	2.0	100							
Contract 3.1 – Contribution agreement with UNESCO		X	1.0	1.0	100							
Contract 3.2 - grant scheme		X	1.0	1.0	100							
TOTAL IB			1.0	1.0	100							
TOTAL INV			13.9	10.5	76	3.4	24					
TOTAL PROJECT			14.9	11.5	77	3.4	23	3.4				

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

Amounts net of VAT

- (1) In the Activity row, use "X" to identify whether IB or INV
- (2) Expressed in % of the **Total** Expenditure (column (a))

4.2 INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN BY QUARTER)

Contracts	Start of Tendering/ Call for proposals	Signature of contract	Project Completion
Contract 1.1 (42 months contract)	Q2 2013	Q4 2013	Q4 2017
Contract 1.2 (42 months contract)	Q4 2013	Q2 2014	Q4 2017
Contract 2.1 (36 months contract)	Q1 2013	Q4 2013	Q2 2016
Contract 3.1	N/A	Q2 2013	Q3 2014
Contract 3.2	Q1 2014	Q4 2014	Q4 2016

All ToRs, Technical Specifications and Guidelines for Applicants will be prepared by the Contracting Authority.

4.3 CROSS CUTTING ISSUES

4.3.1 *Equal Opportunities and non discrimination*

The principle of "gender mainstreaming" consisting of taking systematic account of the differences between the conditions, situations and needs of women and men will be applied throughout the project cycle, which means when selecting, designing and finally implementing the different facilities/schemes. The experts of the Service Contract and involved in project selection, design and implementation must possess relevant gender mainstreaming skills.

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

As the main target groups of the envisaged project is the society in Kosovo, in particular the citizens of the Municipality of Novobrd, specific attention will be given to providing the specific communities who live in this Municipality, in order to increase their integration and participation in Kosovo society (education, employment, access to different public services, better welfare and improved social status, etc).

4.3.2 *Environment and climate change*

Environmental impact and sustainability will be assessed and taken into account since the very beginning of the project cycle (i.e. when assessing the submitted project proposals). The use of environmentally friendly and energy efficient building materials and renewable energy sources

(e.g. geothermal cooling and heating, solar panels, green roofs, etc.) will be key issues in the design brief.

All applicable laws and related administrative directives/instructions will be fully respected, notably the Law on Environmental Protection (Law No. 03/L-025) and the Law on Environmental Impact Assessment (Law No. 03/L-024).

The project which will be implemented by an International Organization is expected to increase the awareness of the Kosovo population to this particular issue. For a higher impact and longer term efficiency of the programme, the Contracting Authority will sustain great cooperation with central or local authorities.

Disaster resilience and risk prevention and management should be integrated in the planning, preparation and implementation of projects.

4.3.3 *Minorities and vulnerable groups*

Equitable treatment of minorities and other vulnerable groups - such as for instance children, elderly and disabled people - and particular attention to their specific needs will be a key feature during the entire project cycle. Project proposals directly targeting minority and vulnerable group issues and needs will be encouraged.

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. Organizations applying to run projects funded by the EURED grant scheme will need to do the same.

Kosovo's constitutional Framework provides for protection of linguistic rights and the project will, wherever necessary, involve and make use of different community, together with their official language.

4.3.4 *Civil Society/Stakeholders involvement*

Civil Society /Stakeholders involvement will be taken into consideration in all aspects of EU-funded activities in order to support civil society organisations to strengthen their capacities and professionalism, allowing them to engage in an effective dialogue with public and private actors and to monitor developments in areas such as management of EU funds.

ANNEXES

- 1. Log frame**
- 2. Description of Institutional Framework**
- 3. Reference list of relevant laws and regulations only where relevant**
- 4. Details per EU funded contract(*) where applicable:**
- 5. Project visibility activities**

ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche		Project title and number		Balanced Regional Development: 07 – 2013 / 02
		Contracting period expires three years after signing of financing agreement		Execution period expires two years after contracting
		Total budget	€ 14.9 million	
		IPA budget:	€ 11.5 million	
Overall objective	Objectively verifiable indicators (OVI)	Sources of Verification		
To ensure a more balanced regional development in Kosovo through a reduction in the disparities between municipalities in terms of quality of life and in term of economic development potential	Quantity and quality of municipal social and economic infrastructure in Kosovo is improved Regional measures of economic activity, e.g. new jobs created, levels of investment, number of start-ups, etc.	Progress Report, EPAP, World Bank Reports, Statistical Office of Kosovo, Periodic reports of ministries and government agencies		
Specific objective	Objectively verifiable indicators (OVI)	Sources of Verification		Assumptions
<p>Activity 1 and 2</p> <ul style="list-style-type: none"> To improve public services through the upgrade of municipal infrastructure in order to better serve the needs of the population To enhance economic development and employment in Kosovo's regions and municipalities To improve the living conditions of the population in the areas benefiting from the project To make Kosovo regions and municipalities more attractive for business development and domestic and external investments. <p>Activity 3</p> <ul style="list-style-type: none"> Sustainable restoration of the Novobërdë/NovoBrdo castle 	<p>Activity 1</p> <p>Quantity (number) and quality (according to European and other international best practices and standards) of new or rehabilitated municipal social and economic infrastructure.</p> <ul style="list-style-type: none"> - Intensity and quality of participation of municipalities related to other/future municipal infrastructure projects. - Quality of the municipal services delivered. <p>Activity 2</p> <p>At least 15 regional development projects</p>	<p>Progress Report., Regular reports of the project beneficiary institutions, reports of other the EC financed projects in the local government area</p>		<p>The provision of improved facilities will attract private investment as well as improve the quality of life for residents in the assisted municipalities</p>

<ul style="list-style-type: none"> Promotion of local agricultural and food production by providing retail outlets, storage and marketing. Improved skills and perspectives for the youth of Novobërdë/NovoBrdo 	<p>receiving assistance and are successfully implemented.</p> <p>Activity 3</p> <p>150 jobs created.</p> <p>Visual assessment of the restored castle; numbers of monthly visitors; major events</p> <p>Volume of trade increase by NB business community</p> <p>Employment destinations of young people in NB</p>	<p>Photographic records; visitors centre record books; reports of archaeological activity; records of events held</p> <p>Business accounts; business surveys;</p> <p>Municipal records; no's of young people receiving training or work experience opportunities</p>	<p>Stable political and economic climate in Balkans / Kosovo</p> <p>Continued government investment in infrastructure related to tourism (marketing, road network, airport, etc)</p>
Results	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
<p>Activity 1 and 2:</p> <p>1. Upgraded municipal infrastructure improving the public service delivery</p> <p>2. Strengthened capacity of municipalities to deal with identifying, formulating, designing, tendering and implementing/supervising small to medium-sized infrastructure projects.</p> <p>3. Improved business environment, investment and creation of new jobs through grant projects supporting regional development, implemented successfully.</p> <p>Activity 3</p> <p>1. People results: skill development of young people and</p>	<p>Activity 1</p> <p>Number of completed infrastructure schemes.</p> <p>-Quality of completed infrastructure schemes</p> <p>Activity 2</p> <p>15 to 17 projects approved</p> <p>EUR 4.5 million awarded to grant beneficiaries</p> <p>Activity 3</p> <p>Increase in no of families offering</p>	<p>Activity 1</p> <p>Regular reports of the project beneficiary institutions and the MLGA</p> <p>Activity 2</p> <p>Reports of the project beneficiaries and the municipalities</p> <p>Activity 3</p> <p>Municipal records</p> <p>Municipal / project records</p> <p>Municipal records / business registrations</p>	<p>-The interested municipalities are able to develop quality project proposals in line with their Municipal Development and Urban Development Plans and to submit them on time.</p> <p>- All necessary pre-requisites such as solving of all land ownership and other legal issues, appointment of municipal staff to follow up implementation, agreements for proper maintenance, etc. are met by the selected municipalities (supported by MLGA and Technical Assistance).</p> <p>Strong local take up of opportunities presented (farming, retail, tourism, educational, etc)</p>

<p>of persons providing accommodation service and recreation activities in Novo Brdo.</p> <p>2. Business results: expand and enrich farming by access to new retail opportunities, improvement of the cultural-rural tourism opportunities</p> <p>3. Place results: regeneration of the castle site as the 'magnet' for economic development</p>	<p>accommodation from 15 to 30</p> <p>100 young people included in training programmes; 20 to continue in local employment</p> <p>no of retail outlets in NB</p> <p>take up in new storage facility</p> <p>increase in local business revenues</p> <p>Increase in NB visitor numbers from 5,500 (35% foreigners) to 17,000 (40% foreigners)</p> <p>Additional retail outlets and other visitor attractions</p>	<p>Records and accounts of new storage facility</p> <p>Business accounts</p> <p>Castle and other visitor attraction records</p> <p>Visitor surveys</p> <p>Municipal records</p>	
Activities to achieve results	Means / contracts	Costs	Assumptions
<p>Activity 1</p> <p>1.1 Implement up to 5 works contracts to upgrade or construction of municipal infrastructure</p> <p>1.2 Provide training and assistance to municipal staff on the entire process of project identification and preparation.</p> <p>Activity 2</p> <p>2.1 Preparation of grant application package</p> <p>2.2 Launch and contracting of grants</p>	<p>Activity 1</p> <p>- One Service Contract for Technical Assistance (TA)</p> <p>- Between one to five works contracts to implement the selected projects</p> <p>Activity 2</p> <p>-Grant scheme with Call for Proposals</p> <p>-15 to 17 grant projects approved and implemented</p>	<p>Activity1:</p> <p>€ 4.5 million IPA and € 2.5 million parallel co-financing by GoK.</p> <p>€ 1.0 million IPA for TA</p> <p>Activity 2:</p> <p>€ 4 million IPA</p> <p>€ 0.9 million parallel co-financing</p>	<p>-Cooperation between involved institutions</p> <p>-The selected municipalities show strong sense of ownership for their projects</p> <p>-Sufficient capacity of grant beneficiaries to implement their projects successfully</p>

<p>2.3 Grants implementation and monitoring</p> <p>Activity 3</p> <p>Component 1:</p> <p>3.1.1 archeological examination</p> <p>3.1.2 restoration of the castle</p> <p>Component 2:</p> <p>3.2.1 Preparation of grant application package</p> <p>3.2.2 Launch and contracting of grants</p> <p>3.2.3 Grants implementation and monitoring</p>	<p>Activity 3</p> <p>1 Contribution agreement with UNESCO</p> <p>1 Open Call for Proposals</p>	<p>Activity 3:</p> <p>€ 1 million IPA</p> <p>€ 1 million IPA</p>	<p>Ability to design archaeological site that complements restoration of castle</p> <p>Rigorous project management</p> <p>Willingness of local businesses to engage and take up opportunities presented</p> <p>Ability to design relevant, affordable, high added value training and development and work experience programmes</p> <p>Skilled marketing</p>
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ANNEX 2: Description of Institutional Framework

Ministry of Local Government Administration

- Mission: Local government advancement by working with municipalities – through coordination, empowerment, assistance – to provide effective and responsive service as close as possible to the citizens.

- Mandate:

- Development of policies and implementation of legislation for local self-government;
- Promotion and affirmation of the right of self-government of local bodies in conformity with the European Charter on Local Self-Government;
- Exercise functions in the field of local administration, as determined with the constitution of Kosovo;
- Coordination with sectorial ministries for effective offering of services controlled from centre including the human and financial resources;
- Coordination with the Ministry of Finances to ensure that the municipal administration has received due financial resources to exercise their responsibilities, including public investment;
- Contribution in the implementation of municipalities based on the applicable legislation;
- Taking care for maintenance of the Action Plan for European Partnership in the field of local government

- Organisational Structure: Office of the Permanent Secretary, Office of Information; Legal Department; Local Self-Government Department; Department of Reform and European Integration; Department of Administration and Support, Procurement Department.

Association of Kosovo Municipalities

The Association of Kosovo Municipalities (AKM) was established on 30 June 2001, after the first local elections held in post-war Kosovo in 2000. The founding of the Association of Kosovo Municipalities is based on article 10 of the European Charter of Local Self-Government.

The AKM is a non-profitable organisation with judicial personality representing the general interest of its members (i.e. local authorities). The municipalities of Kosovo become members of the AKM with the decision of Municipal Assembly. Currently, all 37 existing municipalities are members of the AKM and the Mayor of

Ferizaj/Uroševac is the president of the Board of Leaders (7 members incl. the president). The executive structure is headed by an Executive Director.

Municipalities

The principles and the basic rights of local government are described in the Constitution and the governmental system in Kosovo is divided in two levels, the central and the local level.

Currently, there exist 37 municipalities. The Law on Administrative Municipal Boundaries (Law No. 03/L-041) foresees under article 5 (Territorial Organisation of Local Self-Government) that "in the current municipality of Mitrovicë/Mitrovica two new municipalities, Mitrovicë/Mitrovica North and Mitrovicë/Mitrovica South shall be established with the cadastral zones enumerated in this law and with their residencies in Mitrovicë/Mitrovica", which would bring the total number of municipalities to 38. The government of Kosovo has announced its intention to establish this new municipality before the end of 2011.

Regional Development Agencies (RDAs)

RDAs were founded in December 2008 as inter-municipal institutions to act and function as coordinators and drivers of development activities in the respective economic regions. Key tasks of the RDAs are: elaboration of the Regional Economic Development Strategies in cooperation with Partnerships, and providing support to potential applicants for EU grants. The implementation of the strategies will be carried out by the RDAs and their partners; a full review and revision of the Strategies has been planned for 2012/2013 in line with economic development policy in Kosovo

The five agencies are as following:

- *RDA South* working with 6 municipalities: Dragash/ Dragaš, Malishevë/ Malisevo, Mamushë/ Mamuše, Prizren, Rahovec/ Orahovac, and Suharekë/ Suva Reka.
- *RDA Centre* working with 8 municipalities: Glogoc/ Glogovac, Fushë Kosovë/ Kosovo Polje, Obiliq/ Obilic, Graçanicë/ Gračanica, Podujevë/ Podujevo, Prishtina/ Pristina, Shtime/ Stimlje and Lipjan/ Lipjan.
- *RDA North* working with 4 municipalities: Mitrovicë/Mitrovica, Skënderaj/ Srbica, Vushtrri/ Vucitrn and Zubin Potok.
- *RDA East* working with 11 municipalities: Novobërdë/ Novo Brdo, Kamenicë/ Kamenica, Ferizaj/ Uroševac, Gjilan/ Gnjilane, Kaçanik/ Kacanik, Shtërpçë/ Strpce, Viti/ Vitina, Han i Elezit/ Đeneral Janković, Klllokot/ Klokot, Ranillug/ Ranilug and Partesh/ Parteš.
- *RDA West* working with 6 municipalities: Istog/ Istok, Deçan/ Decani, Junik, Klinë/ Klina, Pejë/ Pec and Gjakova/ Djakovica

Steering Committee

The Steering Committee guiding the municipal social and economic infrastructure project shall be composed of representatives from the Ministry of Local Government Administration (2), the Association of Kosovo Municipalities (1) and the European Union Office in Kosovo (1). The chairperson will be from the Ministry of Local Government Administration.

Component 3: Novobërdë/NovoBrdo

The Ministry of Culture, Youth and Sports is comprised by the Department of Culture, Department of Youth, Department of Sports, Department of Cultural Heritage, The Office of Copyright and Related Rights, Department of Legislation and other administrative Departments.

The Department of Cultural Heritage is composed of three Divisions. Division for Archaeological Heritage and Architectural, Division for Movable Heritage and Spiritual Heritage and the Division for Integrated Management and Cultural Tourism.

The Department of Cultural Heritage also manages its subordinate institutions. The relevant subordinate institutions are: Museum of Kosovo, Archaeological Institute, Kosovo Institute for the Protection of Monuments and six other Institutes/branches in Prishtina, Prizren, Pejw, Gjakova, Mitrovica and Gjilan and Regional Institutes of Cultural Heritage in Prizren and Gjilan. The above mentioned institutions are responsible for the restoration, conservation, protection and preservation of the cultural heritage values.

Each municipality in Kosovo also comprises of a Directorate for Culture (including Cultural Heritage) who closely collaborates with the local Institutes for the Protection of Monuments, and then at central level with the Ministry of Culture, Youth and Sports.

ANNEX 3: Reference list of relevant laws and regulations only where relevant

- Law on Spatial Planning (Law No. 2003/14)
- Law on Construction (Law No. 2004/15)
- Law on Waste (Law No. 02/L-30)
- Law on Environmental Protection (Law No. 03/L-025)
- Law on Environmental Impact Assessment (Law No. 03/L-024)
- Law on Local Self-Government (Law No. 03/L-040)
- Law on Administrative Municipal Boundaries (Law No. 03/L-041)
- Law on Local Government Finance (Law 03/L-049)
- Law on Public-Private-Partnerships and Concessions in Infrastructure and the Procedures for their Award (Law No. 03/L-090)
- Numerous so-called Administrative Instructions related to the above mentioned laws, such as for project control, technical inspection, or accessibility for disabled persons.

- Law on Cultural Heritage 2008/02L88;
- Law on Special Protection Sites 2008/03/L-039;

ANNEX 4: Details per EU funded contract(*) where applicable:

Activity 1: will be implemented through one service contract (€1.0 million) and up to five works contracts (total value of max. €4.5 million).

A Steering Committee will be established for the Municipal Infrastructure project, consisting of representatives from the European Union Office in Kosovo, MLGA, and the municipalities. The Steering Committee will guide the municipal social and economic infrastructure project and will define criteria's for submission and selection of projects proposals submitted by interested municipalities and follow the implementation of the project shall be composed of representatives from the Ministry of Local Government Administration (2), the Association of Kosovo Municipalities (1) and the European Union Office in Kosovo (1). The chairperson will be from the Ministry of Local Government Administration.

Preparation phase

- Service Tender is drafted and published.
- Offers are evaluated and best ones selected.
- Service Contract is signed.
- Selection criteria for project proposals are defined by the Steering Committee.
- Formal training on infrastructure projects for all interested municipalities is conducted.
- Call to submit project proposals are drafted.

Call phase

- Call to submit project proposals are published.
- Project proposals prepared and submitted by municipalities.

Evaluation and selection phase

- Submitted project proposals are screened.
- Projects are selected by the Steering Committee.

Design phase

- Detailed design of selected projects is drawn.
- Complete works tender dossier is drafted.

Tendering and contracting phase

- Works Tender is published.
- Offers are evaluated and selected.
- Works contracts are signed.

Implementation phase

- Works contracts are implemented.
- On-the-job training for municipal staff.
- Provisional Acceptance of all schemes.

Warranty period

- Remedying of possible defects.
- Final Acceptance of all schemes.

Activity 2:

An open Call for Proposals (€ 4.0 million) will be implemented by the Contracting Authority.

Activity 3:

Component 1 will be implemented in joint management with UNESCO in accordance with Article 53d of the Financial Regulation. To this end, the EU Office will sign a contribution agreement with UNESCO (€ 1 million).

Component 2 will be implemented through grant contracts awarded through 1 open call for proposals implemented by the Contracting Authority (€ 1.0 million).

ANNEX 5: Project visibility activities

The European Union Office in Kosovo has developed clear visibility guidelines and ensures that all projects which are implemented in Kosovo are fully in line with these guidelines. Project visibility is also clearly stipulated in all contractual documents whereby the contractors/implementers are obliged to adhere to all EU visibility requirements.