



Brussels, 29.11.2017
C(2017) 8051 final

COMMISSION IMPLEMENTING DECISION

of 29.11.2017

adopting an Annual Action Programme for Kosovo* for the year 2017 – Part I

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

COMMISSION IMPLEMENTING DECISION

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adopting an Annual Action Programme for Kosovo* for the year 2017 – Part I

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures of the implementation of the Union's instruments for financing external action¹ and in particular Article 2 (1) thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002² and in particular Article 84(2) thereof,

Whereas:

- (1) Regulation (EU) No 231/2014³ lays down the objectives and main principles for pre-accession assistance to beneficiaries listed in Annex I to that Regulation.
- (2) In accordance with Article 7 of Regulation (EU) No 231/2014 the assistance should be implemented through annual or multi-annual, country-specific or multi-country programmes. These programmes should be drawn up in accordance with the framework for assistance referred to in Article 4 of Regulation (EU) No 231/2014 and the relevant country or multi-country indicative strategy papers referred to in Article 6 of that Regulation.
- (3) The Council established an Accession Partnership or a European Partnership for all beneficiaries listed in Annex I to Regulation (EU) No 231/2014. The Commission adopted an indicative strategy paper for Kosovo for 2014 - 2020 on 20 August 2014 which provides indicative allocations for the sectors for pre-accession assistance.⁴
- (4) Considering the proposals for action submitted by the beneficiaries concerned, the Annual Action Programme for Kosovo for the year 2017 – Part I aims at providing assistance for actions in the following sectors: democracy and governance, rule of law and fundamental rights, environment, climate action and energy, competitiveness, innovation, agriculture and rural development and education, employment and social policies.
- (5) It is necessary to adopt a financing decision, the detailed rules of which are set out in Article 94 of Commission Delegated Regulation (EU) No 1268/2012.⁵

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¹ OJ L 77, 15.03.2014, p. 95.

² OJ L 298, 26.10.2012, p.1.

³ Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (OJ L 77, 15.03.2014, p. 11).

⁴ C(2014) 5772, adopted on 20.08.2014.

⁵ Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

- (6) The Commission should be able to entrust budget-implementation tasks under indirect management to the entities specified in this Decision, subject to the conclusion of a delegation agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that these entities guarantee a level of protection of the financial interests of the Union equivalent to that required under Regulation (EU, Euratom) No 966/2012, when the Commission manages Union funds.

The Austrian Development Agency and the World Bank Group comply with the conditions of points (a) to (d) of the first subparagraph of Article 60(2) of Regulation (EU, Euratom) No 966/2012 and the supervisory and support measures are in place as necessary.

The Swedish International Development Cooperation Agency is currently undergoing the assessment under Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the authorising officer responsible deems that, based on the entity's positive assessment under Regulation (EU, Euratom) No 1605/2002 and on the long-standing and problem-free cooperation with it, budget-implementation tasks can be entrusted to this entity.

- (7) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.
- (8) Pursuant to Article 94(4) of Delegated Regulation (EU) No 1268/2012, the Commission should define changes to this Decision which are not substantial in order to ensure that any such changes can be adopted by the authorising officer responsible.
- (9) The action programme provided for by this Decision is in accordance with the opinion of the IPA II Committee set up by Article 13 of Regulation (EU) No 231/2014⁶,

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the programme

The Annual Action Programme for Kosovo for the year 2017 – Part I under the Instrument for Pre-accession Assistance (IPA II) as set out in the Annex, is hereby approved.

Article 2

Financial contribution

The maximum amount of the European Union contribution for the implementation of the programme referred to in Article 1 is set at EUR 48 000 000 and shall be financed as follows:

EUR 17 800 000 from the budget line 22.02.01.01 of the general budget of the EU for year 2017 and

EUR 30 200 000 from the budget line 22.02.01.02 of the general budget of the EU for year 2017.

The financial contribution(s) referred to in the first sub-paragraph may also cover interest due for late payment.

⁶ the Member States have declared, recalling the Council Conclusions of 18 February 2008, that the adoption of this programme does not prejudice the position of each individual Member State on the status of Kosovo, which will be decided in accordance with their national practice and international law.

Article 3

Implementation modalities

This programme shall be implemented by direct and indirect management.

The budget implementation tasks under indirect management may be entrusted to the entities identified in the Annex subject to the conclusion of the relevant agreements.

A Financing Agreement shall be concluded between the Commission and the Government of Kosovo in conformity with the Framework Agreement concluded between the same parties on 16 April 2015.

Article 4

Non-substantial changes

The following changes shall not be considered substantial provided that they do not significantly affect the nature and objectives of the actions:

- (a) increases or decreases for not more than 20% of the maximum contribution set in the first paragraph of Article 2, and not exceeding EUR 10 million;
- (b) cumulated reassignments of funds between specific actions not exceeding 20% of the maximum contribution set in the first paragraph of Article 2;
- (c) extensions of the implementation and closure period;
- (d) within the limits of 20% referred to in points (a) and (b) above, up to 5% of the contribution referred to in the first paragraph of Article 2 of this financing decision may serve to finance actions which were not foreseeable at the time the present financing decision was adopted, provided that those actions are necessary to implement the objectives and the results set out in the programme.

The authorising officer responsible may adopt such non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 29.11.2017

*For the Commission,
Johannes HAHN
Member of the Commission*

ANNEX

to Commission Implementing Decision adopting an Annual Action Programme for Kosovo* for the year 2017 – PART I

1 IDENTIFICATION

Beneficiary	Kosovo
CRIS/ABAC Commitment references	2017/040 505 / EUR 17 800 000 22.02 01 01 2017/040 506 / EUR 30 200 000 22.02 01 02
Total cost	EUR 49 473 378
EU Contribution	EUR 48 000 000
Budget lines	22.02 01 01 and 22.02 01 02
Management Mode/ Entrusted entities	Direct management by the European Commission Indirect management by the entrusted entities listed below: Swedish International Development Cooperation Agency (SIDA) for component II of action 1: EU Acquis Approximation Facility; World Bank for action 7: EU Support to the Energy Efficiency Fund; Austrian Development Agency for action 10: EU Support for Aligning Education and Training with Labour Market Needs.
Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary	At the latest by 31 December 2018
Final date for concluding <u>delegation agreements</u> under indirect management	At the latest by 31 December 2018
Final date for concluding <u>procurement and grant contracts</u>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
Final date for operational implementation	6 years following the date of conclusion of the Financing Agreement.
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement.
Programming Unit	NEAR D3 The former Yugoslav Republic of Macedonia, Kosovo

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Implementing Unit/ EU Delegation	European Union Office in Kosovo
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2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

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

Under the Action Programme for Kosovo for the Year 2017 – Part I, the following sectors will be supported: democracy and governance, rule of law and fundamental rights, environment, climate action and energy, competitiveness, innovation, agriculture and rural development, and education, employment and social policies.

The main aim of the actions under **democracy and governance** (actions 1 – 5) is to strengthen technical and administrative capacity of Kosovo's institutions in relation to the implementation of the European Reform Agenda, to support the effective and efficient management of Instrument for Pre-Accession Assistance (IPA) funds and to contribute to the strengthening of the statistical system of Kosovo by enabling the development of reliable statistical information and facilitating improved decision making. Furthermore, the implementation of the EU Facilitated Dialogue for the Normalisation of Relations between Belgrade and Pristina will be supported through action 3.

Actions in the sector will also contribute to achieving the objectives of the Stabilisation and Association Agreement (SAA) and alignment of Kosovo with European Union policies and working methods. Action 4 will contribute towards ensuring a competitive environment in Kosovo by increasing and strengthening the efficiency and effectiveness of administrative capacities in the fields of competition and state aid; while action 5 will support Kosovo in performing its regulatory functions related to economic governance by supporting the government in meeting the SAA requirements in the field of intellectual property rights.

Following decisions by the European Parliament and Council, Kosovo can participate in Union Programmes⁷. In this context, assistance in the sector will be provided to co-finance the costs of the entry-tickets/participation fees. Complementary assistance will be provided to strengthen capacities of responsible bodies for coordination and management of Union Programmes, and to potential beneficiaries and applicants for their effective participation (action 2).

The action under **rule of law and fundamental rights** aims to increase impact and effectiveness of the Ombudsperson Institution of Kosovo (OIK) in promoting and protecting human rights and fundamental freedoms. Support will be twofold: It will enforce the capacities of the OIK to perform its mandate and increase its role as the main guardian for protection and promotion of human rights in Kosovo. This will also involve strengthening its institutional and administrative capacity. Secondly, the action will substantially increase awareness and understanding of the mandate and role of the OIK among average citizens, key partners and stakeholders and build trust in the institution (action 6).

Action 7 under **environment, climate action and energy** aims to contribute to the efficient use of energy in the public sector (public infrastructure) and assist Kosovo in the achievement of energy savings in compliance with the requirements of the Energy Community Treaty and Kosovo's Energy Efficiency Action Plan. The action will provide financing for Kosovo's Energy Efficiency Fund to implement energy efficiency measures in public infrastructure. The Fund will also help

⁷ Framework Agreement between the European Union and Kosovo * on the general principles for the participation of Kosovo in Union programmes, L 195/4 of 27 July 2017

municipalities in the implementation of their municipal energy efficiency action plans which will contribute towards the achievement of energy efficiency targets.

Two actions are envisaged under **competitiveness, innovation, agriculture and rural development**. Action 8, envisaged under the *competitiveness and innovation* sub-sector, aims to support the growth of Kosovo's digital economy by enhancing the competitiveness of Kosovo's digital and traditional businesses leading to growth and new job creation. Moreover, the action aims to bridge the digital and business skills gap and to increase the exports of Kosovar businesses by using the full potential of digital technologies.

The action under the *agriculture and rural development* sub-sector (action 9) focuses on supporting the Kosovo Food and Veterinary Agency in aligning and implementing EU legislation and best practices in the area of food safety and animal disease control eradication. This will be achieved through the improvement of physical infrastructure (laboratory and regional offices) and further strengthening of administrative capacities in the sector.

The actions in the **education, employment and social policies** sector aim to improve employability through quality vocational education and training that would lead to increased participation of Kosovo citizens in the labour market. Action 10 will focus on strengthening the quality and relevance of education and training programmes for the labour market and the link between education and the labour market needs. It will also support the adaptation of the relevant legislative framework and implementation mechanisms as a precondition for increased employability. Action 11 will focus on increasing the quality of education by improving the education infrastructure increasing both the participation rates of children in Kosovo in primary and lower secondary education.

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

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

In the sector of **democracy and governance** previous assistance focused on strengthening the capacity of Kosovo institutions, including the Assembly, in transposing, applying and implementing the EU acquis, especially in areas covered by the Stabilisation and Association Agreement. Furthermore, support was provided for the effective and efficient management and absorption of IPA funds, the implementation of the EU facilitated dialogue for the normalisation of relations between Belgrade and Pristina and increases in effectiveness, independence and accountability of Kosovo's civil service. In the case of support to statistics the experience from donors like Swedish Government through Statistics Sweden (SCB) and the long-term cooperation with Eurostat which has proven both required and successful will be taken into account.

The proposed support under the **rule of law and fundamental rights** will build on the results and recommendations of previous EU funded and other donors' projects which have supported the human rights. The Ombudsperson institution has been supported also by other international organisations, such as Organisation for Security and Cooperation in Europe (OSCE), mainly financing awareness campaigns and capacity building programmes. Assistance envisaged under this action will take the overall horizontal public administration reform efforts into consideration. This will also have a positive effect on sustainability of outcomes.

Previous EU funded support has contributed to institutional development and reform promotion in the **energy** (sub)sector including energy market regulatory framework development, alignment of the legal framework with the *acquis*, strategic planning in energy efficiency and renewable energy sources. Significant assistance was provided under IPA 2008 and IPA 2009 to support the policy making process including legislation on transposing the EU directive on energy services (2006/32) and on the implementation of energy efficiency measures in public buildings (67 schools and 3 hospitals).

Previous EU assistance under **competitiveness and innovation** sector, more specifically the **ICT sector** was provided through TAIEX Instrument only for the revision of policy and legislation, supporting the Regulatory Agency for Electronic Communications and Postal Services. Other donors such as the World Bank, USAID and others are involved in the sector and complementarities will be ensured when the specific activities of the action will be designed.

There have been several actions under previous programmes in the sector of **education, employment and social policies**, including surveys and studies that have been funded by the EU as well as by other donors. These include: "Kosovo Vocational Education and Training I-VI (KOSVET)", "Workforce Readiness assessment for Kosovo" by USAID, the evaluation "Market Assessment for the VET Skills Market System, Employment for Youth", conducted by Helvetas Swiss, the study "Vocational Training in Kosovo: Features, Relationships and Problems" by Institute for Development (INDEP), "Labour Market Needs Assessment" study (ALLED) completed in the initial phase of the action "Aligning Education with Labour Market Needs - ALLED". A number of bilateral and multilateral sources including Luxemburg, Japan, Sweden, Norway and the USA have provided funding for educational infrastructure in the past.

EU has continuously supported the **agriculture and rural development** (sub)sector since 1999. Kosovo Food and Veterinary Agency (KFVA) is the institution that benefited most, being transformed over 10 years from a very small Veterinary Service office with a few people to an executive agency responsible for control of the entire food chain or from farm to fork. With IPA I assistance, the KFVA has managed to prepare and align its relevant legislation with the EU *acquis*, establish necessary organisational structures required to perform duties and tasks required by the legislation, established an animal identification and registration system, equipped and functionalised an animal health laboratory, increased capacities of the food and veterinary administration in general and enhanced diagnostic capacities of the Food and Veterinary Laboratory.

List of Actions foreseen under the selected Sectors/Priorities:

Democracy and Governance

DIRECT MANAGEMENT		OTHER IMPLEMENTATION ARRANGEMENTS	
Action 1 "EU Acquis Approximation Facility"	EUR 4 000 000	Indirect Management with SIDA	EUR 2 000 000
Action 2 "Support to Participation in Union Programmes"	EUR 800 000		
Action 3 "EU Support for Political Priorities and the Dialogue for the Normalisation of Relations Between Belgrade and Pristina"	EUR 3 000 000		
Action 4 "EU Support to the Kosovo Competition Authority and the State Aid Commission"	EUR 3 000 000		
Action 5 "EU Support for Intellectual Property Rights System in Kosovo"	EUR 2 000 000		
TOTAL	EUR 12 800 000	TOTAL	EUR 2 000 000

Rule of Law Fundamental Rights

DIRECT MANAGEMENT		OTHER IMPLEMENTATION ARRANGEMENTS	
Action 6 "EU Support to the Ombudsperson Institution"	EUR 3 000 000	N.a.	N.a.
TOTAL	EUR 3 000 000	TOTAL	N.a.

Environment, Climate Action and Energy

DIRECT MANAGEMENT		OTHER IMPLEMENTATION ARRANGEMENTS	
N.a.	N.a.	Action 7 "EU Support to the Energy Efficiency Fund"	EUR 10 000 000
N.a.	N.a.	TOTAL	EUR 10 000 000

Competitiveness, Innovation, Agriculture and Rural Development

DIRECT MANAGEMENT		OTHER IMPLEMENTATION ARRANGEMENTS	
Action 8 "EU Support for the Competitiveness of Kosovo's ICT Sector"	EUR 3 000 000	N.a.	N.a.
Action 9 "EU for Food Safety in Kosovo"	EUR 5 200 000	N.a.	N.a.
TOTAL	EUR 8 200 000	TOTAL	N.a.

Education, Employment and Social Policies

DIRECT MANAGEMENT		OTHER IMPLEMENTATION ARRANGEMENTS	
N.a.	N.a.	Action 10 "EU Support for Aligning Education and Training with Labour Market Needs"	EUR 3 800 000
Action 11 "EU for Education"	EUR 8 200 000		
TOTAL	EUR 8 200 000	TOTAL	EUR 3 800 000

DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

SECTOR	Democracy and Governance		EUR 14 800 000
Action 1	EU Acquis Approximation Facility	Direct management	EUR 4 000 000
		Indirect management with a Member State body	EUR 2 000 000
		Total:	EUR 6 000 000

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

The main objective of the action is to facilitate the approximation with the EU acquis by enhancing capacities of the Kosovo administration for an efficient use of financial assistance including strengthening of the statistical system.

Expected results of this action include:

- Coordinated response in order to meet urgent and unforeseen needs related to Kosovo's European perspective, improvement of the electoral framework in Kosovo and programming/implementation of IPA funds;
- Kosovo's Ministry of European Integration and relevant line ministries capable of preparing and developing programming documents and aligning programmes with relevant processes (National Development Plan, Economic Reform Programme, European Reform Agenda, Medium-Term Expenditure Framework and the IPA Indicative Strategy Paper);
- The capacity of Kosovo authorities to gradually assume responsibilities in view of the phase out of the EU Rule of Law mission in Kosovo (EULEX) has been strengthened;
- Further improvement of sectorial statistics;
- Further development of statistics indicators – preparation for a population register as well as for the population census 2020;
- Metadata system, documentation and dissemination is further improved, data collection modernised and planning and coordination of the statistical system is strengthened.

Key indicators:

- Number of projects developed and implemented under the EU acquis approximation facility;
- Number and quality of statistical indicators produced aligned with the EU standards (also expressed in % compared to the current situation).

(2) Assumptions and conditions

The main assumptions for the above results to be achieved include that the required legislative framework and political commitment is in place, that there is commitment to provide adequate human and financial resources to the statistical sector for the implementation of the action; and that there is overall commitment to implement the European Reform Agenda.

(3) Implementation arrangement for the action: Direct management by the EU Office in Kosovo for the part of the action facilitating approximation with the EU acquis.

3(a) Essential elements of the action

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR 3 750 000.
- b) the indicative number and type of contracts: 3 – 6 Service Contracts, 3-5 Framework Contracts and 2-3 supply or work contracts.
- c) indicative time frame for launching the procurement procedure: Q3 2018 – Q3 2020.

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

- a) Objectives and foreseen results: Approximation with the EU acquis in line with SAA obligations
- b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies.
- c) The essential selection criterion is the operational capacity of the applicant.
- d) The essential award criteria are technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.
- e) The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.
- f) Indicative amount of Twinning contract: EUR 250 000.
- g) Indicative date for launching the selection procedure: Q3 2019

(3) Implementation arrangement for the action: Indirect management with the Swedish International Development Cooperation Agency (SIDA) (EUR 2 million) for the part of the action strengthening Kosovo's statistical system.

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

The action shall be implemented by SIDA for EUR 2 million due to their significant experience in the sector. SIDA is a longstanding partner of the Kosovo Agency for Statistics (KAS) in the statistical sector. The involvement of SIDA in this case is further justified considering:

- (i) SIDA is a pillar assessed Member State agency with extensive experience working in Kosovo and with the European Commission in implementation of IPA projects.
- (ii) The Kingdom of Sweden will be co-financing the action through SIDA with EUR 1 million bringing in the expertise of Statistics Sweden which has been offering its expertise and capacity-building for almost 40 years to statistical agencies and statistical systems in low and middle income countries in as many countries.

(iii) In addition to providing co-financing, the Government of the Kingdom of Sweden is also prepared to cover potential gaps in assistance to KAS until this action can start with implementation in 2018.

(iv) Statistics Sweden has been providing assistance to KAS since 2001. Statistics Sweden is the NSI of Sweden and one of the first statistical offices to certify all its production of statistics according to the ISO international standard 20252:2012 for market, social and opinion research.

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

This action is made of several different activities entrusted to SIDA: (i) improvement of National Accounts and sectorial statistics, (ii) further development of social statistics indicators and preparation for a population register/census, (iii) further improvement of the metadata system, documentation and dissemination, modernisation of data collection (iv) strengthening of the planning and coordination of the statistical system to improve the delivery of objectives and outputs in line with the 5-year programme for official statistics, and the communication and collaboration with key stakeholders.

In terms of budget implementation tasks, it is important to recognise that this action is made of several different activities for the benefit of the beneficiary: (i) procurement of ancillary technical assistance, (ii) procurement of assistance related to software development and supply of hardware and (iii) procurement of statistical surveys.

Indicative time frame for concluding the agreement: Q2 2018.

SECTOR	Democracy and Governance		EUR 14 800 000
Action 2	Support to Participation in Union Programmes	Direct management	EUR 800 000

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

The objective of this action is to ensure the participation of Kosovo institutions in Union Programmes by co-financing the costs of their entry-tickets and to build capacity of Kosovo institutions and potential applicants for effective coordination and management of Union Programmes.

Expected results of this action include:

- Enhanced participation of Kosovo in EU Programmes, including increased exchanges with EU Member States;
- Capacities of the Ministry of European Integration, relevant governmental bodies, Contact Points and potential beneficiaries strengthened for participation in EU Programmes.

Key indicators:

- Number of programmes for which an International Agreement has been concluded;
- Number of successful applications for the selected EU Programmes.

(2) Assumptions and conditions

The following assumptions have been identified for this action to achieve the above results: timely payment by the beneficiaries and timely preparation for all documents required for reimbursement; commitment of all actors for proper coordination and management of Union Programmes.

(3) Implementation arrangement for the action: Direct management by the EU Office in Kosovo

(3)(a) Essential elements of the action

Reimbursement of maximum 90% for the entry tickets for EU Programmes, after the entry tickets have been paid.

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR 600 000.
- b) the indicative number and type of contracts: 1 – 2 Service contracts.
- c) indicative time frame for launching the procurement procedure: Q2 2018 – Q4 2018.

SECTOR	Democracy and Governance		EUR 14 800 000
Action 3	EU Support for Political Priorities and the Dialogue for the Normalisation of Relations Between Belgrade and Pristina	Direct management	EUR 3 000 000

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

The main objective of the action is to support Kosovo institutions in implementing measures related to urgent political priorities in the framework of Kosovo's European perspective, including those that may arise from the EU Facilitated Dialogue for the Normalisation of Relations between Belgrade and Pristina.

Expected results of this action include:

- Relations between Kosovo and Serbia have improved;
- Progress has been made in the integration of Northern Kosovo and mutual trust between communities has increased.

Key indicators:

- Number of agreements reached within the Pristina-Belgrade dialogue are being implemented;
- Number of projects implemented in Northern Kosovo.

(2) Assumptions and conditions

The main assumptions identified for the successful implementation of this action are: political stability in Kosovo, sufficient resources are allocated to implement the agreements reached in the Pristina-Belgrade Dialogue and the security situation in Northern Kosovo allows for unimpeded implementation of projects;

(3) Implementation arrangement for the action: Direct management by the EU Office in Kosovo

3(a) Essential elements of the action

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR 3 000 000.
- b) the indicative number and type of contracts: 1-3 Service Contracts, 2-3 Framework Contracts and 1-3 supply or work contracts.
- c) indicative time frame for launching the procurement procedure: Q3 2018 – Q3 2020

SECTOR	Democracy and Governance		EUR 14 800 000
Action 4	EU Support to the Kosovo Competition Authority and the State Aid Commission	Direct management	EUR 3 000 000

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

The main objective of this action is to increase and strengthen the efficiency and effectiveness of administrative capacities in the fields of competition and state aid and to ensure the approximation of legislation in these fields with the EU legal framework.

Expected results for Component 1 – Competition:

- The legal framework (primary and secondary legislation) in the field of competition is further aligned to the EU acquis;
- The Kosovo Competition Authority handles cases in a more efficient manner and is able to respond effectively to needs related to implementation of the competition and state aid rules.
- Judges and staff of courts dealing with competition cases and merger control are properly trained and can make decisions on competition and merger cases.

Expected results for the Component 2 – State Aid:

- The legal framework (primary and secondary legislation) in the field of state aid is further aligned to the EU acquis;
- Kosovo's State Aid Commission / State Aid Department handle cases in an efficient manner and get in a position to respond effectively to the needs of implementation of the competition and state aid rules;
- A comprehensive inventory of “existing” state aid schemes is established and a Programme of Adjustment is drafted.

Key indicators:

- Regulations and guidelines on anti-trust and on state aid adopted;
- Number of administrative decisions on state aid cases.

(2) Assumptions and conditions

The preconditions for the implementation of the action are:

- For the component targeting competition: Completion of the procedure of moving of KCA to the new premises.
- For the component targeting state aid: Appointment of members of State Aid Commission for a period 2018 – 2021.

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

The main assumptions identified for the successful implementation of the action are: readiness of main target groups to cooperate and gain new knowledge in the field of state aid; sufficient priority and resources are allocated; appropriate management within the relevant institutions ensures that improved skills can be efficiently applied.

(3) Implementation arrangement for the action: Direct management by the EU Office in Kosovo

(3)(a) Essential elements of the action

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR 3 000 000.
- b) the indicative number and type of contracts: 1-2 service contracts
- c) indicative time frame for launching the procurement procedure: Q4 2017

SECTOR	Democracy and Governance		EUR 14 800 000
Action 5	EU Support for Intellectual Property Rights	Direct management	EUR 2 000 000

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

The main objective of this action is to strengthen legal, administrative and structural capacities of Kosovo institutions in charge of the development and enforcement of intellectual property rights (IPRs).

Expected results of this action include:

- The intellectual property rights (IPR) legislative framework (primary and secondary legislation) is fully aligned with the EU acquis;
- Law enforcement authorities in charge of intellectual property rights are able to ensure adequate and effective protection and enforcement of intellectual, industrial and commercial property rights;

Key indicators:

- Primary and secondary IPR legal framework developed according to an inclusive and evidence-based process, approved and fully aligned with EU acquis;
- Number of copyrighted and counterfeit goods seized and adjudicated.

(2) Assumptions and conditions

The main assumptions identified for the successful achievements of the above results are that the legal framework (laws and by laws) in the field of intellectual property rights, copyrights and other related rights are in place and aligned with international agreements and EU law in this field. Furthermore, the organizational structure of the Industrial Property Agency and the Office of Copyright and Related Rights should be evaluated and a new structure, regionally comparable, should be proposed.

(3) Implementation arrangement for the action: Direct management by the EU Office in Kosovo

(3)(a) Essential elements of the action

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR 2 000 000.
- b) the indicative number and type of contracts: One service contract
- c) indicative time frame for launching the procurement procedure: Q4 2017

SECTOR	Rule of Law Fundamental Rights		EUR 3 000 000
Action 6	EU Support to the Ombudsperson Institution	Direct management	EUR 3 000 000

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

The main objective of this action is to strengthen the capacity of the Ombudsperson Institution of Kosovo (OIK) in order to increase its impact and effectiveness in promoting and protecting human rights and fundamental freedoms.

Expected results of this action include:

- Institutional capacity development of Ombudsperson institution in core areas strengthened;
- Internal administration and management of the OIK strengthened;
- Public awareness about the role and importance of OIK increased.

Key indicators include:

- Percentage of cases positively resolved, in accordance with the complainants request;
- Percentage of investigated cases compared to overall complaints.

(2) Assumptions and conditions

The main assumptions identified for the successful implementation of the above results are that there is a high level of ownership of the project by the Ombudsperson Institution of Kosovo, good cooperation from other stakeholders such as central institutions, municipalities, civil society organisations, university and media. Furthermore, there should be commitment to implement the reforms in human rights sector and overall political stability.

(3) Implementation arrangement for the action: Direct management by the EU Office in Kosovo

(3)(a) Essential elements of the action

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR 3 000 000.
- b) the indicative number and type of contracts: 2-3 service, supply or framework contracts.
- c) indicative time frame for launching the procurement procedure: Q1- Q3 2018

SECTOR	Environment, climate action and energy	EUR 10 000 000
Action 7	EU Support to the Energy Efficiency Fund	Indirect Management
		EUR 10 000 000

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

The main objective of this action is to improve the security of supply in Kosovo by implementing the Energy Community Treaty requirements on energy efficiency and the energy efficiency plan.

Expected results of this action include:

- The pipeline of energy efficiency projects in the public infrastructure is prepared and implemented in agreement with donors contributing to the Fund;
- Increased energy savings in public infrastructure and improved levels of comfort and services in the public sector.

Key indicators include:

- The Investment Plan is prepared, and
- Number of energy efficiency projects (schools, hospitals, other public infrastructure) rehabilitated through the Fund's investments.

(2) Assumptions and conditions

To ensure a successful implementation of the action the following preconditions should be fulfilled:

- The approval of the necessary legislation for establishment of the Fund as a legal entity;
- Adoption of the secondary legislation required for implementation of the Kosovo Law on energy performance of the buildings (Law no 05/L 101), including the methodology for calculation of the integrated energy performance of the buildings, regulation on minimum energy performance requirements of the buildings, regulation on energy performance certification of the buildings, regulation on inspection of heating and air conditioning systems and regulation on licensing the independent experts and creation of an independent control system for energy certificates in buildings;
- The government's contribution to the Fund should be reflected in the midterm expenditure framework 2018-2020 and beyond.

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

The following assumptions are considered:

- A key assumption is that following the adoption of the secondary legislation the necessary steps for implementation will be undertaken by all relevant institutions at central and local levels;
- The government as a key stakeholder and member of the Board of the Fund has to ensure a professional level of competence of the Fund manager and no political influence in the selection of staff and on the operations of the Fund.
- The Fund should allow capital to revolve in order to multiply the number of projects implemented.

(3) Implementation arrangements for the action: Indirect management with the World Bank

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

The action shall be implemented by the World Bank (WB) through a hybrid trust fund under indirect management. The involvement of the World Bank in this case is further justified considering:

- (i) The World Bank has in 2014 signed a loan (USD 32 million) with Kosovo for the Kosovo Energy Efficiency and Renewable Energy Project (EEREP) to implement energy efficiency measures and renewable energy investments in public buildings, and to enhance the policy and regulatory environment for renewable energy and energy efficiency.

(ii) Under the auspices of the EEREP project, a revolving energy efficiency fund would be established, governed by a board of members consisting of representatives/experts of the government, EU Office in Kosovo, the World Bank and other future donors. The Board will be responsible for selecting the Fund Manager, for approval of the internal policies of the fund including the operations manual, investment plan, selection of projects to be financed and related procurement reports, and other duties as prescribed in the law establishing the Fund.

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

The budget implementation tasks entrusted to the World Bank include the following activities: managing and supervising the implementation by the recipient of operating expenditures of the Fund including technical assistance to support the Fund manager on preparing, procuring and implementing energy efficiency projects, and investment grants dedicated to energy efficiency measures and renewable energy investments.

Indicative time frame for concluding the agreement: Q2 2018.

SECTOR	Competitiveness, innovation, agriculture and rural development		EUR 8 200 000
Action 8	EU Support for the Competitiveness of Kosovo's ICT Sector	Direct management	EUR 3 000 000

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

The main objective of this action is to enhance the competitiveness of Kosovo's digital and traditional businesses by supporting growth of Kosovo's Information and Communication Technology (ICT) sector leading to economic growth and new job creation. The action aims to improve links between the private sector and informal training (i.e. ad-hoc courses and practical learning), provide career guidance services, channel private sector investments into opportunities that generate employment and enable youth entrepreneurs to have access to support services that allow them to successfully start and operate their own businesses.

Expected results of this action include:

- Enhanced digital skills and development of an ICT-skilled workforce in a sustainable manner that meets the needs of the market and enhances competitiveness of Kosovo ICT businesses; and
- Enhanced export capacities of Kosovar traditional and ICT businesses.

Key indicators include:

- Number of people trained in ICT;
- Number of people trained for business development.

(2) Assumptions and conditions

The main precondition related to the implementation of the action is the availability of Vocational Training Centres (VTC) where the trainings will take place. VTC centres are managed by the Kosovo Ministry of Labour and Social Welfare and, in order to ensure availability of the resources, the Ministry of Economic Development should reach an agreement on use of the VTC centres.

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

The main assumption for implementation of the action is that there is interest of target groups for trainings offered. Based on the current experience on the projects that are currently implemented (Women in Online Work) the interest in the trainings offered in the IT field is approximately 10 times higher than capacity for trainings.

(3) Implementation arrangement for the action: Direct management by the EU Office in Kosovo

(3)(a) Essential elements of the action

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR 3 000 000
- b) the indicative number and type of contracts: 1 Service Contract, 1 supply or works contract.
- c) indicative time frame for launching the procurement procedure: Q1 2018

SECTOR	Competitiveness, innovation, agriculture and rural development		EUR 8 200 000
Action 9	EU for Food Safety in Kosovo	Direct management	EUR 5 200 000

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

The main aim of the action is to support the Kosovo Food and Veterinary Agency (KFVA) in aligning and implementing EU legislation and best practices in the area of food safety and animal disease control eradication. More specifically, the action will improve physical infrastructure (laboratory and regional offices) and further strengthen the administrative capacities in the sector.

Expected results of this action include:

- Infrastructure of laboratory and regional offices upgraded;
- Establishment and implementation of a transparent system for disease surveillance and control programs;
- Preparation of a comprehensive document for the transposition and implementation of the EU acquis related to food safety, veterinary and phytosanitary policy.

Key indicators include:

- Number of laboratories of Level 3 constructed and equipped;

- A plan for transposition, implementation and enforcement of the EU acquis related to food safety, veterinary and phytosanitary policy.

(2) Assumptions and conditions

The main precondition for this action is the transfer of municipal inspectors to the KFVA.

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

The main assumption identified for this action is the confirmation from the KFVA on the ownership of the land/premises which shall be built /refurbished and confirmation on the availability of budget for maintenance and operation of the premises/equipment.

(3) Implementation arrangement for the action: Direct management by the EU Office in Kosovo

(3)(a) Essential elements of the action:

- a) the global budgetary envelope reserved for procurement: EUR 5 200 000
- b) the indicative number and type of contracts: 1 works contract; 1 supply contract and 3 service contracts
- c) indicative time frame for launching the procurement procedure: Q 2 - 4 2018.

SECTOR	Education, Employment and Social Policies		EUR 12 000 000
Action 10	EU Support for Aligning Education and Training with Labour Market Needs	Indirect management	EUR 3 800 000

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

The main objective is to reduce poverty through increased labour market participation and improved employability of the population. The action will specifically aim to strengthen the quality and relevance of education and training programmes for the labour market and to support the adaptation of the legislative framework and mechanisms as a precondition for increased employability.

Expected results of this action include:

- Study programmes in public higher education institutions serve as a competence hub for the industry and vocational education and training (VET);
- Professional qualifications and occupational standards meet National Qualifications Authority (NQA) criteria for validation;

- VET schools and Vocational Training Centres (VTCs) offer qualitative programmes based on the labour market needs;
- Education and training system related governance procedures support the alignment of education and training with labour market needs;
- The link between the VET and the business sector is more structured.

Key indicators include:

- Number of Higher Education Institutions' programmes that are labour market relevant;
- Number of transferable and recognised professional qualifications produced by VET schools and VTCs.

(2) Assumptions and conditions

The main assumptions identified for this action are that there is a readiness of main beneficiaries (Ministry of Education, Science and Technology, Ministry of Labour and Social Welfare, Ministry of Economic Development and other relevant bodies) and stakeholders to coordinate their activities to improve labour market relevance of the training programmes from VET and VTCs; that legal and sub-legal acts for Public Employment Services (PES) are revised and that the law on Public and Private Partnership (PPP) is adapted for VET schools and VTCs.

(3) Implementation arrangements for the action: Indirect management by the Austrian Development Agency

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

The action shall be implemented by the Austrian Development Agency (ADA) due to their significant experience in the sector. ADA is a longstanding partner of Kosovo in the education sector. The involvement of ADA in this case is further justified considering:

(i) ADA is a pillar assessed Member State agency with extensive experience working in Kosovo and with the European Commission in implementation of IPA projects.

(ii) ADA is well positioned to implement the action as they have been providing assistance to the Kosovo Ministry of Education Science and Technology (MEST) and Ministry of Labour and Social Welfare (MLSW). ADA has provided a concrete support to the Vocational Education and Training Sector in Kosovo through the implementation of Aligning Education with Labour Market Needs – ALLED project since 2014.

(iii) The concept behind the action is that ADA, through the implementation of the second phase of ALLED, will focus, during this second phase, on improving the relevance of school programs to labour market needs. This will be achieved through the development of the Vocational Education and Training (VET) specific core curriculum aligned to the Kosovo Curriculum Framework, the systematic provision of high quality work experience and professional practice and specific to the Kosovo context ensuring the sustainability of VET schools and Vocational Training Centres (VTCs).

(iv) Therefore it will be of crucial importance to continue the cooperation through ADA as they possess the relevant technical expertise, competence, knowledge, regional presence, institutional memory and staff.

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

This action is made of several different activities which are all entrusted to ADA and include: Activities to facilitate study programmes in public higher education institutions which serve as a competence hub for the industry and vocational education and training (VET); Activities related to professional qualifications and occupational standards which meet the National Qualifications Authority (NQA) criteria for validation; Support to VET schools and Vocational Training Centres (VTCs) to offer qualitative programmes based on the labour market needs; Support to education and training system related governance procedures for the alignment of education and training with labour market needs; and creating the link between VET and the business sector.

In terms of budget implementation tasks, this action is made of several different activities such as: (i) Procurement and installation of relevant equipment and training materials where this is needed (Vocational Schools, Vocational Training Centres). (ii) Procurement of assistance for training in the use of supplied equipment. (iii) Procurement of assistance in the integration of the Employment Management Information System with the Education Management Information System and (iii) Procurement of labour market surveys.

Indicative time frame for concluding the agreement: Q2 2018.

SECTOR	Education, Employment and Social Policies		EUR 12 000 000
Action 11	EU for Education	Direct management	EUR 8 200 000

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

The main objective of the action is to improve the quality of Education in Kosovo at primary level, with special emphasis on inclusion of children belonging to minority communities and overcrowded schools. More specifically the action will aim to construct new schools thereby reducing the number of schools with overcrowded classrooms in primary and lower secondary schools (grades 1-9) and increasing the number of students belonging to minority communities in primary education.

Expected results of this action include:

- Three schools are constructed and operational, are appropriately equipped consistent with the EU standards.
- Enhanced rate of minority groups that attend primary and lower secondary school education.
- Three schools operate in one shift (instead of in multiple shifts as now).

Key indicators include:

- Number of primary schools (grade 1-9) operational

- Number of pupils belonging to minority communities that attend primary and lower secondary education.

(2) Assumptions and conditions

The main conditions for the successful achievement of the above results are that municipalities in which schools will be constructed are willing and able to allocate sufficient resources to ensure maintenance and sustainability of community action further to the maintenance period that the current action will cover and that the concerned municipalities allocate appropriate land, provide technical documentation, permits in line with the Law on Construction, as well as access to proper infrastructure.

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

(3) Implementation arrangement for the action: Direct management by the EU Office in Kosovo

(3)(a) Essential elements of the action

Procurement:

- a) the **global** budgetary envelope reserved for procurement: EUR 8 200 000
- b) the indicative number and type of contracts: 1-2 Service Contracts, 1-2 Works contracts, 1-2 Supply contracts
- c) indicative time frame for launching the procurement procedure: Q1, 4 2018- Q1,4 2020.

1. 3 BUDGET

3.1 INDICATIVE BUDGET TABLE – ANNUAL ACTION PROGRAMME FOR KOSOVO FOR THE YEAR 2017 – PART I

		EU Contribution	IPA II Beneficiary Co-financing	Total expenditure	MM
Objective 1 2017 / 040505	01: Democracy and Governance	EUR 14 800 000	EUR 23 378	EUR 14 823 378	mixed
	Action 1: EU Acquis Approximation Facility	EUR 6 000 000		EUR 6 000 000	mixed (direct + indirect with MS body)
	Action 2: Support to Participation in Union Programmes	EUR 800 000	EUR 23 378	EUR 823 378	direct
	Action 3: EU Support for Political Priorities and the Dialogue for the Normalisation of Relations Between Belgrade and Pristina	EUR 3 000 000		EUR 3 000 000	direct
	Action 4: EU Support to the Kosovo Competition Authority and the State Aid Commission	EUR 3 000 000		EUR 3 000 000	direct
	Action 5: EU Support for Intellectual Property Rights System in Kosovo	EUR 2 000 000		EUR 2 000 000	direct
	02: Rule of Law and Fundamental Rights	EUR 3 000 000		EUR 3 000 000	direct
	Action 6: EU Support to the Ombudsperson Institution	EUR 3 000 000		EUR 3 000 000	direct
Total Budget for Objective 1- budget line 22.02 01 01		EUR 17 800 000	EUR 23 378	EUR 17 823 378	mixed

		EU Contribution	IPA II Beneficiary Co-financing	Total expenditure	MM
Objective 2 2017 /040 506	05: Energy	EUR 10 000 000	EUR 1 000 000	EUR 11 000 000	indirect
	Action 7: EU Support to the Energy Efficiency Fund	EUR 10 000 000	EUR 1 000 000	EUR 11 000 000	Indirect management with IO
	06: Competitiveness and Innovation	EUR 3 000 000		EUR 3 000 000	direct
	Action 8: EU Support for the Competitiveness of Kosovo's ICT Sector	EUR 3 000 000		EUR 3 000 000	direct
	08: Agriculture and Rural Development	EUR 5 200 000		EUR 5 200 000	direct
	Action 9: EU for Food Safety in Kosovo	EUR 5 200 000		EUR 5 200 000	direct
	07: Employment , Education and Social Policies	EUR 12 000 000	EUR 450 000	EUR 12 450 000	mixed
	Action 10: EU Support for Aligning Education and Training with Labour Market Needs	EUR 3 800 000	EUR 450 000	EUR 4 250 000	Indirect management with MS body
Action 11: EU for Education	EUR 8 200 000		EUR 8 200 000	direct	
Total Budget for Objective 2 - budget line 22.02 01 02		EUR 30 200 000	EUR 1 450 000	EUR 31 650 000	mixed
TOTALS		EUR 48 000 000	EUR 1 473 378	EUR 49 473 378	mixed

2. 4 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES

DIRECT MANAGEMENT:

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

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

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

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

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

Twinning:

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

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

The twinning grant agreement shall be established in accordance with relevant provisions of Part Two Title IV Chapter 4 of the Financial Regulation and Part Two Title II Chapter 4 of its Rules of Application. Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

INDIRECT MANAGEMENT:

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

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

3. 5 PERFORMANCE MONITORING ARRANGEMENTS

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

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

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