

**2008 Project Fiche Kosovo
IPA centralised programme**

1. Basic information

1.1 CRIS Number:

1.2 Title: **Developing an enabling socio-economic environment for all of Kosovo's communities**

1.3 ELARG Statistical Code: 02.22

1.4 Location: Kosovo

Implementing arrangements:

1.5 Contracting Authority: The European Commission Liaison Office to Kosovo.

1.6 Implementing Agency: The European Commission Liaison Office to Kosovo.

1.7 Beneficiary Institutions

Project activity	Beneficiary	Contact point responsible for activity coordination
Local development and tangible support to businesses,	Association of Municipalities & Regional Development Agencies	President of Association of Municipalities, Mr. Bayram Rexhepi

1.8 Overall cost: €6.9 million.

1.9 EU contribution: €6.6 million¹

1.10 Final date for contracting

Three years after the signature of the financing agreement between the European Commission and the Kosovo Authorities

1.11 Final date for execution of contracts

Two years after the final date for contracting.

1.12 Final date for disbursements

One year after the final date for the execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall Objective:

To develop an enabling environment for private sector development and job creation for all communities in Kosovo.

¹ The funds €2.7 million transferred from IPA Component II (CBC) will be used for Regional Development in Kosovo, in particular in support to the creation and capacity building of Regional Development Agencies.

2.2 Project purpose:

To enhance Kosovo's regional development activities, more specifically, the aim of this programme is to support:

- Kosovo to develop a regional development framework that is line with EU practices.
- The introduction of Regional Economic Development (RED) approach in at least three areas in Kosovo (e.g. Pristina, Mitrovica and Prizren) to facilitate local and regional economic development and employment generation;
- Development of institutional capacity in the selected areas to manage the process of economic development

2.3 Link with: European Partnership; Stabilisation and Association process; Proposal for the Kosovo Status Settlement

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

- EPP no 5: Create the conditions for investment, trade, employment and economic growth for the benefit of all communities.
- EPP no 5, 17: All municipalities have prepared and implemented local economic and development strategies with special emphasis on all ethnic communities.
- EPP no107, 2: Implement SME - Strategy

The project also responds to some of the key findings of the *Commission's 2007 progress report on Kosovo* including:

- Section 4.1.8: The unemployment rate of 44.9% is the highest in the Western Balkans.
- Section 4.2.1: In a number of instances, legislation or regulations have been put in place, but with no follow-up action or with inadequate resources to enable practical progress. Examples include electronic signatures and the provision of incubators for small businesses.

The project is in line with the recommendations of the *EU Charter for Small Enterprises*, in relation to the need to enhance and improve: education and the availability of skills; the technological capacity of SMEs; trade facilities and trade agreements; and the legislation and regulation of the business environment.

The project aims to support the provisions related to the economy in the *Comprehensive Proposal for the Kosovo Status Settlement*, including: '...to promote and safeguard sustainable economic development';

2.4 Link with the Multi-Annual Indicative Planning Document (2007-09) for Kosovo (MIPD)

The *MIPD* mentions the following:

- Executive summary: **Socio-economic development:** EC assistance will also be used in support of developing Kosovo's weak economy and enhancing the wider socio-economic environment for all communities. This will require grant funding for direct investment

- Section 1.2: EC assistance will also enhance Kosovo's socio-economic development, including regional development.
- Section 2.1: Developing Kosovo's economy and enhancing the wider socio-economic and institutional environment will be a priority of this MIPD.
- Section 2.2.2: The ministry of trade and industry's *private sector development strategy* aims to reduce unemployment and improve the competitiveness of the Kosovo economy through a number of reform measures to attract local and foreign investment, stimulate the SME sector, to implement the Free trade Agreements and increase the export base
- Section 2.2.2.3: Developing relevant administrative structures and developing EU-compliant and favourable SME policies
 - Actions on employment and economic development and social inclusion with a particular focus on the unemployed and disadvantaged groups;
 - This sub-component will allow the financing of investment in infrastructure as well as establishment of grant schemes for economic, human resource and/or rural development.

2.5 Link with National Development Plans

The project is in line with the priorities set in the Medium-Term Expenditure Framework 2007-2010. The MTEF recognises that the current stage of decentralization imposes considerable responsibility on the Municipalities. Furthermore, the MTEF foresees considerable funding under specific sector strategies that will benefit citizens of the Kosova municipalities and will be channelled through the central agencies.

2.6 Link with sectoral plans

The Ministry of Local Government Administration has begun discussions on a framework for local and regional development, and although not identical to the details listed in this project fiche, they fully support the concept presented in this project fiche.

The project is also linked to the Ministry of Trade and Industry's *Private Sector Development Strategy* (2008). The strategy states

- Page 9: Increasing investment and trade are the two fundamental ways of increasing the private sector growth and employment and they must certainly be addressed
- Page 18:
- Page 34: SME development is the area with the highest pay off in terms of job growth in the medium to long term.

3.1 Background and justification:

Despite general improvements in the regulatory framework, Kosovo's economy remains weak. In 2006, the economy recovered a little and GDP grew by about 3% with exports growing by a remarkable 54%², albeit from a very low baseline. Nevertheless, the socio-economic needs are substantial and the future challenging.

² Kosovo Economic Outlook, August 2007

Unemployment stands at around 40%³. Mainstreaming vulnerable groups' participation in the formal economy is particularly problematic and remains a priority.

Private sector development remains a priority in terms of job creation and trade and export development. Support to allow business to utilise provisions in trade agreements is needed along with support programmes in under developed areas of Kosovo. Local authorities also need to enhance their support to the private sector to create jobs and income.

Regional development initiatives and tangible employment support programmes

Regional Economic Development (RED) is emerging in Kosovo as an important model for creating sustainable development in regions while, at the same time, helping to mitigate the social costs of transition, particularly by addressing unemployment.

The model of integrated development proposed in this fiche involves a process in which all the community stakeholders, both public and private, participate in designing and implementing a development strategy for renewing their region, stimulating the growth of enterprises, developing the infrastructure, providing social services and employment generation schemes. Typically, this is followed through by setting up the institutional mechanisms, such as the establishment of regional development agencies, for co-ordinating different efforts, designing projects, mobilising both Government and donor funds, and to provide a vehicle for effectively implementing such area based development strategies.

This RED approach has precedents both within the EU, as well as in Accession Countries. In the EU, Structural Funds are channeled via regional development agencies (RDAs) to support economic regeneration in less developed regions where as in Accession countries, regional development initiatives have been supported through pre-accession funds (SAPARD & ISPA). Typically, these accession funds have been transferred from the EU to RDAs which were then responsible for managing and mobilising these funds to address specific challenges such as economic regeneration or industrial restructuring.

Not only does RED therefore provide a way of addressing sustainable development and alleviate poverty but it is also a way to prepare Kosovo in creating a framework for regional development that is in line with the EU guidelines and best practice, thereby facilitating the process of EU integration:

- Area based development provides an effective means for circumventing political boundaries and enhancing economic linkages between different ethnic communities;
- Using a participatory approach permits there to be a consensus around common sets of interest leading to greater commitment, ownership and sustainability.
- Provides an effective framework for translating national policies, such as improving business environment to the local level. Eg. streamlining business registration.

³ There are no reliable unemployment statistics for Kosovo, however the real unemployment rate may be less if the informal economy is factored in.

- Development of a comprehensive strategy with clearly defined projects combined with a responsible body such as an RDA to drive the process, provides an effective mechanism to co-ordinate different donors and use scarce resources optimally.

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

The RED approach proposed addresses sustainability in a number of different ways:

- Firstly, by developing comprehensive local economic development strategies tailored to the specific social, economic, geographic and labour market needs in a given area, and funding projects which support the specific opportunities for economic regeneration in the given region, there is a greater chance to achieve sustainable impact in terms of jobs and viable SMEs.
- Secondly, local ownership is achieved by involving the community stakeholders in the whole process of drafting the strategy, receiving approval from the government and appropriate parliamentary body, and being involved in overseeing and funding from govt. resources part of the implementation of such a strategy.
- Thirdly, the RED approach is aimed at strengthening the local institutional framework for designing, co-ordinating and implementing projects for such an economic strategy including local municipalities, city administrations, universities, local service providers.

Regional Development Agencies

In each of the pilot areas where the EC will initiate local economic development projects a common feature is to establish local/regional development agencies. Such Agencies will initially be established as separate legal entities, but the aim of the project is to develop these Agencies to quasi-governmental, non-profit bodies which are responsible to co-ordinate, mobilise and manage funding and oversee the implementation of the economic strategy.

Each of the agencies will receive budgetary support for operational costs from the IPA 2008 programme and these organisations are not likely to be self-sufficient over the medium term (next 5-7 years) without Governmental/donor support. Indeed, given the developmental nature of their activities RDAs typically will always depend on a certain element of Government/donor support while increasingly generating revenue from more commercial means such as property development, management and consultancy fees.

The three pilot regional development agencies will also serve as a demonstration project for local authorities throughout Kosovo. Through the development agency and appropriate business support programme, municipalities will be able to directly understand how supporting businesses and collaborating with stakeholders will create jobs locally.

3.3 Results and measurable indicators:

Support for regional development initiatives

Results:

- a. 3 pilot Regional Development Agencies established and operational

- b. Management Boards for each RDA with broad stakeholder membership established and functional
- c. Regional strategies elaborated and relevant project proposals identified
- d. Small scale project funds (EU financed) mobilised targeting priority sectors in line with regional development plans
- e. Legal and institutional framework for regional economic development drafted

Measurable indicators:

- a. 3 pilot regional development agencies are operational
- b. Regional strategies drafted and agreed between stakeholders
- c. Comprehensive list of project ideas identified and agreed between stakeholders
- d. The grant component is established and running in all three centres
- e. Law on Regional Development Agencies and establishment Economic Regions prepared

3.4 Activities:

Support for the establishment of pilot regional development agencies

An EU funded survey in 2007 (Regional investment potential) as well as initiatives in disadvantaged areas show that support is needed to both boost overall employment in Kosovo and enhance investments throughout. The capacities for designing and developing concepts for regional initiatives to enhance investments and employment are limited in Kosovo as is experience with local support to the private sector.

This activity will support local development in Kosovo through establishing three pilot regional development agencies in e.g. Pristina, Mitrovicë/Mitrovica and Prizren. The exact location and number of development agencies will be decided in the inception phase of the Project based on input gathered under the FWC. These pilot agencies will work with local authorities and organisations in identifying programmes in the region that will support economic development and job creation. Special emphasis will be given to collaboration projects with a multi-stakeholder approach and a wider economic and social development perspective. The RDAs could also provide technical assistance and practical support for SME development, for instance through establishing SME business support services, tourism projects, entrepreneurship and SME training through grants if appropriate. Full coordination with the activities of Kosovo's SME and Investment Promoton Agency shall be ensured.

The RDAs will be set up as non profit organisations and enjoy de-facto monopoly status in Kosovo. The RDAs will be supported through the provision of direct operational support grants (if criteria for such have been met) to undertake their core activities.

The project will be supported by one Framework contract (FWC) in order to collect additional information and prepare the ground for the more comprehensive technical assistance project which follows later. providing technical assistance (TA) as well as a grant scheme for support to small-scale local development initiatives. The FWC contract will initiate the creation of the 3 pilot regional development agencies proposed (e.g. Pristina, Mitrovica and Prizren), by gathering information about the best possible organisation of regional development for Kosovo and fostering the necessary local support.

The FWC will be followed by a TA contract, which will be overall responsible for the support to the establishment of RDAs in the three cities as well as the providing staff training and assistance in operation of the RDAs. The TA will support the development and implementation of regional economic strategies, the institutional framework for development in the region, advice on establishing business plans, job descriptions, transparent recruitment process. The TA contract will establish a separate project office, which will serve all three RDAs. The TA contract will work closely with the local authorities and organisations in ensuring local commitment to the Regional Economic Development process and engaging local stakeholders in the work.

Complementary to TA, project funds will be made available to provide necessary funding to support economic and employment generation opportunities and other development objectives identified in the development strategies. The project fund will be designed with TA. Allocation of funding to regions may be done according to quality of project pipelines, population target in region and capacity of RDAs to oversee implementation. The fund will ensure implementation of Grant schemes to support the implementation of development projects in line with regional needs and strategies.

Full transparency and financial accountability of both the project fund and TA component will be ensured with such measures as steering committees, regular progress reports, audits and monitoring assessments.

Contracting arrangements

Support for local development initiatives will be implemented through one Framework contract and a service contract, supported by an operational grant to the RDA and a grant fund. The operational grants will be provided as direct grant agreements where the conditions for this have been met.

Project management and administration

The Commission Office will manage the procurement, implementation, quality control, reporting and coordination with other donors of the development assistance and of the financial and technical cooperation related to the actions described in this project fiche, taking remedial actions if and when needed. The Team Leaders engaged through the contracts for this project will have the authority to run the project activities on a day-to-day basis under the supervision of the Commission Office. His/her primary responsibility shall be to ensure that the project produces the required outputs, to the required standards of quality and within the specified constraints of time and cost. The team leader and other experts will also address cross-cutting issues. A detailed description of the duties of the team leader and key experts will be elaborated in the Terms of Reference, in line with this project fiche.

Project Steering Committees will be responsible for the overall direction of the project and comprise of representatives from the beneficiary institutions and the Commission Office. The project steering committees ensure that activities are undertaken in line with EU rules and regulations. The steering committees discuss the direction of the project as well as external and internal changes to the project environment which may affect the undertaking of project activities. It also undertakes an internal evaluation of ways and methods for ensuring project impact is sustained.

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

3.5 Conditionality and sequencing:

The project includes the following conditions:

The principle condition for the EC to support this programme of RED is that the relevant local authorities, in the three pilot regions where the EC will provide support, demonstrate their commitment to the RED by making budgetary resources available to support the operational costs of the RDA and make available public funds for co-financing the projects in line with the strategy. It is expected to see already a contribution being made under the first year of operations to cover in part the operational costs of these RDAs, and that this contribution increases on an annual basis.

3.6 Linked activities

This project builds-on previous EC assistance in the economic development sector, particularly the following projects funded under the CARDS instrument.

Name of project (Amount €million)	Start End	Activities/Results
Developing an enabling economic environment for all of Kosovo's communities (€1.0 million)	June 2008 June 2010	Improving the management and operational capacity of the Ministry of Trade and Industry, the Investment Promotion Agency and the new Patent Office; Supporting the successor of the Kosovo Trust Agency to continue the privatisation and liquidation process; Supporting enterprise growth and job creation through technical and advisory support for SMEs.
Investment Promotion Agency (€1.5 million)	May 2007- Nov 2008	Project activities include: development of investment promotion material; identification of potential investors; and development of mechanisms to provide direct tailored support to potential investors. The IPA 2007 project will consolidate and build-on the results of these activities.
Ministry of Trade and Industry (€2.5million)	May 2006 - May 2008	Assisting the MTI to formulate and implement sound SME policy and strategy – in line with the EU Charter for Small Businesses, and developing effective business services to support the successful growth of SMEs.
Kosovo Development Strategy and Plan (€2.1million)	May 2007- Nov 2008	Technical Assistance to Ministry of Economy and Finance and line ministries institutions to support the institutionalisation of the Kosovo Development Strategy and Plan (KDSP) process.
Job creation in Kosovo's northern municipalities (€0.5 million)	Feb 2007- Feb 2009	The programme consists of three components: (i) a €3.5 million matching grants facility (with accompanying technical assistance) for private businesses in the manufacturing and service industries to promote investments in technological in the region (e.g. purchase of specialised machinery); (ii) Development of municipal infrastructure to support enterprise growth, such as the construction and upgrading of business parks; (iii) bringing some viable parts of the Trepca mining complex back to full operation, including refurbishment of the lead processing plant, improvements to the chemical handling in the ore treatment process and works to fill closed mines with fly-ash from the power station at Obilic/q.
Targeted economic and community development actions in disadvantaged minority areas (€11.5 million)	2002 - Nov 2008	At the end of 2006, over 1,300 projects targeting ethnic minority communities had been implemented, mainly projects focusing on grants for small business start-ups and expansion, including in areas where minority returns have taken place. In addition, seven Business Support Centres provide direct economic development support services to minority areas. The programme has organised some 200 training sessions for some 1,900 participants in support of micro-enterprise development.

Turn Around Management (TAM) & Business Advisory Services (BAS) (€ million)	Oct 2004-Sept 2007	Supporting small, medium and large enterprises to restructure, improve competitiveness, attract investors, and increase employment. The programme is implemented by the European Bank for Reconstruction and Development (EBRD). More than 60 projects have been initiated through the BAS programme in Kosovo since March 2005, while 25 large enterprises have been assisted through the TAM programme.
European Fund South East Europe (€ million)	Aug 2006-Aug 2008	Loan finance from various EC funded credit schemes in Kosovo (now all closed) have been transferred for use by the EFSE. The EFSE is a public/private investment fund that provides financing for private sector development through financial intermediaries in Southeast Europe, including Kosovo.

The project has been designed and will be implemented in coordination with the government and other donors. This includes the World Bank which is providing institution building support to the IPAK and the MTI, in particular through a programme for pilot one-stop shops at municipal level. Austria is planning to fund a voucher counselling scheme for Austrian investors. GTZ is working in the area of tourism development with MTI and local businesses in a number of regions in Kosovo. USAID is running a programme to support entrepreneurial organisations in three sectors. A Danida funded economic development programme is focussing mainly on rural and regional development.

The project will also link to activities in Justice and Home Affairs and Public Sector Reform, as economic development is affected by the availability of a proper and functioning legal framework for conducting business.

3.7 Lessons learned

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

- *The need to make provisions to include economically vulnerable groups in mainstream economic life.* Experience, in particular with networking among SMEs and local development initiatives in Kosovo, underlines the need to be gender and minority aware and well informed when designing programmes. Programmes and projects need to be inclusive, geographically as well as socially, to maximise both social and economic impact of activities. Furthermore when treatment of cross-cutting issues has remained weak in economic development projects, experience shows that those projects “missed” out some important beneficiaries and/or reinforced current (gender/ethnic) discriminations/inequalities. Gender and minority issues are very important in this sector since women and minorities face distinct disadvantages/constraints on the labour market. The prevailing considerable economic disparities between communities and the shortage of employment opportunities for women represent a major obstacle to both the economic and political stability of Kosovo. These cross-cutting issues must therefore be actively mainstreamed within project design and implementation.
- *Local capability development:* Working with local organisations, public as well as private, has demonstrated the need for firm local anchoring of activities and capacity development. As local resources are scarce and the understanding of ways to improve local economic conditions is limited, projects must take these considerations into account when designing assistance programmes. To ensure proper functioning of local programmes, substantial EC funding must be made available to ensure professional TA is available. As there is limited resources available in local authorities in Kosovo and as the experience with business support

programmes is limited, professional TA with experience from the EU way of providing local business support must be made available for longer periods of time to ensure a tangible demonstration effect of the assistance provided.

- *Direct support available to the private sector:* The nature of the economy of Kosovo, where the majority of business are very small, underlines the need for appropriate support services, in particular for technology transfer, enhancing the utilisation of technology and research.
- *Enforcement:* There has been large focus on establishing the legal frameworks in Kosovo. The capacity to enforce the law, however, has received insufficient attention. While legal reform has been advanced, law enforcement and implementation has not followed. This creates a widening gap between the formal legal situation and ‘on-the-ground’ practice.
- *Conditionalities:* Often project implementation is hampered by either insufficient staff and resources allocated to (newly established) institutions or insufficient operational funds available in the government budget to allow for appropriate implementation of the mandate of the concerned department. The project aims to address this issue through the conditions outlined in section 3.5 above.
- *Balance between different measures:* The provision of technical assistance for capacity building remains a very high priority. However, TA will not be effective if the working environment of the counterparts is not up to standards. Therefore a balanced approach with both technical advisory support and material support is essential to realise the expected impact of the projects.

4. Indicative Budget (amounts in EUR million)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1	x		0.2	0.2	100							
contract 1.1 (Framework contract)			0.2	0.2	100							
Activity 2	x		3.0	3.0	100							
contract 2.1 (Service Contract)			3.0	3.0	100							
Activity 3	x		0.9	0.9	100							
Contract 3.1 (Grant Agreements Operational Fund)			0.9	0.9	100							
Activity 4 ⁴		x	2.8	2.5	89						0.3	11
Contract 4.1 (Grant Scheme/s)			2.8	2.5	89						0.3	11
TOTAL IB			4.1	4.1	100							
TOTAL INV			2.8	2.5	89						0.3	11
TOTAL PROJECT			6.9	6.6	96						0.3	4

Note:

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

⁴ This contribution also incorporates, on an exceptional basis for this annual programme, the entire IPA 2008 allocation €2.7m to Component II – Regional and Cross-Border Cooperation (CBC).

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

Contracts	Start of Tendering	Signature of contract	Project Completion
Activity 1 (Framework contract)	Q4 2008	Q4 2008	Q4 2009
Activity 2 (Service contract)	Q4 2008	Q2 2009	Q4 2011
Activity 3 (Operational grant)	Q4 2008	Q1 2009	Q4 2011
Activity 4 (Grant scheme(s))	Q4 2008	Q1 2009	Q4 2011

6. Mainstreaming Cross cutting issues

6.1 Equal Opportunity (gender mainstreaming)

The activities will ensure the participation of women and youth and minorities in all activities. Activities and support programmes for business development will mainstream issues related to the participation of women, youth and minorities in all relevant programmes and ensure that their specific needs/interests/constraints are fully considered when working on establishing legal frameworks and public regulation of business activities

Attention will be paid to the acquis in social and labour law, and notably the necessity to ensure enforcement of European standards in terms of wage equity, non-discrimination in employment, and equal opportunities.

6.2 Environment

Environmental issues will be addressed in all activities, and in particular when preparing the direct support to business development. For example, special consideration will be given to introducing environmentally friendly manufacturing processes and technologies. All support provided will be subject, when necessary as required by the legislation in force in Kosovo of by EU Directives and standards, to an Environmental Impact Assessment of the proposed activity and investment, along with scrutiny of issues related to health and safety at work. Priority may – as in the 2006 CARDS programme – be given to support investments that will further a cleaner environment in Kosovo. It may be considered to initiate discussion with Ministry of Environment and Spatial Planning for initiatives to improve the industrial/business contribution to a cleaner environment in Kosovo.

6.3 Minorities

As described above, the activities will ensure the participation of women and youth and minorities. Activities and support programmes for business development will mainstream issues related to the participation of women, youth and minorities in all relevant programmes and ensure that such issues are considered when working on establishing legal frameworks and regulations for business activities.

ANNEXES

- Annex I Log frame
- Annex II Amounts contracted and Disbursed per Quarter over the full duration of Programme
- Annex III Description of Institutional Framework?
- Annex IV Reference to laws, regulations and strategic documents:
- Annex V Details per EU funded contract (*) where applicable?:

ANNEX 1: Logical framework matrix in standard format

Project Title: Developing an enabling economic environment for all of Kosovo's communities		Programme name and number:	
Sector: Economic Development		Contracting period: (see section 1.10)	Disbursement period : (see section 1.12)
		Total budget : €6,6 million	IPA budget: €6,6 million
Overall objective	Objectively verifiable indicators	Sources of Verification	
To develop an enabling environment for private sector development and job creation for all communities in Kosovo.	3 pilot regional development agencies are operational Regional strategies drafted and agreed between stakeholders Comprehensive list of project ideas identified and agreed between stakeholders The grant component is established and running in all three centres Law on Regional Development Agencies and establishment Economic Regions prepared	Project contracts Project progress reports Disbursement of grant funds	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To enhance Kosovo's regional development activities. specifically, the aim of this programme is to support: ➤ Kosovo to develop a regional development framework in line with EU practices. ➤ The introduction of Regional Economic Development (RED) approach in at least three areas in Kosovo (Pristina, Mitrovica and Prizren) to facilitate local economic and employment generation; ➤ Development of institutional capacity in the selected areas to manage the process of economic development	3 pilot regional development agencies are operational Regional strategies drafted and agreed between stakeholders Comprehensive list of project ideas identified and agreed between stakeholders The grant component is established and running in all three centres Law on Regional Development Agencies and establishment Economic Regions prepared	Project contracts Project progress reports Disbursement of grant funds	Status settlement will attract investment into Kosovo Sufficient interest and capability in Kosovo to utilise the opportunities offered
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
Regional Development Agencies established and operational Management Boards for each RDA with broad stakeholder membership established and functional Regional strategies elaborated and relevant project proposals identified Small scale grant schemes (EU financed) mobilised targeting priority sectors in line with regional development plans Legal and institutional framework for regional economic development drafted	3 pilot regional development agencies are operational Regional strategies drafted and agreed between stakeholders Comprehensive list of project ideas identified and agreed between stakeholders The grant component is established and running in all three centres Law on Regional Development Agencies and establishment Economic Regions prepared	Project reports, disbursement of operational grant Minutes of Board meetings show attendance and interest in Management Board matters Strategy document endorsed by stakeholders Project fund accounts Draft legislation	Regional stakeholders show interest and willingness to support the RDAs Regional stakeholders will participate in the Management Board Local interest in applying for the grant programme Government of Kosovo is willing to promote regional development
Activities	Means	Costs	Assumptions
This activity will support regional development initiatives in Kosovo through establishing three regional development centres in e.g. Pristina, Mitrovicë/Mitrovica and Prizren. The RDAs will be set up as non profit organisations and enjoy de-facto monopoly status in Kosovo. These centres will work with local authorities and organisations in identifying programmes in the region that will support economic development. Special emphasis will be given to collaboration projects with a multi-stakeholder approach and a wider economic and social development perspective. The RDAs will also provide technical assistance and practical support for SME development, for instance through establishing SME business support services, tourism projects, entrepreneurship and SME training	The project will be organised through a framework contract for preparing the RDAs and supporting the registration of the RDAs . The RDAs will be supported through the provision of direct operational support grants (if criteria for such have been met) to undertake their core activities. A service contract will facilitate the staff training of the RDAs as well as provide assistance in drafting local development plans and provision of. A grant component, to be	€6,6 million	Regional stakeholders show interest and willingness to support the RDAs Regional stakeholders will participate in the Management Board Local interest in applying for the grant programme Government of Kosovo is willing to promote regional development

<p>through grants</p> <p>A grant fund will be established and administered directly by the ECLO. This fund will be utilised for funding specific small scale local development projects, based on applications.</p>	<p>administered directly by the ECLO, will provide funding for small scale local development projects</p>		
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Pre conditions:

- The local stakeholders indicate interest in the programme and appointment appropriate counterpart personnel.
- The RDA are by definition and registered as NGOs before the launch of the tender process.
- Endorsement by all key stakeholders of the Terms or Reference and Call for Proposals, as well as the individual operational grant contracts to be engaged.
- Participation by the beneficiary in the tender process as per EU regulations.
- Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars and study visits by the beneficiaries as per the project work plan.
- Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan.

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

	2008				2009				2010				2011			
Contracted	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Support for local development initiatives																
Framework contract				0,2												
Operational grant					1,0											
Service contract						2,8										
Grant scheme									2,6							
Cumulated Total				0,2	1,2	4,0			6,6							
Disbursed																
Support for local development initiatives																
Framework contract					0,2											
Operational grant							0,8									0,2
Service contract							1,1				1,1			0,6		
Grant scheme										2,0		0,6				
Cumulated Total					0,2		2,1			4,1	5,2	5,8		6,4		6,6

Annex IV Reference to laws, regulations and strategic documents:

Reference List of Laws and Regulations

- European Partnership
- Commission's 2007 progress report on Kosovo
- EU Charter for Small Enterprises
- Comprehensive Proposal for the Kosovo Status Settlement
- Multi-Annual Indicative Planning Document (2007-09) for Kosovo (MIPD)
- Kosovo Development and Strategy Plan - KDSP (draft December 2006) and the priorities set in the Medium-Term Expenditure Framework 2007-2010.
- Ministry of Trade and Industry's Private Sector Development Strategy (2008) which is incorporated in the KDSP.