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COMMISSION DECISION

on amending Decision C(2007)5684 of 28/11/2007 adopting an Annual Programme for Kosovo (under UNSCR 1244)¹ under the IPA Transition Assistance and Institution Building Component for 2007

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)², and in particular Article 14 (2)(a) thereof,

Whereas:

- (1) Regulation (EC) No 1085/2006 lays down the objectives and main principles for pre-accession assistance to candidate and potential candidate countries.
- (2) In accordance with Article 7 of Regulation (EC) No 1085/2006, the assistance should be provided through multi-annual or annual programmes, which can be established by country and by component, or, as appropriate, by group of countries or by theme. These programmes should be drawn up in accordance with the general policy framework referred to in Article 4 of Regulation (EC) No 1085/2006 and the relevant multi-annual indicative planning document referred to in Article 6 of that Regulation.
- (3) The Council established on 30 January 2006 a European Partnership with Serbia and Montenegro including Kosovo³. The Commission has adopted on 1 June 2007 a multi-annual indicative planning document 2007/2009 for Kosovo⁴, which presents indicative allocations for the main priorities for pre-accession assistance in Kosovo.
- (4) The Commission adopted on 28 November 2007 by Decision C(2007)5684 an Annual Programme for Kosovo (under UNSCR 1244)⁵ under the IPA Transition Assistance and Institution Building Component for 2007 which aims at providing assistance to strengthen administrative capacity at all levels, enhance rule of law, human rights and good governance, improve socio-economic conditions for all communities, and develop regional cooperation.
- (5) The main purpose of this amendment is to re-allocate EUR 5 million of unspent funds from other activities to new activities to be introduced under Project 3: Return, Reintegration and Cultural Heritage in Kosovo. The new activities aim to facilitate a

¹ United Nations Security Council Resolution 1244 of 10 June 1999.

² OJ L 210, 31.7.2006, p. 82.

³ Council Decision 2006/56/EC of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with Serbia and Montenegro including Kosovo as defined by the United Nations Security Council Resolution 1244 of 10 June 1999 (OJ L35, 7.2.2006, p.32).

⁴ SEC (2007) 1032 of 01.06.2007.

⁵ United Nations Security Council Resolution 1244 of 10 June 1999.

peaceful and sustainable resettlement and reintegration of displaced families, which would subsequently contribute to the closure of the lead-contaminated Osterode and Cesmin Lug camps in North Mitrovica. The project will be implemented through a grant awarded to the NGO Mercy Corps without a call for proposals, in accordance with Article 168 (1)(c) of the Implementing Rules to the Financial Regulation.

- (6) This amendment furthermore re-allocates EUR 450,000 of unspent funds to introduce a new activity under Project 1: Building the capacity of Kosovo's institutions to develop EU compatible legislation and policy. The new activity aims at establishing an EU Information and Cultural Centre in order to promote Kosovo's European integration and to increase citizens' awareness. This activity will be implemented through an operating grant awarded following an open call for proposals.
- (7) This decision meets the requirements of Article 90 of Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation No 1605/2002⁶ (hereafter: "Implementing Rules") and constitutes thus a financing decision within the meaning of Article 75 (2) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities⁷ (hereafter: "Financial Regulation").
- (8) The measures provided for by this Decision are in accordance with the opinion of the IPA Committee,

HAS DECIDED AS FOLLOWS:

Sole Article

The Annex to the Commission Decision C(2007)5684 of 28 November 2007 is replaced by the Annex to the present Decision.

Done at Brussels,

*For the Commission
Member of the Commission*

⁶ OJ L 357, 31.12.2002, p. 1.

⁷ OJ L 248, 16.9.2002, p. 1.

ANNEX : AMENDED IPA ANNUAL PROGRAMME FOR KOSOVO⁸ UNDER THE TRANSITION ASSISTANCE AND INSTITUTION BUILDING COMPONENT FOR 2007⁹

1. IDENTIFICATION

Beneficiary	Kosovo
CRIS number	2007/019-298
Year	2007
Cost	EUR 62 million
Implementing Authority	European Commission, except for the following actions which shall be implemented by joint management with the Council of Europe: -Activity 2 of Project 3 " <i>Return, Reintegration and Cultural Heritage</i> " -Project 7 " <i>Education in Kosovo: Inter-culturalism and the Bologna Process</i> ".
Final date for concluding the financing agreements	At the latest by 31 December 2008.
Final dates for contracting	Three years following the date of conclusion of the Financing Agreement. These dates apply also to national co-financing
Final dates for execution	Two years following the end date for contracting. These dates apply also to national co-financing
Sector Code	11110, 15110, 15120, 15130, 16320, 21020, 23010, 25020, 31110, 32130
Budget line(s) concerned	22.020200 ¹⁰
Programming Task Manager	Unit C3, DG Enlargement
Implementation Task Manager	Operational Sections, European Commission Office in Pristina

⁸ As defined under UN Security Council Resolution 1244

⁹ Adopted by Commission Decision C(2007)5684 on 28 November 2007

¹⁰ For the 2007 programme only, DG ELARG exceptionally decided to transfer IPA funds allocated for Kosovo from Component II to Component I because in Kosovo the conditions for the development of CBC programmes were not met. EC assistance for Kosovo under the CARDS programme (totalling EUR 0.9 million) will be used to build the capacity of the Kosovo authorities to put in place the necessary structures for the preparation, implementation and management of a Kosovo Cross-Border Cooperation Programme to be funded under the CBC component of the IPA 2008 and 2009 programmes for Kosovo.

2. PRIORITY AXES / PROJECTS

2.a Priority axes

The IPA 2007 Kosovo Programme is focused on the objectives identified in the Multi-Annual Planning Document (MIPD) 2007-2009. These reflect the key priorities of the European Partnership. The programme has been designed in close collaboration with the Kosovo authorities, in particular the Agency for European Integration (the IPA Coordinator). The programme also responds to key government priorities, including those identified in the Kosovo Development Strategy and Plan and the Medium-Term Expenditure Framework. There has also been close cooperation with other donors, especially the Member States.

The MIDP identifies three priority areas:

1. Political requirements

This priority area focuses on the fulfilment of the EU's political criteria and the consolidation of Kosovo's institutional, administrative and judicial set-up. This includes the fight against corruption, the protection of human and minority rights and the promotion of civil society activities. This is particularly important in view of the settlement of Kosovo's future status.

The programme addresses the need to:

- Assist Kosovo's institutions to support the implementation of the status settlement
- Improve the performance of Kosovo's public administration at all levels including to design and implement a coherent and interconnected body of legislation
- Advance the reform of local self-government as part of the decentralisation process, including the improvement of managerial competencies and service delivery
- Consolidate the rule of law through police reform and fighting corruption - in close cooperation with the future possible ESDP mission
- Promote human and minority rights, IDP and refugee return in a climate of inter-ethnic tolerance and to ensure the preservation of cultural and religious heritage of non majority communities.

2. Socio-Economic Requirements

This priority area addresses wider socio-economic issues, including fiscal and financial management, improvement of investment climate, trade opportunities, and development of energy, environment, transport, agriculture, education and employment sectors.

Key priorities addressed by the programme include:

- Enhancing Kosovo's investment climate and support to small and medium enterprises, including export promotion
- Promoting rural development
- Developing infrastructure including in the transport sector

- Improving the quality of the education system.

3. European Standards

This priority area focuses on capacity building and approximation of legislation and flanking measures in the context of European standards. These include internal market issues, justice and home affairs, food safety, veterinary and phytosanitary domains, statistics, media and electronic communication and the preparation for the participation in regional initiatives and Community programmes.

The programme addresses the need to build effective institutional capacity in order to:

- Develop sectoral strategies and policies compatible with European standards, especially in public procurement, intellectual property rights and veterinary services
- Enhance capacity in home affairs particularly in relation to border control, asylum and migration
- Enhance Kosovo's full participation in the Energy Community Treaty.

The 2007 programme is designed to have the flexibility necessary to respond to Kosovo's priority needs in 2008 and 2009, particularly in the context of progress towards future status, and the strengthening EU leadership role and presence in Kosovo.

2.b Description of projects grouped per priority axis

This section summarises the projects that make up the 2007 Kosovo IPA Programme. More detailed descriptions are provided in the project fiches.

2.b.1 Political requirements

Project 1: Building the capacity of Kosovo's institutions to develop EU compatible legislation and policy (EC contribution: EUR 6.45 million)

This project aims to build an effective, efficient and transparent public administration at all levels through the delivery of horizontal support, chiefly for legislation and policy development. The project consists of the following inter-linked activities:

1. Providing focused expert advice for:

- Building the capacity of the civil service to draft, implement and enforce EU compatible primary and secondary legislation, including in the area of human rights. This will include such activities as: building professional skills within the Office of the Prime Minister, line ministries, local government and the Assembly of Kosovo to draft legislation; building the knowledge of civil servants on the *acquis*, EU standards and appropriate EU practices; and providing targeted expert assistance to support the drafting of selected laws.
- Delivering demand driven expert advice to selected public institutions to develop policies and strategies compatible with European Standards: to meet the obligations arising from the provisions of the status agreement; for the implementation of the European Partnership; to strengthen Kosovo's European perspective at all levels of government; and to support the implementation of the government's Public Administration Reform Strategy (2007-

2012). This assistance will be closely coordinated with other donors. The activity will be managed by the Institution Building Unit - Directorate D of DG Enlargement and implemented through the Technical Assistance Information Exchange (TAIEX) instrument.

EC contribution for the activity is EUR 5 million.

2. Scholarships to enable civil servants and recent graduates to obtain masters degrees at EU universities in European affairs and in technical courses (e.g. law, engineering). A condition of the scholarships will be that the returning students will be required to join the civil service on the completion on their studies. One service contract will be required for this activity. (EC contribution EUR 1 million).

3. Establishment of the EU Information and Cultural Centre in order to better promote the European Integration process & increase the awareness on the EU assistance in Kosovo, as well as provide more information on the EU and European standards thereby substantially increasing the legitimacy of current and future governmental reforms. (EC contribution EUR 0.45 million). This activity will be implemented via an operating grant (in accordance with Article 66 (3) (a) of the IPA Implementing Rules) awarded following a call for proposals. The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions.

The co-financing part of this activity from the private sector is EUR 0.022 million, which represents 0.3% rate of co-financing.

The activities 1 and 2 are expected to be launched by summer 2008 and continue for up to 36 months. The call for proposals for activity three is expected to be launched in third quarter of 2009.

Project 2: Strengthening the rule of law (EC contribution: EUR 5.792 million)

The project aims to strengthen the rule of law in Kosovo, through further reform of the Kosovo Police Service including the border/boundary police; fighting corruption; and closer alignment with and implementation of the *acquis* in Justice and Home Affairs. The project consists of the following activities:

1. Strengthening the management and operational capacity of the border and boundary police. The aim is to enable them to: implement Integrated Border Management (IBM) policies in coordination with other agencies; enhance the efficiency of the flow of people and goods through the borders/boundaries; advance adherence to EU human rights standards; fight cross-border/boundary crime; and enforce laws related to the management of Kosovo's borders. After the completion of the project the border police within Kosovo Police Service is more effectively structured and administered to: implement Integrated Border Management (IBM) policies; enhance the efficiency of the flow of persons and goods through the borders/boundaries; advance adherence to EU human rights standards; fight cross-border/boundary crime; and enforce laws related to the management of Kosovo's borders. This activity will be delivered through a standard Twinning covenant with an EU Member State institution. At least one supply contract will be required for the essential equipment. At least one service contacts will be required for the needs assessments. At least one works contact would be needed for any infrastructure actions, if required (EC contribution EUR 3.047 million).

2. Systematically combating corruption in Kosovo's institutions. This will include: building the capacity of the recently established Kosovo Anti Corruption Agency; the assessment,

development and enforcement of anti-corruption policies and accompanying legal frameworks, in line with EU standards and best practice approaches in the region; enhancing inter agency cooperation in investigating and prosecuting corruption cases; and the launch of public awareness campaigns. At least one service contract will be required for this activity (EC contribution EUR 0.997 million).

3. Establishing a reliable system, in accordance with EU standards and appropriate practices, for the reception and maintenance of migrants, asylum seekers and refugees. This will involve the construction and equipping of a housing/holding facility for some 50 people. The facility is necessary to strengthen the accommodation capacity of the Department for Border/Boundary, Asylum and Migration within the Ministry of Internal Affairs to meet its responsibilities to these groups in accordance with the *acquis* and international human rights instruments. The centre may also be used, particularly during its initial period of operation, to assist any necessary processing, reception or screening of non-voluntary returns from the EU Member States and other countries. This activity will require at least one works contract for the construction activities, one service contract for the supervision of the works and one supply contract for equipment. The EC contribution for the activity is EUR 1.6095 million. The Ministry of Internal Affairs will provide parallel co-financing of approximately EUR 0.4 million for the new housing/holding facility.

4. The completion of preparatory studies for the construction of a high level security prison. Kosovo needs to construct a new prison because the current prisons are nearing their maximum capacity and the number of detainees is expected to increase as a result of improving performance of the police service and the courts. One service contract is envisaged to complete the needs assessment (EC contribution EUR 0.138 million).

The overall project is expected to begin its implementation phase from spring 2008 and continue for approximately 24 months.

The activities for this project have been designed in cooperation with the EU Planning Team in Kosovo. The activities will be implemented in coordination with the future possible EU European Security and Defence Policy (ESDP) mission in Kosovo.

Project 3: Return, Reintegration and Cultural Heritage in Kosovo (EC contribution: EUR 8.7 million)

The project aims to create a climate for inter-ethnic tolerance, sustainable multi-ethnicity and the promotion of human and minority rights (including in a gender perspective) conducive to the return and reintegration of refugees and IDPs to Kosovo. It is important that there is an increased involvement of central and municipal state and non-state actors in the returns process. The rehabilitation and respect for cultural heritage is also an important factor. The project consists of the following activities:

1. Further assistance to the Ministry of Communities and Returns (MCR) to develop and implement effective policies, decision making processes and operational frameworks and to strengthen their coordination with domestic (central, municipal and civil society) and international stakeholders.

Building the capacity of municipalities, particularly those with a high potential for minority returns including the Roma, Ashkali and Egyptian (RAE) communities, to design and manage return and reintegration projects in coordination with all stakeholders. This will include the reconstruction of dwellings and related infrastructure and the development of socio-economic measures for returnees in line with the Manual for Sustainable Return.

Furthermore, another activity aims to facilitate a peaceful and sustainable resettlement and reintegration of displaced families, which would subsequently contribute to the closure of the Osterode and Cesmin Lug camps in North Mitrovica.

Those above-mentioned activities will be implemented through grant agreements with the United Nations Development Programme (UNDP) and the NGO Mercy Corps respectively:

- UNDP is “*de facto*” the only international organisation involved in this sector in Kosovo. In 2005, the share of Kosovo Consolidated Budget for return projects was managed by UNDP in co-operation with the MCR. It has successfully implemented similar projects in Kosovo since 2002 e.g. "Sustainable Partnerships for Assistance to Minority Returns to Kosovo" (SPARK).

- Mercy Corps is implementing USD 2.5 million RESTART project, funded by USAID, to resettle 50 families from the Roma lead-contaminated camps. A direct agreement with Mercy Corps would reinforce the existing efforts to close those camps and relocate the families. Mercy Corps is the only organisation addressing RAE camps residents' resettlement issues with the ultimate aim to close the camps; it thus has a *de facto* monopoly. The project will be implemented through a grant awarded to the NGO Mercy Corps without a call for proposals, in accordance with Article 168 (1)(c) of the Implementing Rules to the Financial Regulation. This activity is expected to be launched in autumn 2009.

Initially the MCR committed EUR 3.3 million as co-financing for IPA 2007. Due to changes in budget approximation the MCR was able to secure only EUR 1.1 million as co-financing for IPA 2007). Co-funding will be provided by the MCR (EUR 1.1 million) and UNDP (EUR 400,000). In addition, in-kind funding shall be sought from target municipalities. The rate of co-financing will be 15%. (EC contribution EUR 8.3 million, including EUR 1.7 million institution building and EUR 6.6 million in investment).

2. Supporting the reconstruction and preservation of Kosovo's cultural heritage, particularly Orthodox religious sites. This will involve further support for the work of the Reconstruction Implementation Commission (RIC). The RIC is chaired by the Council of Europe and is responsible for organising the rebuilding of orthodox sites that were destroyed in the violence of March 2004. EC contribution to the activity is EUR 400,000. A contribution agreement under joint management will be concluded with Council of Europe to implement this activity, including joint co-financing of EUR 50,000 from the Council of Europe.

The overall project is expected to be launched in early 2008 and continue for up to 36 months.

Information note: The implementation of previous civil society programmes (totalling EUR 1.4 million under CARDS) will continue into 2008. While additional assistance under the 2007 programme is judged to be premature, further direct support is expected to be included in the 2008 programme.

2.b.2 Socio-Economic Requirements

Project 4: Developing an enabling economic environment for all of Kosovo's communities (EC contribution: EUR 10.973 million)

The project aims to enhance Kosovo's trade and investment climate, particularly in the manufacturing, service and in agri-processing sectors. The project will particularly involve improvements in the business environment for small companies, in line with priorities actions

of Kosovo's commitment to implement the ten guidelines of the European Charter for Small Enterprises. The project consists of the following activities:

1. Improving the management and operational capacity of relevant public bodies such as the Ministry of Trade and Industry (including the SME Agency), the Investment Promotion Agency and the recently established Patent Office. This will enable them to develop strategies and legal frameworks for the delivery of effective services for enterprises, particularly potential investors and exporters. At least one service contract is required (EC contribution EUR 3.973 million).

2. Providing expert technical assistance for the completion of the on-going privatisation and liquidation of Socially Owned Enterprises (SOEs). This will be delivered through assistance to the successor organisations to the Kosovo Trust Agency (KTA) and the development of an Insolvency Practitioner Association in Kosovo. While the KTA had privatised some 300 SOEs as of May 2007, a further 300 SOEs have yet to be privatised. Significant work is also required to liquidate all 600 SOEs (including the resolution of outstanding claims, paying creditors, and transferring a portion of the privatisation proceeds to former employees). Kosovo also needs an internationally recognised and certified Insolvency Practitioner Association. Its role will include assisting with the preparation and implementation of bankruptcy and insolvency legislation, including the administration and investigation of bankrupt enterprises. At least one service contract is required (EC contribution EUR 4.5 million).

3. Promoting enterprise growth and employment. This will involve advice and technical assistance to selected enterprises, including those in the agri-business sector, and those in economically depressed areas. Assistance to small, medium and larger enterprises continues to play a critical part in creating sustainable jobs, especially for marginalised groups. At least one service contract and/or a grant agreement are required. The EC contribution for the activity is EUR 2.5 million. This activity includes at least EUR 0.5 million parallel co-financing by the enterprises selected for assistance¹¹.

The overall project is expected to be launched before summer 2008 and continue for 24 to 30 months.

Project 5: Reconstruction of essential road infrastructure (EU contribution: EUR 6.694 million)

This project will reconstruct five bridges on the main M2 road between Pristina and the border crossing with the former Yugoslav Republic of Macedonia. Critical sections of trunk roads and junctions will also be upgraded. This is a strategically important economic transport route for goods between Kosovo and the rest of the region and the EU. It is the main route for Kosovo's access to Corridor 10 of the trans-European transport networks. Although catastrophic failure is unlikely if these works are not carried-out, weight restrictions along the route would be required which would seriously disrupt the flow of goods and hamper trade. The upgrading of the route is a government priority; it is included in the Medium Term Expenditure Framework. This activity will require a number of services contracts (drafting technical specifications, supervision and a simplified Environmental Impact Assessment) and at least two works contracts. This project includes co-financing of EUR 2.5 million from the

¹¹ Parallel co-financing will be provided in the form of parallel contracts executed by the beneficiaries of the project. The Implementing Authority is responsible for the overall monitoring of the implementation.

Ministry of Transport and Communication. The project is expected to be launched before summer 2008 and continue for 30 months.

Project 6: Supporting local government and decentralisation (EC contribution: EUR 12.246 million)

The project objective is to advance the reform of local self-government and develop socio-economic conditions in municipalities in the context of the ongoing decentralisation process through:

1. Providing institution building assistance to the Ministry of Local Government Administration (MLGA) to strengthen inter-ministerial coordination, enhance cooperation between central government and municipalities and strengthen its leadership of donor coordination. This will cover policy development, the enforcement of legal frameworks and service delivery. Activities will include the development a municipal performance system that highlights functions/services in need of attention and identifies appropriate practice approaches. There will also be work on strengthening the coordination and communication role of the MLGA in order to facilitate the development of cohesive policy, legislative and administrative frameworks for implementation at the municipal level. At least one service contract will be required (EC contribution EUR 0.970 million).

2. Improving the management capacity, performance and accountability of selected municipalities¹² to deliver cost effective public services and to improve the involvement of citizens and civil society organisations in decision making processes. The specific municipal functions that will be supported in this project will be identified during the initial implementation phase, based on a detailed needs assessment. A key consideration will be to ensure complementarity with the work of other donors in the area of local government. This activity will be implemented through at least one service contract (EC contribution EUR 3.032 million).

3. Implementation of infrastructure projects in selected municipalities¹³ to support socio-economic development. The projects, which will be identified by the municipalities, are expected to include the rehabilitation, construction and upgrading of local infrastructure such as schools, health centres, water and wastewater systems and access roads. This activity will be implemented through up to five works contracts and at least once service contract for the supervision of the works. Up to three supply contacts may be used for the supply of equipment, if necessary. The EC contribution is EUR 8.244 million. Each municipal infrastructure project is expected to be co-financed by the Ministry of Local Government Administration and/or the participating municipalities with a cumulative value of EUR 2.5 million.

The overall project is expected to begin its implementation phase from summer 2008 and continue for approximately 30 months.

¹² Municipalities will be selected based on the following criteria: New Municipalities created as a result of the new Law on Municipal Boundaries consequent on the Kosovo Status Settlement. Municipalities that have their boundaries changes as a result of decentralisation or the Status Agreement. Municipalities that are identified as relatively disadvantaged based on socio-economic criteria. Municipalities which have demonstrated good practice and commitment to the implementation of the European Partnership Action Plan and/or the provision of the status settlement.

¹³ Selection criteria for municipalities are the same as the previous activity of this project.

Project 7: Advancing education in Kosovo: inter-culturalism and the Bologna Process (EU contribution: EUR 1.4 million)

The project aims to advance the establishment of sustainable conditions for strengthening multicultural understanding among all communities in Kosovo based on mutual respect and human rights. This will involve support for reforms in primary, secondary and higher education so as to improve intercultural awareness and understanding and to further facilitate the integration of Kosovo into the Bologna Process. Specifically, the project will organise a number of seminars, teacher-trainer courses and conferences involving teachers and leaders in the education sector. Topics will typically include: reviewing and proposing changes to education legislation; promoting Education for Democratic Citizenship and Human Rights Education; teaching multiculturalism; promoting the teaching of Roma, Ashkali and Egyptian culture; and language policy. A Contribution Agreement under joint management will be concluded with Council of Europe to implement this project, including a CoE joint co-financing contribution of EUR 150.000. The project is expected to be launched by early 2008 and last for up to 36 months.

Interventions in this project area will be closely coordinated with the activities funded under the Tempus programme which supports the reform of higher education in Kosovo through university cooperation projects

Information note: The European Commission Office in Pristina with assistance from the European Agency for Reconstruction is planning to undertake in partnership with the ministries of education and health and the Donor Coordination Centre within the Office of the Prime Minister a review and needs assessment (if required) of the health and the primary and secondary education sectors in 2007. This will be done in close coordination with other donors and the World Bank, drawing on previous projects and studies in these sectors. This will be used to inform the targeting of any future EC assistance in the education and health sectors.

2.b.3 European Standards

Project 8: Meeting EU Standards in Energy Sector (EC contribution: EUR 2.985 million)

This project aims to enable Kosovo to meet the legal and technical requirements of the Energy Community Treaty and the Regional Energy Market. Specifically, the project will strengthen the institutional capacity and technical skills of Kosovo's energy institutions (namely the Energy Regulatory Office, the Kosovo Transmission System and Market Operator and the Ministry of Energy and Mining). Up to three service contracts are envisaged to implement this project. The project is expected to be launched by summer 2008 and continue for up to 24 months.

Project 9: Meeting EU Standards in Food Safety and Veterinary Services (EC contribution: EUR 2 million)

This project aims to enhance the commercial and export potential of the agro-business food chain in Kosovo. This will be done through assisting the Ministry of Agriculture, Forests and Rural Development, and particularly the Kosovo Veterinary and Food Agency, to improve controls on animal health, food safety and quality, in line with EU standards and technical

requirements. The European Commission's twinning instrument will be used for the implementation of this project. The project is expected to be launched by winter 2008 and continue for up to 30 months.

Project 10: Meeting EU Standards in Public Procurement (EC contribution: EUR 1.35 million)

This project aims to develop an effective public procurement system for Kosovo that is compatible with EU Standards and which promotes efficiency and effectiveness in the use of public funds. This should also reduce the potential for fraud, corruption and misappropriation of public monies. Specifically, the project will build the capacity of Kosovo's public procurement institutions, specifically the Public Procurement Regulatory Commission and the Procurement Review Body. At least one service contract is required. The project is expected to be launched by summer 2008 and continue for up to 24 months.

2.b.4 Other

Programme Reserve and GTAF (EC contribution: EUR 3.413 million)

The Programme Reserve (EUR 2.83 million) will be used to cover programme related priorities and expenditures that are currently unforeseeable. This provides the flexibility necessary to respond to Kosovo's priority needs in 2008 and 2009, particularly in the context of future status and the strengthening EU role and presence in Kosovo, including if appropriate a limited number of quick impact projects defined together with the future possible ESDP mission in Kosovo. The General Technical Assistance Facility – GTAF (EUR 0.583 million) allows project preparation of IPA 2007 and 2008 to proceed in a quick and effective manner.

Projects under the IPA Multi-Beneficiary Programme and EIDHR

The following projects, funded under the financial allocation to Kosovo for the IPA 2007 programme, have been developed as part of the IPA Multi-Beneficiary Programme. They have a separate approval procedure to this financing proposal. Therefore, the projects are not included in the budget table below. The corresponding project fiches and financing proposals are being submitted to the respective IPA Committee meetings for approval. The projects will be centrally managed by The European Commission in Brussels:

1.Support for higher education in Kosovo through the Tempus and Erasmus Mundus programmes. (EU contribution for Kosovo EUR 2.8 million)

2.Further support for the Customs and Taxation programme (EU contribution for Kosovo EUR 3.5 million)

Other projects under the Multi-Beneficiary Programme will also cover Kosovo in the scope of their activities attributed to the whole Western Balkans' region. They will complement the Kosovo programme in respective sectors with regional cooperation and coordination dimensions.

The 2007-2010 programme of the AIDCO-managed European Initiative for Human Rights and Democracy (EIDHR) is under preparation. It is expected to include an approximate EUR 0.9 million allocation for Kosovo in 2007. The programme will respond to the human rights

challenges identified in the 'Political Requirements' section of the MIPD. The programme will be implemented through civil society organisations.

2.c Overview of past and on going assistance (EU/ IFI /Bilateral) including lessons learned and donor coordination

Past and on-going assistance

To date the combined European Union assistance to Kosovo (EC and the EU Member States) amounts to EUR 2.6 billion. EC assistance accounts for almost EUR 1.8 billion. Basic infrastructure has been rehabilitated and some economic progress has been made since 1999 as a result of this assistance together with the efforts of the entrepreneurial local population, the diaspora, and the Provisional Institutions of Self-Government (PISG). However, Kosovo remains the poorest region in the Western Balkans, with high unemployment, weak foreign investor confidence and a substantial trade deficit reflecting a low capacity to export. In addition, further investments in Kosovo's infrastructure remains essential for economic development and the provision of adequate public services. This assistance programme has a strong focus on improving the environment for economic development and job creation and the rehabilitation of essential infrastructure, including at the local government level.

The on-going EC-funded institution building assistance is supporting Kosovo's participation in the Stabilisation and Association Process, to fulfil European Partnership priorities and to prepare for the challenges of the post-status environment. In partnership with the PISG, UNMIK, civil society, EU Member States, IFIs and other donors, on-going assistance focuses on:

- Building the technical skills and capacity of Kosovo's institutions to formulate and implement coherent policy reforms, EU-compatible legislation and to fulfil their expanding mandates
- Strengthening the rule of law.
- Strengthening civil society organisations.
- Economic development.
- Supporting the return and durable integration of minorities.

This assistance programme builds-on and consolidates past assistance. Each project fiche describes in detail how project activities link to the actions of other donors, particularly the EU Member States, and past EC assistance.

Lessons learned

Experience from previous EC assistance has shown that:

- *EC assistance must reinforce Kosovo's policies and action plans*, particularly in relation to enhancing Kosovo's EU perspective. The PISG has made significant progress in the formulation of plans and strategies, such as the Kosovo Development Strategy and Plan and the action plan for the implementation of the European Partnership priorities. It has worked on how best to fit these plans into the budget process, particularly the Medium Term Expenditure Process and the Public Investment Programme. This has provided a

strong analytical basis for the targeting of the EC assistance under this programme as well as strengthening government ownership. The programme is in line with the European Partnership, and also reflects the Commission's Regular Report on Kosovo and the recommendations developed through the SAp (Stabilisation and Association process) Tracking Mechanism.

- *Increasing local ownership* of EC assistance to Kosovo is essential for the effective targeting of that support, and for achieving the results in line with EU standards. There have been extensive consultations with the Kosovo institutions in the development of this programme. It has been formulated in close partnership with their Agency for European Integration (AEI) – the IPA coordinator – and strongly reflects their inputs. The AEI will be expected to assume a greater leadership role in the development of the IPA 2008 programme. This process involves building the planning and project preparation capacity of Kosovo's authorities. During the programme implementation phase, the relevant Kosovo institutions will therefore review and endorse project terms-of-reference, participate in steering committees and join programme monitoring and evaluation exercises.
- *Managing absorption capacity*: As Kosovo moves closer to Europe, approximation to the *acquis* becomes more and more important. The administrative and financial implications of *acquis* approximation for the Kosovo administration must be considered in delivering technical assistance. Its sequencing needs to be seen in the light of scarce budgetary resources. The administration's absorption capacity will continue to be taken into account in the delivery of technical assistance under this programme in order to allow maximum benefit of assistance provided.
- *Improving enforcement*: There has been a significant focus from all donors, and particularly through previous EC assistance, on establishing primary legislation in Kosovo that is EU *acquis* compliant. However, secondary legislation and necessary directions and instructions have not been sufficiently prepared. This inhibits the process of implementation, especially at the municipal level. As a result there is a widening gap between the formal legal situation and 'on-the-ground' practice. Municipalities lack the skilled staff, resources and coordination to ensure that legislation is enforced. The 2007 programme aims to build the capacity and legal skills of central institutions to develop legislation that is enforceable, and to develop the capacity of municipalities to enforce the legislation.

Donor Coordination

The government has made significant progress in strengthening its leadership of donor coordination in Kosovo since early 2006. The formulation of sector level strategies (e.g. the agriculture master plan, energy strategy, private sector development strategy, etc) together with the improving management capacities of ministries, has improved the basis for donor dialogue and coordination at the ministerial level. A Donor Coordination Centre (DCC), supported with EC assistance, has been established in the Office of the Prime Minister to enhance Kosovo's aid coordination system, in close dialogue with local and international stakeholders. The DCC is charged with formulating a comprehensive strategy and an annual action plan for donor coordination in all areas. It aims to enhance donor backing for the government's own strategies. However, there is a need for further improvements. Key challenges include:

- Ensuring the DCC has the resources and political support to perform its role

- Clarifying the institutional roles between the DCC, the Ministry of Economy and Finance and the AEI in donor coordination, particularly given the AEI's ever strengthening role in the coordination of EC assistance.
- Improving inter-ministerial coordination and harmonisation in many policy areas, including decentralisation and minority returns.
- Donors and the government need to do more to meet the requirement of the Paris Declaration on aid effectiveness.

The programme will be implemented by the European Commission Office in Pristina in close cooperation with other donors including the EU Member States and International Financial Institutions, particularly the EIB, EBRD and the World Bank.

2.d Cross cutting issues

Systematically addressing cross-cutting issues has been a critical starting point in the programme design. This is essential if gender equality, minorities' inclusion and environmental sustainability are to be properly mainstreamed within this programme. Local actors/bodies in charge of these issues as well as civil society shall be systematically consulted to specifically assist Kosovo institutions/organisations to effectively mainstream in line with European standards and appropriate practices. A portion of the projects' budget may be allocated for this purpose. Each project fiche explains how cross-cutting issues shall be mainstreamed.

Equal opportunities and non-discrimination (Gender equality)

Evidence shows that societies discriminating by gender (and/or ethnicity – see below) hinder their ability to develop and to reduce poverty. In contrast, the active participation of all (whether in education, employment, or governance etc.) contributes consistently to more effective development. Taking full account of the Kosovo framework (civil service, gender equality and anti-discrimination laws), projects will be based on a consultative process with the Office on Gender Equality (Office of Prime Minister) and the existing network of gender officers in ministries and municipalities. Specific attention will be given to ensure that women's needs and interests are addressed throughout projects' development and that activities are organised so as to encourage/facilitate women's participation (e.g. training). Assistance will also be provided to Kosovo institutions and civil society to ensure that gender equality is adequately mainstreamed within the development of legislation, government strategies and policies.

Support for Minorities and Vulnerable Groups

Mainstreaming minority issues in projects is essential to deliver assistance that is able to trigger economic growth and the reduce poverty. Failure to integrate Kosovo's minorities into the social, economic and political mainstream can lead to further human rights violations and political destabilisation. Mainstreaming minorities and vulnerable groups' issues are key elements of the *Comprehensive Proposal for the Kosovo Status Settlement*, which highlights the importance of promoting a multi-ethnic society. Specific attention will be given to ensure that minority specific needs and interests are addressed throughout project development and that activities are organised so as to encourage/facilitate their participation, in particular:

- Achieving adequate minority representation in training and coaching activities;
- Favouring adequate minority recruitment and representation in the civil service and in all aspects of central and local administration (as stipulated under relevant regulations), particularly in the institutions supported under this programme;
- Using the Kosovo's official languages as stipulated in the applicable law;
- Addressing the particular requirements of minority issues in strategic, tactical and operational police matters.
- Meeting the specific needs of Roma, Ashkali and Egyptian communities.

Environmental protection

Projects will systematically examine the opportunities to enhance the protection of the environment in Kosovo (and across the region). In particular, the programme's infrastructure reconstruction and rehabilitation activities will be consistent with environmental implications as set out in relevant regulations and the Law on Environmental Protection.

2.e Conditions

The programme includes the following conditionalities:

- The government formally endorses the projects described in the fiches, including the identified parallel co-financing commitments.
- The government will ensure that the beneficiary institutions have adequate financial, material and human resources in order that that EC financial support is used in the most effective and sustainable manner possible.
- Beneficiary institutions will formally endorse the design and tender documents, including terms of reference.
- The government shall ensure the availability of land, free of ownership claims or disputes, for the construction of the planned works. The Government shall ensure long-term sustainability of the actions by allocating the necessary resources, including running costs and maintenance costs.
- Beneficiary institutions organise, select and appoint members (including gender and ethnic balance) of working groups, steering and coordination committees, and seminars as required by the project activities.

Additional project specific conditions are described in the project fiches. In the event that these conditions are not met, suspension or cancellation of the project or specific activities will be considered.

2.f Benchmarks

	2007		2008 (cumulative)		2009 (cumulative)		2010 (cumulative)	
	EU	NF*	EU	NF*	EU	NF*	EU	NF*
Number of tenders launched**	3		18	3	30	5	33	5
Number of calls for proposals launched					1		1	
Direct award of grant/ contribution agreements			4		5		5	
Contracting Rate (%)	0	0	53	38	75	100	100	100

* For parallel national co-financing

** Table excludes tenders launched under the programme reserve and the GTAF.

2.g Roadmap for the decentralisation of the management of EU funds without *ex ante* controls by the Commission

As the first step, Kosovo has appointed the NIPAC, the Director of the Agency for European Integration under the Prime Minister's Office. The discussions on "Roadmap for DIS" are expected to start in 2008-2009.

3. BUDGET

3.1. Indicative budget table (figures in EUR millions)

Projects	EU – IPA assistance				Total co-financing*		Total (IPA plus co-financing)
	Instit. Bldg.	Investment	Total EURm	Total %	EUR m	%	EUR m
<i>Political requirements</i>							
Project 1: Building the capacity of Kosovo's institutions to develop EU compatible legislation and policy	6.45		6.45	99.7	0.022	0.3	6.472
Project 2: Strengthening the Rule of Law	2.5	3.292	5.792	93.5	0.4	6.5	6.192
Project 3: Return, Reintegration and Cultural Heritage in Kosovo	2.1	6.6	8.7	84.9	1.55**	15.1	10.25
<i>Socio-Economic Requirements</i>							
Project 4: Developing an enabling economic environment for all of Kosovo's communities	10.973		10.973	95.6	0.5	4.4	11.473
Project 5: Reconstruction of roads and bridges		6.694	6.694	72.8	2.5	27.2	9.194
Project 6: Supporting local government and decentralisation	4.246	8.0	12.246	83	2.5	17	14.746
Project 7: Education in Kosovo: Inter-culturalism and the Bologna Process	1.4	0.0	1.4	90.3	0.15	9.7	1.55
<i>European Standards</i>							
Project 8: Meeting EU standards in Energy	2.985		2.985	100			2.985
Project 9: Meeting EU standards in Food Safety and Veterinary Services	2.0		2.0	100			2.0
Project 10: Meeting EU standards in Public Procurement	1.35		1.35	100			1.35
<i>Other</i>							
Programme Reserve & General Technical Assistance Facility	1.7065	1.7065	3.413				3.413
TOTAL	35.7105	26.2925	62.003	89	7.622	11	69.625

* public and private, national and/or international contributions

** Initially the MCR committed EUR 3.3 million as co-financing for IPA 2007. Due to changes in budget approximation the MCR was able to secure only EUR 1.1 million as co-financing for IPA 2007. The remaining part EUR 0.45 comes from UNDP-EUR 0.4 and CoE-EUR 0.05

3.2 Principle of Co-Financing applying to the projects funded under the programme

The rate of the Community contribution for this programme amounts to 89%. Kosovo's authorities provide parallel co-financing totalling 11% of the programme¹⁴. International organisations' (Council of Europe and UNDP) contribution is 1.5% and private contribution is 0.022% of the programme. The Community contribution has been calculated in relation to the total eligible expenditure.

4. IMPLEMENTATION ARRANGEMENTS

4.1 Method of implementation

The programme will be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation¹⁵ and the corresponding provisions of the Implementing Rules¹⁶. The programme will be implemented by the European Commission Office in Pristina. The exception to this is Activity 2 of Project 3, and all of Project 7 (see below).

Activity 2 of Project 3, and Project 7 will be implemented by the European Commission through joint management with the Council of Europe following *Article 53d(1)(b) of the Financial Regulation* and the corresponding provisions of the Implementing Rules. To this end, the Commission and the Council of Europe will conclude a Contribution Agreement.

4.2 General rules for procurement and grant award procedures

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries adopted by the Commission on 24 May 2007 C(2007)2034). *The grant contracts as provided for in the framework of project 3 can be awarded to UNDP and Mercy Corps respectively without a call for proposal because of the de facto monopoly situation of these organisations as described under point 2.b. above and in accordance with Article 168(1)(c) of the Implementing Rules to the Financial Regulation.*

Grant award procedures shall follow the provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EC external actions" ("Practical Guide") as published on the EuropeAid website¹⁷ at the date of the initiation of the procurement or grant award procedure.

¹⁴ Parallel co-financing will be provided in the form of parallel contacts executed by the beneficiaries of the projects. The Implementing Authority is responsible for the overall monitoring of the implementation.

¹⁵ OJ L 248, 16.9.2002, p.1. Regulation as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p.1).

¹⁶ OJ L 375, 23.12.2002, p. 1, Regulation as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.4.2007, p. 13).

¹⁷ Current address: http://europa.eu.int/comm/europeaid/tender/gestion/index_en.htm

The general rules for procurement and grant award procedures shall be defined in the Contribution Agreement between the Commission and the Council of Europe implementing Activity 2 of Project 3, and Project 7.

4.3 Implementation Principles for Twinning Projects

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 beneficiary country as resident twinning advisor.

The twinning grant agreement shall be established in accordance with relevant provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The twinning manual is available on the Website of DG ELARG at the following address: <http://europa.eu.int/comm/enlargement/pas/twinning/index.htm>

4.4 Environmental Impact Assessment and Nature Conservation

All investments shall be carried out in compliance with the relevant Community environmental legislation.

As a consequence, since Project 5 "Reconstruction of essential road infrastructure" corresponds to projects which fall within the scope of annex 1 and annex 2 of the EIA-Directive¹⁸, an environmental impact assessment shall be made for the project¹⁹.

An appropriate nature conservation assessment shall be made for any project, equivalent to that provided for in Art. 6 of the Habitats Directive²⁰, that is likely to affect sites of nature conservation importance.

5. MONITORING AND EVALUATION

5.1 Monitoring

The Commission may undertake any actions it deems necessary to monitor the programmes concerned. These actions may be carried out jointly with the international organisation(s) concerned

¹⁸ Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment (OJ L 175 5.7.1985, p. 40). Directive as last amended by Directive 2003/35/EC (OJ L 156, 25.6.2003, p. 17).

¹⁹ Cf. Annex EIA to the corresponding investment project fiche., equivalent to that provided for by the EIA-directive).

²⁰ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L206, 22.7.1992). Directive as last amended by Regulation (EC) No 1882/2003 (OJ L 284, 31.10.2003, p. 1).

5.2 Evaluation

Programmes shall be subject to ex ante evaluations, as well as interim and, where relevant, ex post evaluations in accordance with Articles 57 and 82 of IPA Implementing Regulation, with the aim of improving the quality, effectiveness and consistency of the assistance from Community funds and the strategy and implementation of the programmes.

The results of ex ante and interim evaluation shall be taken into account in the programming and implementation cycle.

The Commission may also carry out strategic evaluations.

6. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Beneficiary Country.

In order to ensure the efficient protection of the financial interests of the Community, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96²¹.

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received Community funds.

7. LIMITED CHANGES

Limited changes in the implementation of this programme affecting essential elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature²², may be undertaken by the authorising officer by delegation (AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

²¹ OJ L 292; 15.11.1996; p. 2

²² These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.