

<b>2011 Annual Programme</b> <b>Municipal, social and economic infrastructure facility : 05-2011/2</b>
---

## 1. Basic information

<b>1.1 CRIS number:</b>	2011/022-939
<b>1.2 Title:</b>	Municipal, social and economic infrastructure facility
<b>1.3 ELARG statistical code:</b>	02.22
<b>1.4 Location:</b>	Kosovo*

## Implementing arrangements

<b>1.5 Contracting authority:</b>	European Commission Liaison Office to Kosovo
<b>1.6 Implementing agency:</b>	European Commission Liaison Office to Kosovo
<b>1.7 Beneficiary:</b>	Ministry of Local Government Administration (Mr Besim Kamberaj, Director of Department for Regional Development and European Integration, <a href="mailto:Besim.Kamberaj@ks-gov.net">Besim.Kamberaj@ks-gov.net</a> )

## Financing

<b>1.8 Overall cost (VAT excluded):</b>	EUR 12.5 million
<b>1.9 EU contribution:</b>	EUR 10.0 million
<b>1.10 Final date for contracting:</b>	3 years after signing the financing agreement
<b>1.11 Final date for execution of contracts:</b>	2 years following the final date for contracting
<b>1.12 Final date for disbursements:</b>	1 year after the final date for execution of contracts

## 2. Overall Objective and Project Purpose

### 2.1 Overall Objective:

To support the implementation of the status settlement and advance the reform and capacity building of local self-government in the context of the ongoing decentralisation process, through the improvement of municipal social and economic infrastructure.

### 2.2 Project purpose:

- Improved social and economic infrastructure in the selected municipalities.
- Gradually strengthened capacities of selected municipalities to successfully deal with developing, designing, tendering, implementing/supervising municipal infrastructure projects.
- Strengthened capability of selected municipalities to deliver adequate services to their citizens.

### 2.3 Link with AP/NPAA/EP/SAA:

In the 2010 and 2011 Action Plans for the Implementation of the European Partnership in Kosovo, the Government of Kosovo (GoK) continues with its 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. In addition, with regard to legislation, it is planned to draft and adopt the Law on Inter-Municipal Cooperation and Partnership, while in the context of institutional and administrative capacity building it is planned to build central and local institutional capacities on drafting projects on cross-border cooperation focused on tourism and infrastructure sectors.

\* Under UNSCR 1244/1999.

The 2010 Progress Report mentions that poor infrastructure impairs the efficiency of market mechanisms and stresses that the largest share of public investment was channelled into improving the road infrastructure, notably into the construction of the highway from the Albanian border to the border with Serbia (Meridare). The sudden decision to start this large motorway project led the GoK to reconsider its investment priorities and to budget cuts in other ministries. In addition, investments in the field of the environment, in particular in environmental infrastructure, remain to be considerably increased.

The European Commission's study on Kosovo - "Kosovo Fulfilling its European Perspective" (published together with the 2009 Progress Report) - 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 MIPD**

In the MIPD 2011-2013, two of the three selected main sectors are Private Sector Development - in order to improve the business environment and ensure that Kosovo's socio-economic development can continue - and Public Administration Reform.

Physical infrastructure at the municipal level remains often sub-standard and is not conducive to proper SME development. The selected projects will help to address some of the supply-side infrastructure constraints at the local level and contribute to modernising the physical support infrastructure in a sustainable manner, thus encouraging private investment.

All selected projects will take account of the challenges linked to climate change and fully comply with the principle of sustainable development.

Special attention will be paid to the needs of non-majority communities and vulnerable groups such as children and youth.

The implemented projects will not only enhance the quality of life of the targeted populations, but as well contribute to improving the efficiency and effectiveness of the public administration at the local level.

Past IPA infrastructure projects in Kosovo have proven to be very effective and to have a strong impact on the quality of life, key issues to focus on when endeavouring to strengthen Kosovo's and donors' development and reform efforts.

#### **2.5 Link with National Development Plan**

The GoK's "Medium Term Expenditure Framework 2011 – 2013" foresees numerous infrastructure projects, but without explicitly mentioning municipal infrastructure.

It stresses that the expenditure policy is largely driven by increase of demand for more capital spending, mainly on infrastructure, and adds that economic development is dependent upon a number of factors, namely physical infrastructure and the environment.

The document adds that in the General Public Services sector additional requests for funding are as well linked to the reform of municipal administration, the implementation of the decentralisation process and the related establishment of new municipalities.

#### **2.6 Link with national/sectoral investment plans**

The GoK's "Action Plan for Implementation of Decentralization 2010 – 2011" mentions that the establishment of new municipalities, new competencies and a new system of local finances will bring the need for investment in infrastructure and human capacities for the establishment of favourable

conditions in exercising municipal competencies, both in the new municipalities and in the existing municipalities. Yet, it remains to be seen if and how all these plans will materialise.

The municipalities' own capacities to invest in municipal infrastructure are limited, as very clearly mentioned in the "Capacity Assessment Report of Kosovo Municipalities" published by the Ministry of Local Government Administration in November 2009.

### **3. Description of project**

#### **3.1 Background and justification:**

##### General

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, however, 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. Almost 40'000 school leavers enter the job market every year and face major difficulties to find employment, and poverty is still widespread.

It is essential for Kosovo to improve the competitiveness of its economy because social and political stability depends very much on sustained economic development and resulting strengthened social cohesion. Even though Kosovo has been less affected by the global economic crisis than other countries in the Western Balkans due to its limited integration into global markets, the inflows of foreign direct investment and remittances have been decreasing and are expected to decrease further in the future. Consequently, levels of public investment are expected to drop as well since government revenues are under increasing pressure. In addition to implementing sustainable macro-economic policies, Kosovo needs to address supply-side constraints such as infrastructure weaknesses, energy shortages, high capital costs and low levels of skill.

##### Infrastructure at municipal level

There is a serious infrastructure deficit in Kosovo, particularly at the municipal level, which restricts local development and integration. This shortfall is not only related to inadequate transport routes which hamper business development, scarce water and wastewater systems which contribute to poor public health, schools which are inadequate for satisfactory teaching of children, or deficient administrative buildings, but as well to almost derisory facilities for youth, sports and culture, and a lack of awareness and therefore investment in order to fully exploit the existing touristic potential.

However, there is not only a need to increase financial resources, but also the technical skills of local administrations to provide better services to their constituencies, as pointed out by the before mentioned "Capacity Assessment Report of Kosovo Municipalities". This includes as well the capacity to successfully deal with infrastructure projects throughout the entire project cycle, notably the programming, identification, formulation and implementation (incl. supervision) phases. Therefore, it is imperative to provide both infrastructure and capacity building support in order to properly address the multiple needs of the municipalities in this domain.

##### Youth, sports and leisure

The existing facilities for sports and leisure at the primary and high school level are very few and very often in miserable conditions, which results in most pupils and students not being offered the physical education classes they would be entitled to according to the existing curricula. In addition, Kosovo's youth often find themselves playing in the street because of an acute lack of appropriate facilities where they can meet and interact.

Taking into consideration that Kosovo is home to the youngest population in Europe with an average age of 25.9 and that approximately half of the population is under 25, both quality education and appropriate multi-purpose facilities for youth, sports and culture are crucial for the well-being and

healthy development of children and young persons. In addition, these facilities would as well contribute to creating a society free from discrimination of any kind and the integration of disadvantaged groups, which is a priority of the European Partnership.

According to the project "Unleashing Change: Voices of Kosovo's Youth 2010" implemented in 2010 by the Kosovo Stability Initiative, in partnership with UNICEF and with the support of the Luxembourg Government, 73 % of young people are unemployed. While many agree that the future of Kosovo lies in the hands of young people, they occupy very little space in the policies that determine their future. Education, youth empowerment and employment remain key challenges on Kosovo's path towards European integration and Kosovo needs to invest more in its youth to become a competitive economy in the wider European market.

### Brezovicë/ Brezovica Mountain Resort

Shtërpçë/Štrpce is a rural and agricultural Serb-majority municipality with high unemployment located in the southern part of Kosovo and bordering to the south the former Yugoslav Republic of Macedonia (FYROM). It consists of 16 villages and the total population is estimated at around 13'600; approximately 9'100 Kosovo Serbs, 4'500 Kosovo Albanians, and very few Kosovo RAE.

Before the conflict, many Kosovo Serbs worked in neighbouring municipalities. Nowadays, there are an estimated 700 to 1'000 displaced Kosovo Serbs living in the municipality, many of them accommodated in collective centres in Brezovicë/Brezovica. Most of the local businesses are small and medium-sized enterprises and there exist as well ten small socially-owned enterprises.

It is best known for the ski resort in Brezovicë/Brezovica and the Shar/ Šara National Park, the only national park in Kosovo, which extends over 4 municipalities and has over 60 % of its area is located in Shtërpçë/Štrpce municipality.

The ski resort in Brezovica/Brezovicë was very popular in former Yugoslavia, but after more than a decade of neglect and lack of investment, there is now a strong need to revitalise the area due to its high potential in terms of job creation, tourism, income generation, ethnic composition, etc.

In 2010, the EC Liaison Office funded the preparation of a Mountain Resort Master Plan for Brezovicë/Brezovica designed to make the best use of the area year around. The new development concept consists of two main parts (base and mountain areas) located to the west of the existing base, in an area identified as possessing the best development potential.

Currently, the EC Liaison Office is funding the drawing up of a spatial and zoning plan of the selected area for the mountain resort. It will also support the GoK in the organisation of an investors' conference in order to attract the required start-up investment for the construction and development of the mountain resort.

When completed, the new mountain resort will be able to operate all year round, provide employment for approximately 4'600 people and host over 6'000 guests. Consequently, the foreseen development will not only directly impact on the socio-economic situation Shtërpçë/Štrpce municipality, but as well the neighbouring municipalities and beyond.

### Conclusion

Although the European Union (EU) and other donors have been providing support over the years, the needs for municipal social and economic infrastructure remain vast — not only in the four new municipalities created after the local elections held in 2009/2010 (Gracanicë/Gracanica, Kllokot/Klokot, Partesh/Parteš, Ranillukë/Ranilug,), but throughout Kosovo, including the capital city Prishtinë/Priština.

### Proposed intervention

The aim of the proposed intervention is to further support the improvement of municipal social and economic infrastructure. Particular attention will be paid to disadvantaged municipalities, to the specific needs of the new municipalities, and to municipalities with a good track record related to EU funded projects (i.e. level of cooperation during whole project cycle regardless of nature of project,

operation and maintenance of handed over facilities/schemes, etc.). The needs of children and young persons with regard to sports and leisure and the needs of Shtërpçë/Štrpce municipality with regard to the Brezovicë/Brezovica Mountain Resort will receive special attention.

The municipalities will be invited to submit concrete projects proposals such as:

- multi-purpose facilities for youth, sports and leisure (N.B. approximately 40 % of the foreseen EU funds will be earmarked for this type of projects);
- education facilities (incl. pre-school level);
- environmental facilities or schemes; or
- other facilities or schemes which will have a clear positive impact on the quality of the public services provided;

These proposals will then be evaluated and selected by a Steering Committee consisting of representatives from the Ministry of Local Government Administration, the Association of Kosovo Municipalities and the EC Liaison Office.

Approximately 20 % of the foreseen EU funds will be earmarked for facilities/schemes related to the Brezovicë/Brezovica Mountain Resort. The ongoing preparation of the spatial and zoning plan will yield its first concrete results towards the end of 2011 and serve as the basis for Shtërpçë/Štrpce municipality, the Ministry of Local Government Administration and the EC Liaison Office selecting together the most relevant or appropriate scheme(s) to be financed under this proposed project. Additional funding related to the Brezovicë/Brezovica Mountain Resort is foreseen under the IPA 2012 Annual Programme for Kosovo.

A training component in order to enhance the municipalities' capacity to improve its dealing with infrastructure projects throughout the entire project cycle will be included.

This municipal social and economic infrastructure project will continue to seek for synergies with other projects/programmes financed by the EU and specifically targeting the municipalities, such as the EURED process or the Strengthening the Human Resources and the Institutional Capacity of the Kosovo Local Public Administration, as has been the case in the past.

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

The impact of the foreseen interventions will be significant, as has been the case during previous and ongoing Municipal Social and Economic Infrastructure projects, because the implemented schemes will have a direct effect on sustained local and regional development and integration and contribute as well to strengthened social cohesion, even more so in minority areas. In addition, the foreseen multi-purpose facilities for youth, sports and leisure will directly target some of the needs of Kosovo's young population, allow them to grow up in a more appropriate environment and help them to develop to the full. These facilities will as well contribute to creating a society free from discrimination of any kind and the integration of disadvantaged groups, which is a priority of the European Partnership. Furthermore, the project will continue to further improve the municipalities' abilities to provide adequate services to their citizens and the foreseen training component contribute to the municipal administrations being more proficient when dealing with infrastructure projects.

The mostly very positive results of previous and ongoing schemes financed under EU-funded Municipal Social and Economic Infrastructure projects may trigger more future investments from the central government and other donors alike into a sector (i.e. local infrastructure) which has been rather neglected during the last years. In addition, the foreseen investments will release funds from municipal budgets for other high priority projects. Despite almost unanimous support to the decentralisation process, the support pledged often focuses too much on technical assistance ("soft" component), but neglects existing capital investment needs ("hard" component), or at worst even remain a lip service. The municipalities' improved capability to provide quality public services to their citizens will lead to a better quality of life, improved citizens' satisfaction and increased revenues for the municipalities from the said services. Furthermore, the improved management of infrastructure projects will result in a more efficient and effective use of the often scarce municipal funds.

The direct involvement of the beneficiary municipalities from the very early stages of the project cycle will create a sense of ownership and greatly contribute to the sustainability of the schemes. All facilities or schemes will have to be in line with the existing municipal and urban development and urban regulatory plans. In addition, the municipalities will be required to show evidence of budget availability for proper operation and maintenance, and formal agreements (i.e. MoU) will be signed between the municipalities, the Ministry of Local Government Administration, and the EC Liaison Office clearly outlining the responsibilities of the different parties.

Schemes located in border areas, such as the ones related to the Brezovicë/Brezovica mountain resort, may have a positive impact on and facilitate future cross-border cooperation between municipalities and/or regions.

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

#### **Results:**

- 1.1 Five (5) to ten (10) social and economic infrastructure schemes in selected municipalities implemented.
- 1.2 Capacity of municipalities to proficiently deal with identifying, formulating, designing, tendering and implementing/supervising small to medium-sized infrastructure projects strengthened.

#### **Measurable indicators:**

- 1.1
  - Implementation reports.
  - Signed certificates of Provisional and Final Acceptance.
- 1.2
  - Implementation reports (i.e. chapter dedicated to beneficiary involvement).
  - Number of municipalities which attend formal training offered re. successful dealing with infrastructure projects.
  - Project proposals submitted to EC Liaison Office during future calls re. municipal social and economic infrastructure

### **3.4 Activities:**

#### Preparation phase

- Service Tender is drafted and published.
- Offers are evaluated and best ones selected.
- Service Contract is signed.
- Selection criteria for project proposals are defined by the Steering Committee.
- Formal training on infrastructure projects for all interested municipalities is conducted.
- Call to submit project proposals is drafted.

#### Call phase

- Call to submit project proposals is published.
- Project proposals prepared and submitted by municipalities.

#### Evaluation and selection phase

- Submitted project proposals are screened.
- Projects are selected by the Steering Committee.

#### Design phase

- Detailed design of selected projects is drawn.
- Complete works tender dossier is drafted.

#### Tendering and contracting phase

- Works Tender is published.
- Offers are evaluated and selected.
- Works contracts are signed.

### Implementation phase

- Works contracts are implemented.
- On-the-job training for municipal staff.
- Provisional Acceptance of all schemes.

### Warranty period

- Remedying of possible defects.
- Final Acceptance of all schemes.

## **3.5 Conditionality and sequencing:**

### Pre-conditions:

- Municipal Social and Economic Infrastructure projects under IPA 2007, 2008, 2009 (pending approval of change to Commission Decision) and 2010 have been or are being successfully implemented.
- Additional parallel co-financing (EUR 2.5 million) from the Kosovo Consolidated Budget is granted and selection procedure of project proposals is done according to the agreed criteria (i.e. Steering Committee).
- Drawing up of a spatial and zoning plan for the Brezovicë/Brezovica Mountain Resort is finalised on time.
- Full commitment and cooperation of all involved stakeholders, including the line ministry(ies).
- All beneficiaries show strong sense of ownership.

### Sequencing:

- See 3.4 Activities

## **3.6 Linked activities**

### EU-funded

<b>Name of Project (Amount)</b>	<b>Start Date - End Date (excl. DLP)</b>	<b>Activities/Results</b>
IPA 2010 Municipal Social and Economic Infrastructure – Phase VI (EUR 7.0 million)	05.2012 - 08.2103	Construction of municipal social and economic infrastructure (schemes not defined yet, but most probably focus on multi-purpose facilities)
IPA 2010 Regional Economic Development (EUR 7.5 million)	01.2011 – 12.2013	Consolidation of EURED Process: I.) Institutional Support to the five Regional Development Agencies; II.) Grant Scheme for regional projects on creating the conditions for competitive businesses and on business related small scale infrastructure; and III.) Expert support to the RDAs and to the implementation of the Grant Scheme.
IPA 2009 Multi-Purpose Facility in Mitrovica (EUR 12.7 million)	03.2012 – 03.2014	Rehabilitation and refurbishment of an existing and construction of a new multi-purpose facility in Mitrovica in order to enhance opportunities to offer gymnastics lessons to pupils and students in Mitrovica region and to provide adequate facilities to sports and cultural clubs/organisations.
IPA 2009 Energy Efficiency	03.2012 - 03.2014	Implementation of energy efficiency measures in approximately 60 public buildings, mainly schools and a few hospitals/clinics. Pending approval of change to the

Measures in Public Buildings - Phase II (EUR 16.5 million)		Commission Decision re. IPA 2009
IPA 2009 Strengthening the Human Resources and Institutional Capacity of the Kosovo Local Public Administration (EUR 5 million)	01.2011 – 07.2013	Support the development of a professional administrative capacity in Kosovo for implementation of the European Partnership Action Plan towards a more effective and efficient service delivery and dialogue with citizens.
IPA 2008/9 Municipal Social and Economic Infrastructure – Phase V (EUR 10.2 million)	10.2011 - 12.2012	Construction of 4 municipal buildings, 1 public library, 1 pedestrian precinct. Pending approval of change to the Commission Decision re. IPA 2009
IPA 2008 Municipal Social and Economic Infrastructure – Phase IV (EUR 11.1 million)	03.2011 - 06.2012	Construction of 5 municipal buildings, 3 sports halls, 2 schools with sports halls, 1 health centre, 1 municipal sports centre, 1 cultural centre, 13 local roads, 1 bridge, 1 water treatment plant, 1 sewage collection system, 1 wastewater treatment plant. Works commenced on 01.03.2011 and will last 15 months.
IPA 2007 Municipal Social and Economic Infrastructure – Phase III (EUR 11.8 million)	09.2009 - 11.2011	Construction of 5 playgrounds, 3 sports fields, 1 sports and cultural centre, 1 health centre, 4 local roads, 4 wastewater treatment plants and sewage collection systems, 2 water supply systems, 1 storm water drainage system.
IPA 2008 Energy Efficiency Measures in Public Buildings – Phase I (EUR 1.4 million)	08.2009 - 02.2011	Implementation of energy efficiency measures in 4 schools and 1 hospital.
IPA 2008 Support to EU Regional Economic Development Approach in Kosovo (EUR 6.6 million)	03.2009 - 02.2012	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 2003/2005	10.2004 - 05.2010	Implementation of 44 municipal infrastructure schemes in the building, environment and transport sector.



Municipal Social and Economic Infrastructure – Phases I & II (EUR 18.2 million)		
CARDS 2003 Infrastructure Works in Mitrovica and Zvecan (EUR 3.0 million)	03.2007 – 03.2010	Implementation of 6 schemes in Mitrovica (4 in the South, 2 in the North) and 2 in Zvecan.
CARDS 2000 Refurbishment of Public Buildings (EUR 49.5 million)	2000 - 2005	The schemes implemented included a hospital block, a university students' centre, prisons, town halls and court buildings.
CARDS 1999 MLIF 1, 2, 3 — Municipal and Local Investment Fund (EUR 15.0 million)	1999 - 2004	Technical and financial support to help the local authorities to implement and manage small-scale infrastructure projects, such as wastewater schemes, rehabilitation of schools and sports facilities, maintenance of secondary roads, etc. All in all, over 100 small to medium-sized infrastructure schemes all over Kosovo.

#### Austrian Development Agency (ADA)

- Rural Water and Sanitation Support South-Eastern Kosovo Phase II (EUR 0.6 million)
- Integrated Regional Development in the Municipality of Suharekë/Suva Reka in the Sector of Agriculture (EUR 2.6 million)

#### Deutsche Gesellschaft für International Zusammenarbeit (GIZ)

- Modernisation of Local Services (2006 – 2013, EUR 2.4 million)
- Land Management / Cadastre (2008 – 2013, EUR 2.2 million)

#### Luxembourg Agency for Development Cooperation

- Improvement of Mitrovica Water Supply System (2011 – 2013, EUR 4 million)

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

- Swiss Kosovo Local Governance and Decentralization Support LOGOS (2009 – 2012, CHF 4.7 million)
- Support to the Association of Kosovo Municipalities (2009 – 2012, CHF 1 million)
- Rural Water and Sanitation Support Programme Phase IV (2011, CHF 2.1 million)
- Small Infrastructure for Water and Sanitation Programme (2010 – 2011, CHF 1.9 million, together with USAID, municipalities and regional water companies)
- Kosovo Water Task Force (2008 – 2011, CHF 1.0 million)
- Rural Water Supply and Sanitation Programme Phase III (2010, CHF 1.5 million)

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

- Small Infrastructure for Water and Sanitation Programme (2010 – 2011, USD 6.2 million, together with SDC, municipalities and regional water companies)
- Small Infrastructure for Education in Kosovo Programme
- Effective Municipalities Initiative

### 3.7 Lessons learned

- Ownership of land: Experience shows that all land ownership issues (including access) shall be fully solved when selecting a project or scheme (i.e. land available must already be the property of the beneficiary and this must be certified unambiguously by a cadastral extract).
- Ownership of project: The beneficiary's sense of ownership is key to the success of the project. Therefore, a close and regular involvement of the beneficiary from the very early stages of the project and throughout the entire project cycle is of utmost importance.
- Operation and maintenance after hand-over: Experience shows that municipalities very often underestimate or even neglect the costs for operation and/or maintenance of the scheme/facilities implemented for and handed over to them after Provisional Acceptance. Criteria related to operation and maintenance must already be included in the selection process of submitted project proposals and formal agreements (i.e. MoU) regarding operation and maintenance signed with the selected municipalities.
- Prioritising investment needs: Despite the serious infrastructure deficit at the municipal level, it is vital that the municipalities properly prioritise their needs before submitting project proposals. All submitted projects proposals shall be fully in line with existing municipal development, spatial and urban plans and the Steering Committee properly assess these criteria during the selection process.
- Past performance as criteria for future support: Experience shows that properly assessing the track record of a municipality related to previous EU-funded projects is a criteria that shall be included in the project selection process. Too often it is the same municipalities which show an unsatisfactory level of cooperation during the project cycle and which then fail to live up to their responsibilities once the facility or scheme has been handed over to them.

#### 4. Indicative Budget (amounts in EUR million)

			SOURCES OF FUNDING									
			TOTAL EXP.		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: Municipal Social and Economic Infrastructure												
Contract 1.1 Service (EU)		X	1.2	1.2	100							
Contract 1.2 Works (EU)		X	8.8	8.8	100							
Contract 1.3 Works (GoK)		X	2.5			2.5	100	2.5				
TOTAL IB												
TOTAL INV			12.5	10	80	2.5	20	2.5				
<b>TOTAL PROJECT</b>			<b>12.5</b>	<b>10</b>	<b>80</b>	<b>2.5</b>	<b>20</b>	<b>2.5</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 Service	Q4 2011	Q1 2012	Q4 2015
Contract 1.2 Works (up to 5)	Q3 2012	Q1 2013	Q4 2015

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

## 6. Cross-cutting issues

### 6.1 Equal Opportunities

The principle of "gender mainstreaming" consisting of taking systematic account of the differences between the conditions, situations and needs of women and men will be applied throughout the project cycle, which means when selecting, designing and finally implementing the different facilities/schemes. The experts of the Service Contract and involved in project selection, design and implementation must possess relevant gender mainstreaming skills.

### 6.2 Environment

Environmental impact and sustainability will be assessed and taken into account since the very beginning of the project cycle (i.e. when assessing the submitted project proposals). The use of environmentally friendly and energy efficient building materials and renewable energy sources (e.g. geothermal cooling and heating, solar panels, green roofs, etc.) will be key issues in the design brief.

All applicable laws and related administrative directives/instructions will be fully respected, notably the Law on Environmental Protection (Law No. 03/L-025) and the Law on Environmental Impact Assessment (Law No. 03/L-024).

### 6.3 Minorities

Equitable treatment of minorities and other vulnerable groups - such as for instance children, elderly and disabled people - and particular attention to their specific needs will be a key feature during the entire project cycle. Project proposals directly targeting minority and vulnerable group issues and needs will be encouraged. The under 3.1 expressly mentioned municipalities of Gracanicë/Gracanica, Klllokot/Klokot, Partesh/Parteš, Ranillukë/Ranilug and Shtërpçë/Štrpce are all Serb-majority municipalities.

## **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	Municipal Social and Economic Infrastructure
<b>Municipal, social and economic infrastructure facility</b>		Contracting period expires: see 1.10	Disbursement period expires: see 1.12
		Total budget: EUR 12.5 million	IPA budget: EUR 10.0 million
<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	
- To support the implementation of the status settlement and advance the reform and capacity building of local self-government in the context of the ongoing decentralisation process, through the improvement of municipal social and economic infrastructure.	- Quantity and quality of municipal social and economic infrastructure in Kosovo is improved.	<ul style="list-style-type: none"> <li>- EC progress and other reports</li> <li>- Statistical data and publications from the MLGA, Kosovo Statistical Agency, Chamber of Commerce, etc.</li> <li>- Other reports (e.g. from donors, think tanks, NGOs, etc.)</li> </ul>	
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<ul style="list-style-type: none"> <li>- Improved social and economic infrastructure in the selected municipalities.</li> <li>- Gradually strengthened capacities of selected municipalities to successfully deal with developing, designing, tendering, implementing/supervising municipal infrastructure projects.</li> <li>- Strengthened capability of selected municipalities to deliver adequate services to their citizens.</li> </ul>	<ul style="list-style-type: none"> <li>- Quantity (number) and quality (according to European and other international best practices and standards) of new or rehabilitated municipal social and economic infrastructure.</li> <li>- Intensity and quality of participation of municipalities related to other/future municipal infrastructure projects.</li> <li>- Quality of the municipal services delivered.</li> <li>- Willingness of the citizens to pay taxes or fees for the rendered municipal services.</li> </ul>	<ul style="list-style-type: none"> <li>- Successfully completed projects handed over to the selected municipalities of this programme.</li> <li>- Number of municipal infrastructure schemes initiated and implemented/supervised by the selected municipalities (ex-post evaluation).</li> <li>- MLGA Capacity Assessment Reports of Kosovo Municipalities.</li> <li>- Other reports that deal with municipal infrastructure and</li> </ul>	<ul style="list-style-type: none"> <li>- Readiness of the selected municipalities to properly operate and/or maintain the completed infrastructure projects.</li> </ul>

		services in Kosovo. - Revenue collection surveys.	
<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<p>R 1.1 - Five (5) to ten (10) social and economic infrastructure schemes in selected municipalities implemented with EU funds.</p> <p>R 1.2 - Capacity of municipalities to proficiently deal with indentifying, formulating, designing, tendering and implementing/supervising small to medium-sized infrastructure projects strengthened.</p>	<p>R 1.1 - Number of completed infrastructure schemes. - Quality of completed infrastructure schemes.</p> <p>R 1.2 - Quantity and quality of submitted project proposals by municipalities to be financed via future EU-funded social and economic infrastructure projects. - Quantity and quality of other municipal infrastructure projects implemented with municipal funds or other funding sources.</p>	<p>R 1.1 - Implementation reports. - Signed certificates of Provisional and Final Acceptance.</p> <p>R 1.2 - Submitted project proposals and project selection reports. - Project implementation reports (i.e. chapter dedicated to beneficiary involvement). - Number of municipalities which attend formal training offered re. successful dealing with infrastructure projects.</p>	<p>- MLGA has a genuine interest in supporting all municipalities in Kosovo and is pro-active in trying to find solutions that may jeopardise the successful implementation of the selected projects (e.g. legal issues, disagreements with line ministries, etc.). - Selected municipalities have a genuine interest in strengthening their capacities and improve of the municipal services rendered to their citizens.</p>
<b>Activities</b>	<b>Means</b>	<b>Costs</b>	<b>Assumptions</b>
<p><u>Preparation phase</u> - Service Tender is drafted and published. - Offers are evaluated and best ones selected. - Service Contract is signed. - Selection criteria for project proposals are defined by the Steering Committee. - Formal training on infrastructure projects for all interested municipalities is conducted. - Call to submit project proposals is</p>	<p>- One Service Contract for Technical Assistance (TA) to: support the municipalities in preparing quality project proposals and the Steering Committee in selecting the successful projects, prepare the detailed design and complete tender dossier, and supervise the works contracts until the Final Acceptance - Between one to five works contracts to implement the selected projects.</p>	<p>- 1 Service Contract (ECLO): EUR 1.2 million. - 1 to 5 Works Contracts (ECLO): EUR 8.8 million.  - Additional parallel co-financing from the Kosovo Consolidated Budget: EUR 2.5 million.</p>	<p>- The interested municipalities are able to develop quality project proposals in line with their Municipal Development and Urban Development Plans and to submit them on time. - All necessary pre-requisites such as solving of all land ownership and other legal issues, appointment of municipal staff to follow up implementation, agreements for proper maintenance, etc. are met by the selected</p>

<p>drafted.</p> <p><u>Call phase</u></p> <ul style="list-style-type: none"> <li>- Call to submit municipal infrastructure projects to be financed under this project is published.</li> <li>- Project proposals prepared and submitted by municipalities.</li> </ul> <p><u>Evaluation and selection phase</u></p> <ul style="list-style-type: none"> <li>- Submitted project proposals are screened.</li> <li>- Projects are selected by the Steering Committee.</li> </ul> <p><u>Design phase</u></p> <ul style="list-style-type: none"> <li>- Detailed design of selected projects.</li> <li>- Complete works tender dossier.</li> </ul> <p><u>Tendering and contracting phase</u></p> <ul style="list-style-type: none"> <li>- Works Tender is published.</li> <li>- Offers are evaluated and selected.</li> <li>- Works contracts are signed.</li> </ul> <p><u>Implementation phase</u></p> <ul style="list-style-type: none"> <li>- Works contracts are implemented.</li> <li>- On-the-job training for municipal staff.</li> <li>- Provisional Acceptance of all schemes.</li> </ul> <p><u>Warranty period</u></p> <ul style="list-style-type: none"> <li>- Final Acceptance of all schemes</li> </ul>	<ul style="list-style-type: none"> <li>- The MLGA will manage the implementation of the projects financed with the parallel co-financing from the Kosovo Consolidated Budget separately. However, for the sake of coherence the selection procedure will be done simultaneously by the Steering Committee and based on the same criteria as for the projects financed by the IPA 2011 programme.</li> </ul>		<p>municipalities (supported by MLGA and Technical Assistance).</p> <ul style="list-style-type: none"> <li>- The selected municipalities show strong sense of ownership for their projects.</li> </ul>
--	---	--	--



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

<b>Contracted</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>	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>
Contract 1.1 Service (EU)	1.2															
Contract 1.2 Works (EU)					8.8											
<b>Cumulated</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>10.0</b>											
<b>Disbursed</b>																
Contract 1.1 Service (EU)		0.24		0.12		0.12		0.12		0.12		0.12		0.12		0.24
Contract 1.2 Works (EU)					0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0				0.9
<b>Cumulated</b>		<b>0.24</b>	<b>0.24</b>	<b>0.36</b>	<b>1.26</b>	<b>2.38</b>	<b>3.38</b>	<b>4.50</b>	<b>5.50</b>	<b>6.62</b>	<b>7.62</b>	<b>8.74</b>	<b>8.74</b>	<b>8.86</b>	<b>8.86</b>	<b>10.0</b>

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

### Ministry of Local Government Administration

- Mission: Local government advancement by working with municipalities – through coordination, empowerment, assistance – to provide effective and responsive service as close as possible to the citizens.

- Mandate:

- Development of policies and implementation of legislation for local self-government;
- Promotion and affirmation of the right of self-government of local bodies in conformity with the European Charter on Local Self-Government;
- Exercise functions in the field of local administration, as determined with the constitution of the Republic of Kosovo;
- Coordination with sectorial ministries for effective offering of services controlled from centre including the human and financial resources;
- Coordination with the Ministry of Finances to ensure that the municipal administrations has received due financial resources to exercise their responsibilities, including public investment;
- Contribution in the implementation of municipalities based on the applicable legislation;
- Taking care for maintenance of the Action Plan for European Partnership in the field of local government

- Organisational Structure: Office of the Permanent Secretary, Office of Information; Legal Department; Local Self-Government Department; Department of Reform and European Integration; Department of Administration and Support, Procurement Department.

### Association of Kosovo Municipalities

The Association of Kosovo Municipalities (AKM) was established on 30 June 30 2001, after the first local elections held in post-war Kosovo in 2000. The founding of the Association of Kosovo Municipalities is based on article 10 of the European Charter of Local Self-Government.

The AKM is a non-profitable organisation with judicial personality representing the general interest of its members (i.e. local authorities). The municipalities of Kosovo become members of the AKM with the decision of Municipal Assembly. Currently, all 37 existing municipalities are members of the AKM and the Mayor of Ferizaj/Uroševac is the president of the Board of Leaders (7 members incl. the president). The executive structure is headed by an Executive Director.

### Municipalities

The principles and the basic rights of local government are described in the Constitution and the governmental system in Kosovo is divided in two levels, the central and the local level.

Currently, there exist 37 municipalities. The Law on Administrative Municipal Boundaries (Law No. 03/L-041) foresees under article 5 (Territorial Organisation of Local Self-Government) that "in the current municipality of Mitrovicë/Mitrovica two new municipalities, Mitrovicë/Mitrovica North and Mitrovicë/Mitrovica South shall be established with the cadastral zones enumerated in this law and with their residencies in Mitrovicë/Mitrovica", which would bring the total number of municipalities to 38. The Government of Kosovo has announced its intention to establish this new municipality before the end of 2011.

### Steering Committee

The Steering Committee guiding the municipal social and economic infrastructure project shall be composed of representatives from the Ministry of Local Government Administration (2), the Association of Kosovo Municipalities (1) and the European Commission Liaison Office (1). The chairperson will be from the Ministry of Local Government Administration.

#### **ANNEX IV: Reference to laws**

- Law on Spatial Planning (Law No. 2003/14)
- Law on Construction (Law No. 2004/15)
- Law on Waste (Law No. 02/L-30)
- Law on Environmental Protection (Law No. 03/L-025)
- Law on Environmental Impact Assessment (Law No. 03/L-024)
- Law on Local Self-Government (Law No. 03/L-040)
- Law on Administrative Municipal Boundaries (Law No. 03/L-041)
- Law on Local Government Finance (Law 03/L-049)
- Law on Public-Private-Partnerships and Concessions in Infrastructure and the Procedures for their Award (Law No. 03/L-090)
- Numerous so-called Administrative Instructions related to the above mentioned laws, such as for project control, technical inspection, or accessibility for disabled persons.

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

### One Service Contract

Foreseen budget: - EUR 1.2 million  
Tentative commencement date: - 01.03.2012  
Tentative duration: - 42 months (in order to cover entire Defects Liability Period of works contracts)

Main tasks:

- Support Steering Committee during selection of submitted project proposals.
- Preparation of design and complete tender dossier for works tender.
- Support EC Liaison Office during tendering and evaluation phase.
- Supervision of all works contracts, including entire Defects Liability Period.
- Formal training for municipalities about successfully dealing with infrastructure projects.
- On-the-job training for municipalities about successfully supervising works contracts, incl. Defects Liability Period.

### One to five Works Contracts

Foreseen budget: - EUR 8.8 million (in total)  
Tentative commencement date: - 01.03.2013  
Tentative duration: - 10 to 18 months (depending on nature and size of schemes in contract), plus 12 months of Defects Liability Period

Main tasks:

- Implementation of foreseen infrastructure schemes according to contractual provisions, including a Defects Liability Period of 12 months.