

ANNEX: Annual Programme for Kosovo* under the IPA Transition Assistance and Institution Building Component for 2012

1 IDENTIFICATION

Beneficiary	Kosovo
CRIS decision number	2012/022-940
Year	2012
EU contribution	€63.2 million
Implementing Authority	European Commission, with the exception of project 9, which will be implemented by indirect centralised management with the Kreditanstalt für Wiederaufbau (KfW), project 8, which will partly be implemented by indirect centralised management with Austrian Development Agency, and project 10 which will be partly implemented in joint management with the United Nations Office for Project Services, in accordance with Article 54 of the Financial Regulation.
Final date for concluding the Financing Agreement	at the latest by 31 December 2013.
Final date for contracting	3 years following the date of conclusion of the Financing Agreement. This date apply also to beneficiary co-financing.
Final date for execution	2 years following the end date for contracting. This date apply also to beneficiary co-financing.
Budget line concerned	22.02.02
Programming Unit	Unit C3, DG Enlargement
Implementation Unit/ EU Delegation	European Union Office in Kosovo

2 THE PROGRAMME

2.1 PRIORITIES SELECTED UNDER THIS PROGRAMME

The overall objective of EU financial assistance to Kosovo is to support its efforts to implement its European reform agenda, make progress on its European perspective and improve its relations with the rest of the Western Balkans. Furthermore, the Europe 2020 agenda offers inspiration for further reforms that go beyond the EU acquis. The EU's enlargement policy supports the Europe 2020 strategy by extending the internal market and enhancing cross-border and regional cooperation.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

IPA assistance aims to support Kosovo's participation in the European Union's Stabilisation and Association Process (SAP) for the Western Balkans. In particular, IPA should help Kosovo fulfil the European perspective it shares with the rest of the Western Balkans. Further to the Commission's Kosovo Communication of 2009 and relevant Council Conclusions, the priorities of the IPA 2012 Annual Programme for Kosovo are in line with those of the Multi-annual Indicative Planning Document (MIPD) 2011-2013 which set out that assistance will target the rule of law; economy, trade and industry; and public administration reform. Both the SAP Dialogue and the Progress Report continue to provide the framework for IPA assistance in Kosovo.

The prioritisation of IPA assistance also takes account of political developments that have a bearing on Kosovo's progress towards Europe. Following the General Affairs Council Conclusions of 5 December 2011, the Commission launched the visa dialogue with Kosovo in January 2012. Following the Council Conclusions of 28 February 2012, a feasibility study for a Stabilisation and Association Agreement between the European Union and Kosovo will be issued in the autumn of 2012. In the aforementioned conclusions, the Council invited Kosovo to launch an inclusive and long-term agenda for northern Kosovo and asked the Commission to offer its full support. The implementation of agreements reached within the Belgrade-Pristina Dialogue and the Strategic Review of EULEX are further areas in which IPA assistance can be mobilised. Additional developments related to EU-Kosovo relations unknown at the time of drafting can also provide inspiration for IPA financing under this programme.

2.2 PRIORITY AREAS SELECTED UNDER THIS PROGRAMME AND DONOR COORDINATION

The first priority is to support Kosovo's efforts towards further progress in establishing and consolidating the rule of law and towards improving the functioning and independence of its judiciary, including the fight against corruption, as well as fight against organised crime, trafficking in human beings and drugs, smuggling and money laundering. Efforts are aiming at supporting Kosovo's progress in the process towards visa liberalisation. The visa roadmap, which was handed over to the government of Kosovo on 14 June 2012 and seeks to identify all the measures that Kosovo will need to adopt and implement and the requirements it needs to fulfil to advance towards visa liberalisation. The Structured Rule of Dialogue launched at the end of May 2012 covers three main areas: the fight against corruption, the fight against organised crime and the independence of judiciary.

The second priority is to support Kosovo's efforts to improve its business environment, to attract investment, stimulate growth and the creation of formal jobs to ensure that Kosovo's socio-economic development can continue. Efforts are primarily to be guided by the requirements to enhance Kosovo's administrative and technical capacity necessary to conduct an effective trade policy, as well as to strengthen the capacities of local structures. The Feasibility Study for a Stabilisation and Association Agreement between the EU and Kosovo, which was issued on 10 October 2012, examines where Kosovo stands in terms of political, economic and legal approximation, and highlight the areas in which further progress and assistance will be needed. These efforts fall within the wider framework of activities to support Kosovo's socio-economic development, and fit with a number of composite sector

strategies, notably Kosovo's industry, small and medium-sized enterprise (SME) and employment strategies. This second priority will be aligned with the European strategy for smart, sustainable and inclusive growth (Europe 2020).

The third priority is to support Kosovo in ensuring the delivery of public services to all people and establishing a professional, accountable, accessible, representative public administration free from political interference, in particular by supporting Kosovo's updated Strategy for Public Administration Reform and Action Plan, which the EU helped to develop. This year, assistance will have a special focus on supporting the social service sector, the Ministry of Finance and the Statistical Agency. The SAA Feasibility Study will be essential in pointing out the achievements to date and remaining challenges.

With the view to assisting Kosovo in advancing its European agenda as well as to supporting possible urgent priorities that may arise from the EU integration process, from the Pristina-Belgrade dialogue, or other political developments or events that are beyond the Commission's control, the 2012 annual programme will also support specific projects which either fall outside the scope of the above MIPD sectors or which cannot be programmed in advance. These projects will aim at: supporting the Pristina-Belgrade dialogue, the EULEX strategic review, and the follow-up to the SAA Feasibility Study, strengthening the European integration process and management of IPA II.

Kosovo's most recent Medium-Term Expenditure Framework (MTEF) 2013-2015 was approved in April 2012 and contains the fiscal strategy of the government for the next three years. Kosovo updates its legislative action plan annually, which is reflected in an updated European Partnership Action Plan (EPAP). The EPAP sets out actions Kosovo plans to take in response to challenges identified during the Stabilisation and Association Process Dialogue and the Commission's Progress Reports. Several sector strategies exist; some have been approved by the parliament. However, Kosovo needs to improve the link between its strategies and the budgetary process. Kosovo should improve its prioritisation (i.e. identify concrete and specific priorities within priority areas), also with a view of allocating IPA assistance.

Lessons learned from experience with IPA suggest that donor coordination needs strengthening. There should be clear links to Kosovo's development and action plans such as the budget and the MTEF. Development of sector strategies in key sectors should help identify needs and secure the relevance of projects. Proper planning and sequencing of IPA assistance continues to be important to ensure sustainability and ownership.

To streamline Kosovo's and donors' efforts and thus improve the effectiveness and impact of programming in Kosovo, the government has decided to embark on a sector-based approach to planning and implementing assistance. In fact, in preparing this programme the mechanisms for donor coordination were enhanced. Strong emphasis is put on coordination with all other parties (bilateral and multilateral donors) through the regular monthly coordination meetings chaired by the EU Office. The "Member States +" group meets once per month at the EU Office and comprises EU Member States, US, Norway, Switzerland, Turkey, Japan, World Bank, OSCE, EULEX, the IMF and the UN resident representative.

Kosovo has set up an Aid Management Platform with the support of the donor community, notably the European Commission and the United States. This initiative should improve aid management and coordination, facilitate the linkage between donor assistance and the government's work programme, improve the alignment with the MTEF, reduce transaction costs in gathering and reporting on donor assistance, improve the alignment of donor assistance with the government's sector wide strategies where available, and provide up-to-date and publicly available information on ongoing and planned aid activities.

As Kosovo moves closer to Europe and alignment with European standards becomes increasingly important, the administrative and financial implications of *acquis approximation* for the Kosovo administration must be considered. The administration's absorption capacity must be taken into account when designing programmes to allow maximum benefit of assistance provided, including its capacity to develop internal evaluation mechanisms for institutional capacity assessment. Proper monitoring of programmes and projects, both by the beneficiaries and the Commission, is a key requirement to guarantee the desired results or adapt the activities to the rapidly developing environment.

All projects proposed within the framework of this Financing Proposal are directly linked to the three priority areas identified in the MIPD, as indicated in Section 2.1 wherever relevant, practical and available; they build on the outputs of previous or existing IPA-financed projects. All projects have been selected after careful consideration of their relevance, timeliness, sustainability, efficiency and effectiveness. The selection of the priority areas under this programme is the result of a thorough coordination process with donors, international finance institutions and EU member states.

2.3 DESCRIPTION

MIPD Sector	IPA support ¹	Project beneficiary/purpose/activities and indicative implementation schedule and indicative budget allocations
1 Public Administration Reform	7.1	
<i>01-2012/1: Support to Public Administration Reform (Public Finance and Statistics)</i>	3.5	<p>Beneficiaries: Ministry of Finance, Kosovo Agency of Statistics.</p> <ul style="list-style-type: none"> to promote macroeconomic stability and economic growth in Kosovo, by improving economic policy making and budgetary discipline, and streamlining fiscal decentralisation. <p>Implementation: 1 service contract (€ 1.6 million), and 2 specific contracts using framework contract (€0.2 million each) to be launched in Q1 2013 – Q3 2013.</p> <ul style="list-style-type: none"> to strengthen the statistical system of Kosovo, with a focus on improving national accounts and business statistics according to EU standards, and to modernise the IT systems and web dissemination. <p>Implementation: 1 Twinning contract (€ 1.5 million) to be launched in Q1 2013.</p>
<i>02-2012/1: Improvement of social services, labour conditions and social dialogue</i>	3.6	<p>Beneficiaries: Ministry of Labour and Social Welfare, social partners, Labour Inspectorate.</p> <ul style="list-style-type: none"> To improve social inclusion and reduce vulnerability by supporting governmental institutions at central and local level in the process of financial and administrative decentralisation of social service provision and monitoring. <p>Implementation: 1 service contract (€2 million) to be launched in Q2 2013.</p> <ul style="list-style-type: none"> To strengthen the social dialogue through developing the capacities of social partners in Kosovo, thus promoting their participation in socio-economic development. <p>Implementation: 1 call for proposals² (€ 0.6 million) to be launched in Q2 2013.</p> <ul style="list-style-type: none"> To improve legal compliance of employers and companies with labour laws and health and safety legislation in order to improve the health and safety situation of employees working in the private sector. <p>Implementation: 1 service contract (€ 0.8 million), 1 supply contract (€0.2 million), to be launched in Q2 2013-Q1 2014.</p>

¹ In €million.

2 Justice and Home Affairs	20.9	
<i>03-2012/2: Return and Reintegration in Kosovo</i>	4.0	<p>Beneficiaries: Ministry of Communities and Returns, Ministry of Local Government Administration, returnees and repatriated.</p> <ul style="list-style-type: none"> to create a climate of inter-ethnic tolerance, sustainable multi-ethnicity and human rights conducive to minority returns and reintegration. <p>Implementation: 1 call for proposals³ (€ 4.0 million) to be launched in Q1 2013.</p>
<i>04-2012/2: Strengthening the rule of law in accordance with EU standards</i>	6.6	<p>Beneficiaries: the National Agency for the Protection of Personal Data (NAPPD), Department of Forensic Medicine, Ministry of Justice, Kosovo Correctional Service, Kosovo Probation Services, Kosovo Police Witness Protection Unit.</p> <ul style="list-style-type: none"> To support the NAPPD in becoming fully functional and in effectively implementing the legislation on the protection of personal data related in cooperation with other relevant institutions. <p>Implementation: 1 contract service (€ 1.35 million) and 1 supplies contract (€0.15 million) to be launched in Q1 2013 – Q4 2013.</p> <ul style="list-style-type: none"> To strengthen the effective and efficient management of correctional and probation services in Kosovo. <p>Implementation: 1 twinning (€ 1.74 million) and 1 supplies contract (€0.36 million), to be launched in Q2 2013 – Q2 2014.</p> <ul style="list-style-type: none"> To strengthen and modernize the forensic services at the DFM including the Missing Persons Operation by enhancing its technical and administrative capacity. <p>Implementation: 1 service contract (€ 0.9 million) and 1 supplies contract (€0.6 million) to be launched in Q1 2013- Q4 2014.</p> <ul style="list-style-type: none"> To improve the legal framework of Kosovo by improving the coherence of the legislative framework for the justice sector and by enhancing the approximation of laws with the EU acquis in the area of justice. <p>Implementation: 1 twinning (€ 0.8 million) and 1 supplies contract (€0.2 million) to be launched in Q2 2013 – Q1 2014.</p> <ul style="list-style-type: none"> To strengthen the institutional capacity of the Witness Protection Units for the protection of witnesses and collaborators of justice. <p>Implementation: at least one supplies contract (€0.5 million) to be launched in Q1 2013.</p>

² The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. The detailed selection and award criteria will be laid down in the Calls for proposals – Guidelines for applicants, (see 4.2 of this Financing Proposal).

³ Idem

<p>05-2012/2: <i>Strengthening criminal investigation capacities against organised crime and corruption</i></p>	<p>2.0</p>	<p>Beneficiaries: Ministry of Internal Affairs, Kosovo Police, Kosovo Prosecutorial Council.</p> <ul style="list-style-type: none"> to strengthen criminal investigation capacities on central and local level in order to effectively fight organised crime and corruption. <p>Implementation: one twinning contract (€ 1.8 million) and at least one supplies contract (€0.2 million) to be launched in Q2 2013.</p>
<p>06-2012/2: <i>Support to Dialogue and EU approximation</i></p>	<p>8.3</p>	<p>Beneficiaries: Line Ministries, government agencies, civil society organisations, inhabitants of Kosovo.</p> <ul style="list-style-type: none"> to support measures related to urgent political needs that may arise from the Pristina-Belgrade dialogue and other political processes that are beyond the Commission's control. <p>Indicative implementation modalities: Depending on the needs related to the Pristina-Belgrade dialogue, the EULEX Strategic Review and other political developments, the project will be implemented through a number of twinning/twinning light/service/framework/grant contracts as well as work contracts, supply contracts or direct agreements where the need for a rapid response of the Commission to non-programmable events is such that the duration of the procedure to amend this decision would frustrate the purpose of such response.</p>
<p>3 Private sector Development</p>	<p>33.2</p>	
<p>07-2012/3: <i>Support to the free movement of goods</i></p>	<p>2.5</p>	<p>Beneficiaries: Ministry of Trade and Industry, Standardisation Agency.</p> <ul style="list-style-type: none"> The purpose of this project is to improve the quality Infrastructure system in Kosovo in line with EU requirements, including market surveillance and consumer protection. <p>Implementation: 1 service contract (€2.5 million) to be</p>

		launched in Q2 2013.
08-2012/3: Support to Education and Employment	5.8	<p>Beneficiaries: Ministry of Education, Science and Technology, Ministry of Labour and Social Welfare, Higher Education institutions, VET institutions, Municipal Directorates for Education, municipal level service providers</p> <ul style="list-style-type: none"> To strengthen the quality and relevance of education programmes and the link between education and the labour market as a precondition for employability and economic development <p>Implementation: 1 Delegation Agreement (2.8 million) with ADA, to be launched in Q3 2013</p> <ul style="list-style-type: none"> To support the transition from social assistance to employment for the most disadvantaged groups in the labour market. <p>Implementation: 1 service contract (€1.0 million) and 1 grant scheme call⁴ (€2.0 million) to be launched in Q4 2013.</p>
09-2012/3: Upgrade of Kosovo's Transmission System Infrastructure	3.5	<p>Beneficiaries: Kosovo's independent transmission system and market operator (KOSTT), Kosovo's citizens, transmission system operators of neighbouring countries.</p> <ul style="list-style-type: none"> To foster the economic development in Kosovo by improving the security and reliability of the power supply. <p>Implementation: 1 delegation agreement (€ 3.5 million) to be concluded with the Kreditanstalt für Wiederaufbau in Q1 2013.</p>
10-2012/3 Support to Agriculture and Rural Development	7.4	<p>Beneficiaries: Ministry of Agriculture, Forestry and Rural Development, Ministry of Rural and Spatial Planning, Kosovo farmers and consumers.</p> <ul style="list-style-type: none"> To improve the quality and food safety standards as well as environmental protection in order to strengthen the compositeness of the agricultural and rural development sector and to increase the market share of local products and consumer confidence in them. <p>Implementation: 1 call for proposals⁵ (€ 5.0 million) to be launched in Q1 2013.</p> <ul style="list-style-type: none"> To strengthen capacities of central and local institutions in designing and implementing Municipal Development Plans, to improve the system for the management of grants and subsidies from the central budget to farmers through completion and utilization of Land Parcel Identification System. <p>Implementation: 1 service contract (€ 1.5 million) to be launched in Q1 2013.</p> <ul style="list-style-type: none"> To provide comprehensive and reliable statistical data for Agriculture sector, with the purpose of enabling the development of a sound and sustainable policy for

4 Idem

5 Idem

		<p>agriculture, rural development as well as food security.</p> <p>Implementation: 1 contribution agreement (€0.9 million) with the United Nations Office for Project Services (UNOPS) to be concluded in Q1 2013.</p>
<p>11-2012/3 <i>Construction of a processing plant for the disposal of animal by-products</i></p>	2.0	<p>Beneficiary: Kosovo Veterinary Laboratory, Kosovo citizens and consumers.</p> <ul style="list-style-type: none"> To construct a rendering plant for safe treatment of animal by-products and other organic waste in accordance with the concepts and principles laid down by the EU and Kosovo legislation. Implementation: 1 works contract (€2.0 million) to be launched in Q3 2013.
<p>12-2012/3 <i>Balanced Regional Development</i></p>	12.0	<p>Beneficiary: Ministry of Local Government Administration, Regional Development Agencies.</p> <ul style="list-style-type: none"> To improve living conditions through the improvement of municipal infrastructure. <p>Implementation: 1 Service contract (€1.2 million), and up to 10 works contracts (€7.0 million) to be launched in Q1 2013 – Q3 2013.</p> <ul style="list-style-type: none"> To make Kosovo regions more attractive to domestic and external investment <p>Implementation: 1 call for proposals⁶ (€ 3.0 million) to be launched in Q 2 2013.</p> <ul style="list-style-type: none"> To enhance capacities of Regional Development Agencies to provide services to municipalities, non-profit organisations and businesses. <p>Implementation: 1 Action grant for the 5 regional development agencies (RDAs) in Kosovo (€ 0.8 million) (as per article 168(1)(c), refer to section 4.2. below) to be signed Q2 2013.</p>
<p>Support and other activities</p>	2.0	
<p>13-2012/4: <i>Support measures and technical assistance facility</i></p>	2.0	<p>Main beneficiary: Ministry of European Integration, line ministries.</p> <ul style="list-style-type: none"> To strengthen technical and administrative capacity of the Kosovo administration in relation to the European integration process; to support effective and efficient management and absorption of EU pre-accession funds. <p>Indicative implementation modalities: Depending on the needs related to the EU integration process, the project will be implemented through a number of twinning/twinning light/service/framework/grant⁷ contracts as well as work contracts, supply contracts or direct agreements where the need for a rapid response of the Commission to non-programmable events is such that the duration of the procedure to amend this decision would frustrate the purpose of such response.</p>
<p>TOTAL</p>	63.2	

6

Idem

7

Idem

Other EU assistance complementing this programme

Close coordination and complementarity will be sought with other EU instruments outside this annual programme. Projects under the IPA Multi-Beneficiary Programme for the entire Western Balkans region should also cover Kosovo, addressing regional cooperation and coordination dimensions. The TEMPUS programme is financed from the IPA geographical allocations, including **€2.7 million** from the annual allocation for Kosovo. The aim is to involve Mitrovica and Pristina universities in partnerships and studies with and/or in European universities. The contribution to the Civil Society Facility, to be adopted by a separation Decision, is **€1.1 million**.

2.4 CROSS-CUTTING ISSUES

Systematically addressing horizontal issues is a critical starting-point in programme design.

Equal opportunities and non-discrimination

Taking full account of the situation in Kosovo (civil service, gender equality and anti-discrimination laws), projects will be based on consultation with the Office for Good Governance, the Agency for Gender Equality and the network of gender officers in ministries and municipalities. Specific attention will be paid to addressing women's needs and interests throughout projects and organising activities making it easier for them to participate. Institutions and civil society will also be given assistance to ensure that gender equality is adequately mainstreamed in legislation, government strategies and policies.

Civil society/Stakeholders involvement

Local bodies responsible for these issues, including civil society, will be consulted continuously to help Kosovo's institutions mainstream horizontal issues effectively. Part of the projects' budget may be allocated for this purpose.

Respect for and protection of minority and vulnerable groups

Integrating Kosovo's minorities into the social, economic and political mainstream is essential for Kosovo to make progress on its European perspective. Mainstreaming issues concerning minorities and vulnerable groups is one of the key components of the Anti-Discrimination Law, which highlights the importance of promoting a multi-ethnic society. Specific attention will be paid to addressing minorities' specific needs and interests throughout projects and organising activities making it easier for them to participate, in particular achieving adequate minority representation in training and coaching, promoting adequate minority recruitment and representation in the civil service and in the central and local administration, using Kosovo's official languages, as stipulated by law, and meeting the specific needs of Serbian, Roma, Ashkali, Egyptian and other communities.

Environmental protection and climate

Projects will systematically examine ways to enhance environmental protection, including considerations on climate change and disaster risk reduction, across the region. In particular, infrastructure reconstruction and rehabilitation activities will be consistent with the relevant regulations and the Law on Environmental Protection.

Good governance, with particular attention to the fight against corruption

Emphasis should be put on the need for an accountable and professional civil service applying the principles of legality, transparency, public consultation and integrity, in order to ensure proper implementation of the projects and the sustainability of the reforms undertaken.

2.5 ASSUMPTIONS AND PRE-CONDITIONS

Kosovo authorities must formally endorse project fiches, including parallel co-financing commitments, by signing a Financing Agreement. They must furthermore ensure that the beneficiary institutions have adequate resources to use EU financial support in the most effective and sustainable manner. Beneficiary institutions must participate in drafting the design and tender documents, including terms of reference, and formally endorse them. They must also participate in the selection committees for procurement and grants. The Kosovo authorities must ensure the availability of land where ownership is clear and certain for the planned works. They must secure the long-term sustainability of relevant action by allocating the necessary resources, including operating and maintenance costs. Beneficiary institutions must organise, select and appoint members of working groups, steering, monitoring and coordination committees and seminars, as required by the project activities, ensuring a gender and ethnic balance.

If these conditions are not met, the implementing authority will consider suspending or cancelling the relevant activities.

2.6 ROADMAP FOR THE DECENTRALISATION OF THE MANAGEMENT OF EU FUNDS

Kosovo's IPA coordinator is the Permanent Secretary of the Ministry of European Integration. Discussions on the 'Roadmap for the Decentralised Implementation System (DIS)' have been initiated but are still at a very early stage.

3 BUDGET

3.1 INDICATIVE BUDGET TABLE (CENTRALISED MANAGEMENT)

	Institution Building (IB)					Investment (INV)					Total (IB + INV)	Total IPA EU contribution	
	Total expenditure	IPA EU contribution		Beneficiary contribution*		Total expenditure	IPA EU contribution		Beneficiary contribution*				
	€ (a)=(b)+(c)	€ (b)	% (1)	€ (c)	% (1)	€ (d)=(e)+(f)	€ (e)	% (1)	€ (f)	% (1)	€ (g)=(a)+(d)	€ (h)=(b)+(e)	% (2)
1 Public Administration Reform	6.9	6.9	100			0.2	0.2	100			7.1	7.1	11
01 Support to Public Administration Reform (Public Finance and Statistics)	3.5	3.5	100								3.5	3.5	100
02 Improvement of social services, labour conditions and social dialogue	3.4	3.4	100			0.2	0.2	100			3.6	3.6	100
2 Justice and Home Affairs	16.29	14.09	86.5	2.2	13.5	6.81	6.81	100			23.1	20.9	31
03 Return and Reintegration in Kosovo (phase IV)	6.2	4.0	65.0	2.2	35.0						6.2	4.0	65
04 Strengthening RoL Sector	4.79	4.79	100			1.81	1.81	100			6.6	6.6	100
05 Strengthening criminal investigation capacities against organised crime and corruption	2.0	2.0	100								2.0	2.0	100

06 Support to dialogue and EU approximation	3.3	3.3	100			5	5	100			8.3	8.3	100
3 Private sector development	18.9	14.5	76.7	4.4	23.3	32.6	18.7	57	13.9	43	51.5	33.2	50
07 Support to the free movement of goods	3.0	2.5	83	0.5	17						3.0	2.5	83
08 Support to Education and Employment	3.8	3.8	100			2.0	2.0	100			5.8	5.8	100
09 Transmission System Infrastructure						13.5	3.5	26	10.0	74	13.5	3.5	26
10 Support to Agriculture and rural development	11.1	7.4	67	3.7	33						11.1	7.4	67
11 Processing plant for the disposal of animal by-products						2.5	2.0	80	0.5	20	2.5	2.0	80
12 Balanced Regional Development	1.0	0.8	80	0.2	20	14.6	11.2	77.8	3.4	12.2	15.6	12.0	77
4 Support and other activities	1.0	1.0	100			1.0	1.0	100			2.0	2.0	8
13 General Technical Assistance Facility	1.0	1.0	100			1.0	1.0	100			2.0	2.0	100
TOTAL	43.09	36.49	84.7	6.6	15.3	40.61	26.71	60	13.9	40	83.7	63.2	100

Amounts net of VAT

* Contribution (public and private beneficiary and/or international contribution) provided by beneficiaries or other donors

(1) Expressed in % of the Total expenditure IB or INV (column (a) or (d)).

(2) Sector or Project rows only. Expressed in % of the grand total of column (h). It indicates the relative weight of the sector or with reference to the total IPA EU contribution of the entire FP.

3.2 PRINCIPLE OF CO-FINANCING APPLYING TO THE PROGRAMME

The IPA EU contribution, which represents 76 % of the total budget allocated to this programme, has been calculated in relation to the eligible expenditure, which in the case of centralised management and joint management is based on the total expenditure. Parallel co-financing will be used.

In total, 33% of co-financing is envisaged for institution building (IB) and 67% for investment (INV).

In the case of grants, the IPA EU contribution should be of 10% of the eligible expenditure of the project, with the following exceptions:

Project 3 "Readmission and Reintegration in Kosovo (Phase IV), where the IPA EU contribution will be of 63% of the eligible expenditure of the project.

Project 10 "Rural Grant Scheme", where the IPA EU contribution will be of a minimum of 50% to a maximum of 75% of the eligible expenditure of the project.

For the MIPD sectors "Public Administration Reform" and "Support and other activities", the IPA financing is 100%.

For the MIPD sector "Justice and Home Affairs", the IPA financing is 86.5% for institution-building and 100% for investments.

For the MIPD sector "Private Sector Development", the IPA financing is 76.7% for institution-building and 58.3% for investments.

4 IMPLEMENTATION

4.1 MANAGEMENT MODES AND IMPLEMENTATION MODALITIES

The programme will mainly be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation⁸ and the corresponding provisions of the Implementing Rules⁹. Implementation of the programme will be managed by the European Union Office in Kosovo.

Activity 1 of project 8 of this programme will be implemented in indirect centralised management with the Austrian Development Agency (ADA), in accordance with Article 54(2)(c) of the Financial Regulation and the corresponding Implementing Rules. To this end, the Commission will conclude a delegation agreement with ADA. The indirect centralised management has been proposed due to the long standing experience and large number of activities of ADA in the educational sector in Kosovo.

Project 9 will be implemented in indirect centralised management with the Kreditanstalt für Wiederaufbau (KfW) in accordance with Article 54(2)(c) of the Financial Regulation and the corresponding Implementing Rules. To this end, the Commission and KfW will conclude a delegation agreement. The indirect centralised management modus has been chosen on the

⁸ Regulation 1605/2002 (OJ L 248, 16.9.2002, p. 1), as amended.

⁹ Regulation 2342/2002 (OJ L 357, 31.12.2002, p. 1), as amended.

basis of KfW's broad experience in the energy infrastructure sector in Kosovo and because of the successful cooperation during earlier IPA infrastructure projects.

Activity 3 of Project 10 will be implemented in joint management with the United Nations Office for Project Services (UNOPS) in accordance with Article 53d of the Financial Regulation and the corresponding Implementing Rules. To this end, the Commission will conclude a contribution agreement with the United Nations Office for Project Services. The joint management mode has been chosen because this project will be implemented by means of a contribution to a Multi-Donor trust fund which is managed by UNOPS.

4.2 GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries adopted by the Commission on 24 May 2007 (C (2007)2034).

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

The Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EU external actions" ("Practical Guide/PRAG") as published on the DEVCO website at the date of the initiation of the procurement or grant award procedure. The essential selection and award criteria for the award of grants are laid down in the Practical Guide. The detailed selection and award criteria will be laid down in the Calls for proposals – Guidelines for applicants. They will help evaluate the applicants' financial and operational capacity to carry out the proposed action (selection criteria) and the quality of the action proposed in the application as regards its relevance to the set of objectives and priorities set out in the Calls for proposals, its effectiveness and feasibility, sustainability and budget cost-effectiveness (award criteria).

The general rules for procurement and grant award procedures shall be defined in the Delegation Agreements between the Commission and ADA implementing Activity 1 of project 8 of this programme, and between the Commission and KfW implementing project 9 of this programme, and the Contribution Agreement between the Commission and UNOPS implementing activity 3 of project 10, respectively.

Component 3 of project 12 will be implemented through one operating grant awarded without call for proposals in accordance with Financial Regulation IR Article 168(1)(c). The beneficiaries are *de facto* in a monopoly situation since are the only bodies in charge of regional development.

4.3 IMPLEMENTATION PRINCIPLES FOR TWINNING PROJECTS

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

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

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

The Commission shall also use the procedural guidelines and standard templates and models provided in the twinning manual which is available on the website of DG ELARG.

4.4 ENVIRONMENTAL IMPACT ASSESSMENT AND NATURE CONSERVATION.

All investments shall be carried out in compliance with the relevant EU environmental legislation. An environmental impact assessment equivalent to that provided for by the EIA Directive must be made for each project¹⁰ which falls within the scope of the EIA Directive¹¹.

An appropriate nature conservation assessment equivalent to that provided for in Article 6 of the Habitats Directive¹² must be made for any project¹³ that is likely to affect sites of nature conservation importance.

5 MONITORING AND EVALUATION

5.1 MONITORING

Commission may undertake any actions it deems necessary to monitor the programmes concerned.

For the parts of the programme implemented by joint management, the Commission may undertake any actions it deems necessary to monitor the programmes concerned. These actions may be carried out jointly with the international organisations concerned.

5.2 EVALUATION

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

The results of evaluations shall be taken into account in the programming and implementation cycle.

The Commission may also carry out strategic evaluations.

¹⁰ Cf. EIA Annex to the corresponding investment project fiche.

¹¹ Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment (OJ L 175, 5.7.1985, p. 40), as amended.

¹² Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7), as amended.

¹³ Cf. nature conservation Annex to the corresponding investment project fiche.

6 AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES

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

In order to ensure the efficient protection of the financial interests of the European Union, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96¹⁴.

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

7 NON SUBSTANTIAL REALLOCATION OF FUNDS

The authorising officer by delegation (AOD), or the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him/her by the AOD, in accordance with the principles of sound financial management, may undertake non substantial reallocations of funds without an amending financing decision being necessary. In this context, cumulative reallocations not exceeding 20% of the total amount allocated for the programme, subject to a limit of €4 million, shall not be considered substantial, provided that they do not affect the nature and objectives of the programme. The IPA Committee shall be informed of the above reallocation of funds.

8 LIMITED CHANGES

Limited changes in the implementation of this programme affecting essential elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature¹⁵, may be undertaken by the authorising officer by delegation (AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

¹⁴ OJ L 292; 15.11.1996; p. 2.

¹⁵ These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.