

<b>2010 Annual Programme — Project Fiche 6</b> <b>Regional Economic Development</b>
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## **1. Basic information**

1.1 CRIS Number:	2010/022-452
1.2 Title:	Regional economic development
1.3 ELARG Statistical code:	02.22
1.4 Location:	Kosovo*

### **Implementing arrangements:**

1.5 Contracting Authority:	European Commission Liaison Office to Kosovo
1.6 Implementing Agency:	n/a
1.7 Beneficiary:	Kosovo's Ministry of Local Government Administration (MLGA), contact Mr Besnik Osmani, Permanent Secretary

### **Financing:**

1.8 Overall cost:	EUR 20.955 million
1.9 EU contribution:	EUR 17.5 million
1.10 Final date for contracting:	2 years after the signature of the financing agreement between the European Commission and the Kosovo authorities
1.11 Final date for execution of contracts:	2 years after the final date for contracting.
1.12 Final date for disbursements:	1 year after the final date for the execution of contracts

## **2. Overall Objective and Project Purpose**

### **2.1 Overall Objective:**

Economic regeneration, job creation and infrastructure development in five economic regions of Kosovo.

The project also aims to promote employment for minorities, women and vulnerable groups, and to foster civil society, good governance and youth activities.

### **2.2 Project purpose:**

Component 1: European Union Regional Economic Development (EURED) process consolidated and sustainably driven and run by Kosovo authorities.

Component 2: Improved social and economic infrastructure; local government better able to develop infrastructure.

\* Under UNSCR 1244/1999.

### **2.3 Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports**

In the 2009 Action Plan for implementing the European Partnership, the Government of Kosovo (GoK) aims to expand and improve the basic infrastructure (including local infrastructure), in compliance with European standards, in order to improve and promote the business environment and to make it the engine of economic development.

The 2009 Progress Report calls for a ‘rapid sustainable economic growth for the benefits of all citizens’ and states that ‘the institutional and legal framework for small and medium-sized enterprises (SMEs) and industry policy needs to be further developed’ and ‘the absence of an adequate legislative framework and poor administrative capacity presents serious obstacles to the development of effective employment policies’

The Progress Report mentions that ‘overall, the technology base and the state of physical infrastructure remains weak and the pool of qualified human capital is small and as a result Kosovo companies are too rarely competitive even in sectors where competitive potential exists.’

In addition, the European Commission’s Study on Kosovo (‘Kosovo — Fulfilling its European Perspective’, published together with the last Progress Report in 2009), mentions that Kosovo needs to address infrastructure weaknesses and low skill levels in order to make the economy more competitive.

Furthermore, it stresses that Kosovo’s environment has been damaged by years of pollution and neglect, specifically mentioning water as an area of concern (only 70% of the population is connected to drinking water supplies and only a third to sewerage systems), and that improving the environment is imperative for improving the health of its citizens. It must be underlined that less than 1% of Kosovo’s budget goes to finance environmental projects, whereas a significant amount of capital is being spent on road building and improvement.

### **2.4 Link with the Multiannual Indicative Planning Document (MIPD)**

Under IPA 2009-2011, socio-economic development is set as one of the three **key objectives** of pre-accession assistance. EC assistance aims to enhance Kosovo's socio-economic development, including regional development in a sustainable way. The Overall Objective and Project Purpose of the current projects are fully in line with the above key objective of the MIPD.

The project through both of its components will support two major priorities set under the Component I - Transition assistance and institution-building, Axis 2 Economic Criteria:

- Improving the **good governance of public utilities and developing infrastructures** is essential in order to promote business activities and to enhance the quality of public goods and services. The areas of energy, transport, environment, education and health, information technology and the digitalisation of television have to be developed as the cornerstones of future economic growth.
- Developing **active labour market and social inclusion measures** in order to combat unemployment and adjust to changes in the economy, and continue the mainstreaming of entrepreneurship education.

### **2.5 Link with the Medium Term Expenditure Framework (MTEF)**

The GoK's Medium Term Expenditure Framework includes plans for numerous infrastructure projects developed by municipalities to enhance the social and economic life of their communities. MTEF has defined transport infrastructure as a high priority.

The Medium-Term Expenditure Framework 2009-2011 acknowledges as a priority that conditions for a "rapid sustainable economic growth for the benefits of all citizens in Kosovo" should be created. Furthermore, the MTEF highlights that private sector claims are related to the need for modernising, completing and enforcing the legal framework for business development in a competitive market economy and the necessity to modernise existing technology.

## 2.6 Link with national/ sectoral investment plans

The Action Plan for implementing the Decentralisation Process also details a set of measures to be taken, including legislative reform and the establishment of new municipalities.

The project is also linked to Kosovo's trade policy and to the investment promotion strategy for 2010-2012. The European Commission through the Technical Assistance (TA) component will provide support for the finalisation of the strategy on Private Sector Development which is of great importance for Kosovo's economic growth.

## 3. Description of project

### 3.1 Background and justification:

After a period of relatively high growth fuelled by the post crisis construction boom, remittance income and donor money influx, Kosovo's economy went through a period of stagnating development and negative growth rates. In recent years growth has picked up. Nevertheless, unemployment stands at around 40% with limited absorption capacity of job seekers by the labour market. Employment prospects for the young are particularly bleak; 37,000 school leavers enter the job market every year and face major difficulties to find employment and poverty is still widespread. Direct support to vulnerable groups such as women, youth and minorities and mainstreaming their participation in existing Kosovo and donor initiatives is needed.

The informal ("grey") sector of the economy is fuelled by weaknesses in tax and expenditure policies, as well as in law enforcement. This ultimately hampers the economic and social development. Transforming informal activities into formal ones is a key objective concerning the effectiveness of implementation of reforms as well as of the *acquis* and the impact of EU support.

Kosovo's deficient basic infrastructure hampers its development, particularly in the energy sector where power cuts occur frequently. Investment in the transport sector from the consolidated budget does not suffice to guarantee the maintenance of Kosovo's existing transport network, let alone building new networks.

Sustainable stability can only be achieved if Kosovo's economy develops and offers opportunities to all communities.

This project brings together the regional development initiatives in Kosovo which the Commission has been supporting for several years and which have proved successful. It follows the European Union Regional Economic Development<sup>1</sup> (EURED) approach and

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<sup>1</sup> IPA 2008

provides support to Economic and Social Infrastructure in Kosovo municipalities<sup>2</sup>. The above-mentioned initiatives together with other linked activities would form a 'EURED umbrella' providing Kosovo with an efficient tool for implementing its development strategies.

### **Component 1- Consolidation EURED process**

The EURED process was launched by the Kosovo Authorities and the European Commission Liaison Office (ECLO) to Kosovo to support socio-economic development in Kosovo through the Regional Economic Development approach in line with EU practice.

The model of integrated development 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

Under IPA 2008, the European Commission Liaison Office to Kosovo supported the process through three major tools:

I) Institutional Support to the five Regional Development Agencies (RDAs)

II) Grant Scheme for regional projects on creating the conditions for competitive businesses and on business related small scale infrastructure

III) Expert support to the RDAs and to the implementation of the Grant Scheme

As a result of this project, the EURED approach was introduced to Kosovo municipalities and central governmental institutions. Also, five Regional Development Agencies (RDAs) were established in Kosovo's economic regions (Centre, East, North, South, and West) through an agreement among the municipalities.

An EU Regional Economic Development (EURED) Grant Scheme is operational and ready to support projects from five economic regions. The deadline for applications was 20 May 2010. The financial resources allocated to the grant scheme allow financing of 15-50 projects.

However, as EURED is a new process in Kosovo, further support is needed in order to consolidate the process. . Therefore this Project Fiche, drafted together with the Ministry of Local Government Administration, was developed to continue the activities started under IPA 2008.

### **Component 2- Municipal Infrastructure**

There is a serious infrastructure deficit in Kosovo, particularly at municipal level, which restricts local development and integration. This shortfall includes transport routes, which hampers business development, schools which are inadequate for satisfactory teaching of children, and water and wastewater systems which contribute to poor public health, increased costs to government, and reduced economic activity.

Although the European Union (EU) and other donors have provided support over the years, the needs for municipal infrastructure remain vast — not only in the three new municipalities created after the local elections in November/December 2009 and in the three previous pilot municipalities, but throughout Kosovo, including the capital Pristina.

This is the fifth phase of the Municipal Social and Economic Infrastructure programme, whose first phase started in 2003.

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<sup>2</sup> CARDS 2003/2005/2006 and IPA 2008/2009 (See 3.6 Linked Activities)

- The three works contracts for the second part of the third phase were signed in March/April 2010.
- The works tender for the fourth phase should be launched in late June 2010 and implementation should start in early 2011

The municipal authorities have only a limited capacity to invest in local infrastructure, as mentioned in the ‘Capacity Assessment Report of Kosovo Municipalities of the Municipal Capacities’ published by the Ministry of Local Government Administration (MLGA) in November 2009.

There is also a need to invest in the human resources of the municipalities, notably in order to deal more successfully with infrastructure projects and to improve the efficient and effective provision of local public services.

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

Merging and consolidating Kosovo’s development schemes will definitely increase their potential impact: the same effect cannot be achieved using scattered small-scale activities. With a consolidated approach, it is easier to ensure the dissemination of best practices and catalytic effects. Cross-border effects are possible and being encouraged as part of a consolidated regional development approach.

The EURED approach 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 government resources part of the implementation of such a strategy.
- Thirdly, the EURED approach aims 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.

### **3.3 Results and measurable indicators:**

#### **Component 1 - Consolidation EURED process**

##### Results

- 1.1 Regional Development Agencies (RDAs) are recognised by Government, business community and civil society as promoters of regional development.
- 1.2 Real, tangible and visible results of the European Union Regional Economic Development (EURED) Grant Scheme in five economic regions.
- 1.3 Minorities, women and vulnerable groups are among the final beneficiaries of EURED projects.

##### Measurable Indicators

- 1.1.1 National Framework for Regional Development, including five RDAs, operational.
  - 1.1.2 Capacity of five RDAs increased and they are recognised as regional development engines by regional and national stakeholders
  - 1.1.3 Regional development strategies for five economic regions (including regional priorities, implementation plans and project pipelines) available and up to date
  - 1.1.4 Regional development strategies are being implemented through financial instruments available (EURED grant scheme, EU rural grants, EIDHR, other donor facilities, national funds, private initiatives)
- 1.2 Up to 25 EURED grant projects successfully implemented and on-going projects on track.
  - 1.3. Special EURED initiatives implemented by RDAs fostering civil society, good governance and youth activities.

## **Component 2 – Municipal Infrastructure**

### Results

- 2.1 Economic and social infrastructure upgraded in selected municipalities.
- 2.2 Gradually strengthened capacities of selected municipalities to successfully deal with developing, designing, tendering, implementing/supervising municipal infrastructure projects
- 2.3. Environmental improvements as a result of infrastructure scheme complete

### Measurable Indicators

- 2.1 Quantity (up to 10) and quality (according to European and other international best practices and standards) of new or rehabilitated municipal social and economic infrastructure
- 2.2 Intensity (co-financing) and quality of participation of municipalities related to future municipal infrastructure projects.
- 2.3. As measured after the completion of projects environmental impact is under control

## **3.4 Activities:**

### **Component 1 - Consolidation EURED process**

#### *Activities leading to result 1*

- 1. Support for RDAs: five operating grants contracts with a total value of EUR 1.055 million (EU financing EUR 1 million, co-financing by municipalities EUR 0.055 million)

The budgets up to EUR 200 000 per Agency should cover staff costs, office costs and cost of minimum package of development activities in line with the Description of Action.

Through further financial support the RDAs will continue working 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 were initially 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 Agency received budgetary support for operational costs from the IPA 2008 programme and they are to receive further support through IPA 2009. These organisations are not likely to be self-sufficient over the medium term (next 5-7 years) without Governmental/donor support.

2. Technical Assistance to EURED approach: one service contract with a maximum value of EUR 2.5 million (EU financing)

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, and transparent recruitment process.

The Technical Assistance will concentrate mainly on:

- Expert support to RDAs
- Visibility and communication activities
- Expert support to EURED grant scheme and other financial support initiatives as appropriate
- Strategic advice on consolidation and leading regional development strategies and structures in Kosovo

#### *Activities leading to result 2*

Grant support to small-scale projects in five economic regions: one call for proposals with a maximum value of EUR 4.9 million (EU financing EUR 4 million, co-financing by the Ministry EUR 0.9 million)

Continuation of the EURED grant schemes managed through IPA 2008-2009. The Guidelines will be finalised by ECLO based on the experience from the previous scheme that concentrated on projects for creating the conditions for competitive businesses and on business related small scale infrastructure projects.

The main objective remains economic development and job creation. Efforts will be made for further regionalisation and business orientation. Real, tangible and visible results of the proposals remain the most important selection criterion.

## **Component 2 – Municipal Infrastructure**

#### *Activities leading to result 1*

1. Technical screening of project proposals submitted by interested municipalities in order to facilitate selection to be carried out by the Steering Committee, design of selected projects and supervision of infrastructure implementation projects: one service contract with maximum value of EUR 1.2 million (EU financing)

2. Upgrade of municipal infrastructure by the EU: up to five works contracts with a maximum total value of EUR 8.8 million (EU financing).

This activity includes the construction of the infrastructure projects identified by municipalities in accordance the criteria set in Activity 2.1 and approved by the steering committee.

The main sectors of interventions:

- Socio – economic development e.g. education buildings/schools, kindergartens etc

- Health services, sports and youth facilities
- Infrastructure e.g. municipal building rehabilitation, roads rehabilitation
- Environment e.g. water supply systems and sewerage system

#### *Activities leading to result 2*

Upgrade of municipal infrastructure by beneficiaries: up to six works contracts with a maximum total value of EUR 2.5 million (parallel co-financing by the Ministry)

More information about activities is provided in Annex 5.

### **3.5 Conditionality and sequencing:**

Pre-conditions: Implementation of on-going EURED and municipal infrastructure initiatives continues to be successful. Concretely, RDAs are successfully implementing their grant contracts; EURED grant schemes are launched and contracts signed; economic and social municipal infrastructure projects are successfully completed. Both components: EURED and Municipal Infrastructure continue initiatives started under previous Investment Promotion Agency (IPA) programmes. In the case of Municipal Infrastructure, this includes initiatives started under CARDS programmes (see 3.6 Linked activities).

Sequencing: Implementation of infrastructure components has clear sequencing as indicated in Annex 5. Implementation of Works (Activity 2.2) is dependent on the quality of the project proposals submitted by the municipalities for financing and the results of Detailed Design (Activity 2.1). Regional economic development activities are not clearly sequenced but rather inter-related. Operations undertaken by the Regional Development Agencies, advice given by technical assistance experts and the management of the EURED Grant Scheme are parallel activities which support and complement each other.

The following section shows the links to previous assistance projects.

### **3.6 Linked activities**

Name of project (Amount)	Start End	Activities/Results
IPA 2008 Municipal Social and Economic Infrastructure (MunInfra IV) (EUR 9.8 million)		Municipal infrastructure projects such as public buildings (incl. schools), water and sewerage systems, roads, sports facilities for a total investment value of approximately EUR 8.5 million. Works tender to be published in late June 2010.
IPA 2007 Municipal Social and Economic Infrastructure Programme (MunInfra III) (\$10.6 million)	Sep 2009 -	The programme consists of two parts: 1.) seven sports fields and playgrounds in Pristina, Mitrovica, Peja and Prizren: 2.) 13 schemes such as public buildings, local roads, sewage/wastewater and water supply networks in 13 municipalities (all of them south of the Ibar, incl. Pristina and Prizren)
IPA 2008 Energy Efficiency Measures in Public Buildings (EUR 1.3 million)	Sep 2009 - Dec 2010	The purpose of the project is to promote energy efficiency and the use of renewable energy resources in public buildings. Measures include: installation of thermal insulation in the buildings, installation of hydro and thermal insulation in the roofs of the buildings, installation of solar water heaters, replacement of windows and doors in some of the buildings, and renovation of the heating systems in the buildings
IPA 2008	Sep	The purpose of the campaign is to increase the general public awareness



Public awareness campaign for energy efficiency and renewable energy Value: EUR 0.3 million	2009	of energy efficiency measures and the use of renewable energy sources such as solar water heaters. Activities include drawing up a communications strategy, designing it, implementing it and evaluating the results.
IPA 2008 Municipal Social and Economic Infrastructure (EUR 1.4 million)	Jul 2009 -	Technical and administrative support for implementing infrastructure projects under one international works contract
IPA 2008 Support to EU Regional Economic Development Approach in Kosovo (EUR 6.6 million)	March 2009- Feb 2012-	Establishing and putting into operation five Regional Development Agencies, providing financial support via the EURED grant scheme to small-scale regional socio-economic projects and providing RDAs and Regional Stakeholders with expert support in the areas of strategy-building, institution building, financial management, communication and public relations, etc.
CARDS 2005/2006 Cross-Border Cooperation (CBC) Programme (EUR 0.9 million)	August 2008- July 2010	Helping the Kosovo Operating Structures draft and implement up to three CBC programmes: Kosovo-Albania, Kosovo-FYROM and Kosovo-Montenegro. Involving RDAs in the process.
CARDS 2006 Municipal Infrastructure (EUR 8.0 million)	June 2008 June 2011	Upgraded municipal infrastructure that improves public service delivery
IPA 2007 Developing an enabling economic environment for all of Kosovo's communities (EUR 13.0 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. Helping the successor of the Kosovo Trust Agency to continue the privatisation and liquidation process. Supporting business growth and job creation through technical and advisory support for SMEs.
CARDS 2006 Investment Promotion Agency (EUR 1.5 million)	May 2007- Sep 2009	Project activities include: developing investment promotion material; identifying potential investors; developing mechanisms to provide direct tailored support to potential investors. The 2007 IPA project has consolidated and built on the results of these activities.
CARDS 2006 Ministry of Trade and Industry (MTI) (EUR 2.5 million)	May 2006 - May 2008	Helping 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.
CARDS 2004 Poverty alleviation in marginalised municipalities (EUR 3 million)	Dec-2006 — Jun 2009	To create income-generating and employment opportunities among vulnerable groups in the targeted municipalities. To help alleviate poverty, stabilise socio-economic conditions and stimulate the economic development of marginalised groups in Kosovo's economy. To foment the growth of entrepreneurial spirit. To contribute to the growth of positive community development. To help local entrepreneurs establish or expand businesses. To help improve the marketability of locally produced goods.
CARDS 2004 Promoting local enterprise development and employment creation in the Mitrovica/Zvechan municipalities FAIR Grant	Dec 2006 — Sep 2009	This project is implemented as a grant. Its main objective is to support the establishment/expansion of growth-oriented agro-processing, industrial manufacturing and service enterprises which have the potential to create jobs and boost exports in the north of Kosovo. The project activities are: to assess current market needs and priorities; to identify synergies and prevent duplication of effort; to publicise projects and upcoming calls for proposals; to evaluate business profiles and award grants to the strongest ones; to carry out monitoring and inspection visits; to promote dialogue between the Provisional Institutions of Self-Government (PISG) and the

programme (EUR 3.2 million)		business community; to carry out the final evaluation and audit of supported enterprises; to analyse the results of monitoring and inspection visits; to run SME development workshops.
CARDS 2004 EU contribution to the EBRD western Balkans SME finance framework (EUR 1.1 million)	Dec 2005 - Dec 2009	The objectives of this grant are: (1) to help the participating banks offer high-quality loans to micro, small and medium-sized enterprises (MSMEs) as an integral part of their regular activities; (2) to provide medium-term and working capital financing to MSMEs in Kosovo; (3) to provide guarantees to international commercial banks for trade finance products issued by Kosovan banks. The recipients of the technical assistance are two Kosovan banks which were merged and absorbed in 2007 by NLB (a Slovenian Bank).
CARDS 2003/2005 Municipal and Social Infrastructure Development Programme (EUR 18.2 million)	2003- Dec 2009	Technical support for improving the social and economic infrastructure in municipalities throughout Kosovo by implementing small to medium-sized projects. This includes funds from the 2003 and 2005 budgets. In total, 11 ongoing works contracts / 44 infrastructure schemes covering (for example) school and municipal buildings, water and wastewater schemes and road schemes.
CARDS 2002 Targeted economic and community development actions in disadvantaged minority areas (EUR 11.5 million)	2002 - Nov 2008	At the end of 2006, over 1300 projects targeting ethnic minority communities had been implemented, mainly 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 in micro-enterprise development, attended by around 1900 people.
CARDS 2000 Refurbishment of Public Buildings (EUR 49.5 million)	2000- 2005	Technical support for improving the public buildings infrastructure in Kosovo. This will directly help the local authorities to carry out their day-to-day work. More than 10 works contracts completed. Buildings targeted include a hospital block, a university students' centre, prisons, town halls and courts.
CARDS 1999 MLIF 1, 2, 3 — Municipal and Local Investment Fund (EUR 15 million)	1999- 2004	Technical support to help Kosovo local authorities finance and manage small-scale infrastructure projects (such as waste water treatment, the rehabilitation of schools and sports facilities, the maintenance of asphalted secondary roads, etc). More than 100 small to medium-sized infrastructure schemes all over Kosovo.

### **Activities undertaken by other donors in this area**

#### **United States Agency for International Development (USAID)**

1. Business Enabling Environment in Municipalities (\$ 14?) 2010-ongoing
2. Effective Municipalities Initiative (\$ 9.0 million) 2007 – 2010
3. Local Government Initiative (\$ 11.0 million) 2004-2007

#### **Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)**

1. Economic development and employment promotion (2003-2010)
2. Modernising municipal services (2006 – 2013)
3. Rural Economic Development (EUR 3 million) 2010-2013

#### **Swiss Agency for Development and Cooperation (SDC)**

Women Business Development Project (WBDP) (EUR1.2 million) 2004-2008

#### **World Bank**

1. Business Environment Technical Assistance Project (\$7 million) 2005-2011
2. Community Development Fund 2 Project (\$ 4.42 million) 2003-2007

### **Austrian Development Agency (ADA)**

Integrative Regional Development in the Municipality of Suharekë/Suva Reka in the field of Agriculture (EUR 2.6 million) 2009 - ongoing

### **UK Department for International Development (DFID)**

1. Assessment of feasibility of Cross Border Cooperation (CBC) in Kosovo 2007
2. Preparation of the Terms of Reference (ToRs) for CBC service — contract financed from CARDS 2005/2006.

In addition, a number of international bilateral and multilateral donors (European Commission, KfW Bank, Swiss Government, Danish International Development Agency, Swedish Government, Dutch Government and Austrian Government) have implemented larger scale infrastructure developments throughout Kosovo. Many NGOs have been involved in small projects to develop water supply systems, particularly in rural areas.

### **3.7 Lessons learned**

Collaboration and cooperation at regional level consolidates individual efforts into a more effective tool for development.

Cooperation on regional development projects also boosts development at national level.

Building regional development agencies (RDAs) could, in principle, contribute to more effective donor cooperation at regional level and avoid unnecessary duplication of activities.

RDAs are permanent contact and meeting points for actors and stakeholders interested in development.

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 EU 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.
- *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)

			TOTAL EXP.	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		BENEFICIARY 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: Consolidation EURED process			8.455	7.5	89	0.955	11	0.9	0.055			
Contract 1.1 Operating grant	X		1.055	1	95	0.055	5		0.055			
Contract 1.2 Service	X		2.5	2.5	100							
Contract 1.3 Grant scheme		X	4.9	4	82	0.9	18	0.9				
Activity 2: Municipality infrastructure			12.5	10	80	2.5	20	2.5				
Contract 2.1 Service		X	1.2	1.2	100							
Contract 2.2 Works		X	8.8	8.8	100							
Contract 2.3 Works		X	2.5			2.5	100	2.5				
TOTAL IB			3.555	3.5	98	0.055	2		0.055			
TOTAL INV			17.4	14	80	3.4	20	3.4				
<b>TOTAL PROJECT</b>			<b>20.955</b>	<b>17.5</b>	<b>84</b>	<b>3.455</b>	<b>16</b>	<b>3.4</b>	<b>0.055</b>			

NOTE: Amounts net of VAT

(1) In the Activities column use 'X' to identify whether institution building (IB) or investment (INV).

(2) Expressed in % of the **total** expenditure (EXP) (column (a))

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

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1 Operating grant (5)	n/a	Q2 2012	Q2 2013
Contract 1.2 Service	Q3 2011	Q1 2012	Q1 2014
Contract 1.3 Grant scheme (10-15)	Q1 2011	O4 2011	Q4 2013
Contract 2.1 Service	Q1 2011	Q3 2011	Q4 2014
Contract 2.2 Works (up to 5)	Q4 2011	Q1 2012	Q4 2014*

\* Including Defects Liability Period (DLP) of the Works Contracts

## 6. Cross-cutting issues

### 6.1 Equal Opportunities

Special attention will be paid to three target groups:

- Women;
- Those with disabilities and special needs
- Religious and ethnic minorities

Through every aspect of its work, the EURED will address issues of discrimination and will work to remove barriers that prevent everyone from participating equally and fully in the EURD Project itself or to participating in projects funded through the EURED Grant Scheme.

### 6.2 Environment

Consistently mainstreaming environmental sustainability into economic development processes can help deliver long-term benefits that help improve the general quality of life throughout Kosovo.

Environmental sustainability will be thoroughly assessed before approving any of the project proposals referred to in this project sheet. Special attention will be paid to infrastructure projects. Within each scheme, project proposals directly targeting sustainability and environmental issues are encouraged.

### 6.3 Minorities

Social sustainability will be addressed by promoting equality of opportunity for all — with a particular focus on minorities, women and vulnerable groups — in addition to fostering civil society and good governance.

The project will produce guidelines and proofing tools for all the RDAs to use when assessing projects. It will assist the MLGA in addressing these issues and ensure that they are taken into account in all MLGA activities. This will include the use of the appropriate languages (Albanian, Serbian or others) for the appropriate audience. Organisations applying to run projects funded by the EURED grant scheme will need to do the same.

## **ANNEXES**

- Annex I- Log frame in standard format
- Annex II- Amounts contracted and disbursed per quarter over the full duration of the programme
- Annex III- Description of institutional framework
- Annex IV - Reference to laws, regulations and strategic documents
- Annex V- Details per EU-funded contract

**ANNEX I: Logical framework matrix in standard format**

LOGFRAME PLANNING MATRIX FOR Project Fiche 5		Programme name and number	IPA 2010
<b>EU Support for Regional Economic Development (EURED)</b>		Contracting period expires: Ref section 1.10	Disbursement period expires: Ref section 1.12
		Total budget: EUR 20.955 million	IPA budget: EUR 17.5 million
<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	
Economic regeneration, job creation and infrastructure development in five economic regions of Kosovo. In addition, fostering employment for minorities, women and vulnerable groups, as well as fostering civil society, good governance and youth activities.	The Kosovo economy steadily grows by at least 3-4% a year Quantity and quality of municipal social and economic infrastructure in Kosovo is improved Unemployment of youth, minorities and women has been decreased 5% by the end of 2015	Eurostat National statistics European Commission Progress Reports	
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
Component 1: EURED process consolidated and sustainably driven and run by Kosovo authorities.  Component 2: Improved social and economic infrastructure and strengthened capability of selected municipalities to deliver adequate services to their citizens	EURED approach contributing significantly to the Kosovo development agenda Municipalities participate actively in regional development Internationally accepted procedures and quality standards applied to upgrading municipal infrastructure	Peer assessments SAP Dialogue conclusions Joint Management Committee minutes EU Monitoring reports Hand-over documentation for the successfully completed projects in the municipalities concerned Regional Strategies, RDA annual reports	Uninterrupted Government support for decentralising the development process  Kosovo government adopted the framework for regional development  All municipalities signed inter-municipal agreements  Readiness of the municipalities to properly maintain the completed infrastructure projects
<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Component 1 - Consolidation EURED process</b> 1.1 RDAs are recognised by Government, business community and civil society as promoters of regional development	1.1.1 National Framework for Regional Development defined 1.1.2 Capacity of five RDAs increased and they are recognised as regional development engines by regional and	MLGA/National body laws and regulations MLGA/ National body organisational chart	All beneficiaries show a strong sense of ownership Effective donor coordination and coordination with other EU projects



<p>1.2 Real, tangible and visible results of EURED Grant Scheme in five economic regions</p> <p>1.3. Minorities, women and vulnerable groups are among the final beneficiaries of the EURED projects</p> <p><b>Component 2 – Municipal Infrastructure</b></p> <p>2.1 Economic and social infrastructure upgraded in selected municipalities</p> <p>2.2 Capacities in selected municipalities increased regarding the preparation and implementation of infrastructure projects</p>	<p>national stakeholders</p> <p>1.1.3 Regional development strategies for five economic regions (including regional priorities, implementation plans and project pipelines) available and up to date</p> <p>1.1.4 Regional development strategies are being implemented through financial instruments available (EURED grant scheme, EU rural grants, EIDHR, other donor facilities, national funds, private initiatives)</p> <p>1.2 Up to 25 EURED grant projects successfully implemented and on-going projects on track</p> <p>1.3 Special EURED initiatives implemented by RDAs fostering civil society, good governance and youth</p> <p>2.1 Quantity (up to 10) and quality (according to European and other international best practices and standards) of new or rehabilitated municipal social and economic infrastructure</p> <p>2.2 Intensity (co-financing) and quality of participation of municipalities related to future municipal infrastructure projects.</p> <p>2.3. As measured after the completion of projects environmental impact is under control</p>	<p>Steering Committee minutes</p> <p>RDA Board meeting minutes</p> <p>Project reports</p> <p>Field visits</p> <p>EURED monitoring reports e.g. Annual review of Kosovo regions, development in relation to EU benchmarking in EURED, and EURED Fund Awarded Project reports reviewed against EURED Fund monitoring indicators on Cross Cutting Issues</p>	<p>Willingness of the local authorities to consider RDAs as a relevant stakeholder in local and regional development</p> <p>Good working relations between EURED, relevant Government institutions and the RDAs</p> <p>Stability in the project areas so that security concerns do not hamper the implementation of the programme</p>
<p><b>Activities</b></p>	<p><b>Means</b></p>	<p><b>Costs</b></p>	<p><b>Assumptions</b></p>
<p>Component 1- Consolidation EURED process</p> <p>1.1.1 Support to RDAs</p>	<p>Five operating grant contracts</p>	<p>EUR 1 million EU</p> <p>EUR 0.055 million co-financing</p>	<p>Parallel co-financing from national and municipal budgets available in good time</p>

1.1.2 TA to EURED approach	Service contract	EUR 2.5 million
1.2 Grant support to small-scale projects in five economic regions	Grant scheme	EUR 4 million EU EUR 0.9 million co-financing
Component 2 – Municipal Infrastructure		
2.1.1 Feasibility assessment, design and supervision of infrastructure projects	Service contract	EUR 1.2 million EU
2.1.2 Upgrade of municipal infrastructure by the EU	Up to five works contracts	EUR 8.8 million EU
2.2 Upgrade of municipal infrastructure by beneficiaries	Up to six works contracts	EUR 2.5 million co-financing

Pre-conditions: Implementation of on-going EURED and Municipal infrastructure initiatives continues to be successful, i.e. RDAs are successfully implementing their grant contracts, EURED grant schemes launched and contracts signed, economic and social municipal infrastructure projects successfully completed.

**ANNEX II: Amounts (in EUR million) Contracted and disbursed by quarter for the project**

<b>Contracted</b>	<b>Q1 2011</b>	<b>Q2 2011</b>	<b>Q3 2011</b>	<b>Q4 2011</b>	<b>Q1 2012</b>	<b>Q2 2012</b>	<b>Q3 2012</b>	<b>Q4 2012</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>Q1 2014</b>	<b>Q2 2014</b>	<b>Q3 2014</b>	<b>Q4 2014</b>
Contract 1.1 Operating grant						1.0										
Contract 1.2 Service					2.5											
Contract 1.3 Grant scheme								4.0								
Contract 2.1 Service			1.2													
Contract 2.2 Works					8.8											
<b>Cumulated</b>			<b>1.2</b>	<b>1.2</b>	<b>12.5</b>	<b>13.5</b>	<b>13.5</b>	<b>17.5</b>								
<b>Disbursed</b>																
Contract 1.1 Operating grant						0.9						0.1				
Contract 1.2 Service					0.5		0.5		0.5		0.5		0.5			
Contract 1.3 Grant scheme								3.6								0.4
Contract 2.1 Service			0.2		0.2		0.2		0.2		0.2					0.2
Contract 2.2 Works					1.0		1.0	1.0		1.0		1.0	1.0	1.0	1.0	0.8
<b>Cumulated</b>			<b>0.2</b>	<b>0.2</b>	<b>1.9</b>	<b>2.8</b>	<b>4.5</b>	<b>9.1</b>	<b>9.8</b>	<b>10.8</b>	<b>11.5</b>	<b>12.6</b>	<b>14.1</b>	<b>15.1</b>	<b>16.1</b>	<b>17.5</b>

### **ANNEX III: Description of Institutional Framework**

MLGA webpage link: <http://www.mapl-ks.org/>

#### **Links to RDA websites:**

RDA Centre <http://www.rdacentre.org/>

RDA North <http://rdanorth.org/>

RDA East <http://www.rdaeast.org/> (under construction)

RDA West <http://www.rda-west.org./home.html>

RDA South <http://www.rda-south.org/>

#### ANNEX IV: Reference to laws

- Regulation No 2007/30 amending UNMIK Regulation No. 2000/45 on self-government of municipalities in Kosovo
- Law No 2004 / 15 on construction
- Law No 2002/8 on environmental protection
- Law No 2003/11 on roads
- Law No 02/L-30 the waste law
- Law No 2004/ 24 on water; Regulation No. 2003/9 on the promulgation of the law adopted by the Assembly of Kosovo on environmental protection
- *ADMINISTRATIVE INSTRUCTION MMPH: ,*  
FOR CONSTRUCTION BUILDINGS: TECHNICAL TERMS OF ACCESSIBILITY TO DISABLED PERSONS
- *ADMINISTRATIVE INSTRUCTION No06/07-MMPH , date 08/06/2007*  
CONTENT OF WATER INFRASTRUCTURE
- *ADMINISTRATIVE INSTRUCTION No07/04-MMPH , January 2006*  
ENVIRONMENTAL IMPACT ASSESSMENT
- *ADMINISTRATIVE INSTRUCTION No05/05,date, 19 April 2005*  
ON CRITERIA AND PROCEDURES FOR ISSUING LICENCES, FOR EXERCISING THE ACTIVITIES IN THE FIELD OF PLANNING, CONSTRUCTING AND PROFESIONAL SUPERVISION AND REVIEWING
- *ADMINISTRATIVE INSTRUCTION No06/07-MMPH , date 08/06/2007*  
CONTENT OF WATER INFRASTRUCURE
- *ADMINISTRATIV INSTRUCTION No03/06-MMPH , date 16 June 2006*  
LIST OF THE BUILDINGS NOT REQUIRING CONSTRUCTION PERMIT

## **ANNEX V: Details of each EU funded contract**

### Activity 1.1.1

Operating grants to five RDAs

Descriptions of schemes drafted by RDAs should contain activities which provide support to regional economic development in each economic region. The budgets up to EUR 200 000 each should cover staff costs, office costs and a minimum package of development activities in line with the Description of Action. RDA activities will be complemented by a EURED service contract (Activity 1.1.2)

### Activity 1.1.2

EURED service contract

The Terms of Reference (ToR) of the service contract will be finalised by ECLO based on the expected results of the IPA 2008 EURED TA contract. It will continue to provide:

- expert support for RDAs (at least one advisor per RDA),
- EURED visibility and communication activities (at least one expert based in the Project Office in Pristina, a sufficient incidental cost budget),
- expert support for the EURED grant scheme and other financial support initiatives as appropriate (at least one expert based in the Project Office in Pristina),
- strategic advice on consolidation and leading regional development strategies and structures in Kosovo (a team of at least three experts with international and local knowledge based in the Project Office in Pristina, sufficient incidental budget for ensuring management, mobility and networking).

### Activity 1.2

EURED grant scheme

Continuation of the EURED grant schemes for IPA 2008-2009. The Guidelines will be finalised by ECLO based on experience of the above scheme and similar activities in the European Union. The main objective remains economic development and job creation. Efforts will be made for further regionalisation and business orientation. Real, tangible and visible results of the proposals remain the most important selection criterion.

### Activity 2.1: Detailed Design, review and supervision of projects (Service Contract).

Tasks to be performed by the Technical Assistance include:

a) Draw up the eligibility criteria for determining whether municipalities can apply for funding\*.

*\* The local authorities' bids for projects will be assessed against criteria relating to the reform and capacity building of local self-government in the context of the ongoing decentralisation process*

*Those criteria will be based on the following:*

- *Benefits to the population (total numbers that will benefit, ethnic minorities and numbers that will benefit, particular benefits to women and numbers that will benefit)*
- *Benefits to the environment*

- *Project cost*
  - *Operating costs*
  - *Maintenance programme, description of how the project will be maintained after completion.*
  - *Revenue payments*
  - *If the project provides infrastructure services, the beneficiary must show that the service charge will be paid (e.g. water, electricity etc).*
- b) Review and finalise the detailed design of the projects identified and prepared by municipalities
  - c) Prepare the relevant tender dossier for approved municipal infrastructure works.
  - d) Support the steering committee
  - e) Undertake supervision of works projects
  - f) Undertake the provisional and final acceptance of works project

#### *Contracting arrangements*

- The measures described under this activity will be carried out under a single service contract.
- A call for tenders (using suspensive or provisional clauses, as necessary) will be launched following the IPA Committee decision covering this project. The proposals will be subsequently evaluated according to appropriate European Commission procedures.
- The contract value will be approximately EUR 1.2 million
- The duration of the contracts will be for a period of 36 months (including DLP period), depending on the budget and beneficiary requirements.
- The successful tenderer will start deployment one month after the contract is signed; the expected deployment date is January 2012.

#### Activity 2.2: Implementation of construction works (Works Contracts)

- This activity includes the construction of the infrastructure projects identified by municipalities in accordance the criteria set in Activity 2.1 and approved by the steering committee.

- The main sectors of interventions:

- *Socioeconomic development* such as education buildings/schools, kindergartens etc.  
Health services, sports and youth facilities
- *Infrastructure* such as municipal building rehabilitation, roads rehabilitation
- *Environment* such as water supply systems and sewerage systems

- Inter-municipal projects, jointly proposed by two or more municipalities, will also be considered

#### **- Ownership**

The owners of schemes are all current and new municipalities in Kosovo.

#### *Contracting arrangements*

- Up to five works contracts will be used to implement the measures described under this activity.
- A call for proposals (using suspensive or provisional clauses, as necessary) will be launched following the IPA Committee decision covering this project. The

proposals will be subsequently evaluated according to appropriate European Commission procedures.

- The contract value will be up to approximately EUR 3 million each.
- The duration of the contracts will be for a period of 12–18 months, depending on the budget and beneficiary requirements.

The successful tenderers will start deployment one month after the contract is signed; the expected deployment date is June 2010.

### Activity 2.3

**Co financing** EUR 2.5 million excluding VAT

Works implemented by the beneficiaries