

2007 Project Fiche Kosovo IPA centralised programme
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1. Basic information

1.1 CRIS Number:

1.2 Title: **Supporting local government and decentralisation**

1.3 Sector: 02.22

1.4 Location: Kosovo

Implementing arrangements:

1.5 Contracting Authority: The European Commission Office in Pristina.

1.6 Implementing Agency: The European Commission Office in Pristina.

1.7 Beneficiary institutions

The Ministry of Local Government Administration (MLGA), and selected municipalities (selection criteria is detailed in section 3.4):

The focal point for the project will be the Permanent Secretary - MLGA, working in collaboration with MLGA department directors, Municipal Assembly Presidents and Chief Executives and the Association of Kosovo Municipalities. The project office is expected to be based in the MLGA

1.8 Overall cost: €4.9 million

1.9 EU contribution: €2.4 million.

1.10 Final date for contracting:

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

1.11 Final date for execution of contracts:

Two years after the final date for contracting.

1.12 Final date for disbursements:

One year after the final date for the execution of contracts.

2. Overall Objective and Project Purpose

2.1 Overall Objective

To advance the reform and capacity building of local self-government in the context of the ongoing decentralisation process, including the improvement of managerial competencies, service delivery and dialogue with citizens, in line with European standards and best practice.

2.2 Project purposes

1. To improve coordination between central government and municipalities on policy development, the enforcement of legal frameworks and service delivery.

2. To improve the performance and accountability of municipalities to deliver cost effective public services and to improve dialogue with citizens.

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

The *European Partnership* for Kosovo as adopted by the European Council in January 2006 includes a number of key priorities that will be addressed by this project:

- Ensure democratic governance of, and delivery of public services to, all people of Kosovo establishing a professional, accountable, accessible, representative and transparent public administration free from political interference.
- Ensure fully effective functioning government and municipalities including full respect of respective rules of procedure.
- Improve quality and availability of basic public services to all communities, including the allocation of appropriate budgetary resources and increase administrative capacity to facilitate the decentralisation process.

The Government's *European Partnership Action Plan* (EPAP) stresses the imperative of ensuring clear linkages with the *Medium Term Expenditure Framework* and the *Kosovo Development and Strategy Plan*. It sets out Central and Municipal obligations that underline the necessity for extensive coordination and consistent implementation. In particular, the EPAP advocates:

- Advancing 'the reform of local self government taking into account the views and interests of communities including the allocation of appropriate budgetary resources and increase administrative capacity to facilitate the decentralisation process'
- Ensuring 'fully effective functioning of municipalities including full respect of the respective rules of procedure and rights and interests of all communities';
- The need to 'reinforce capacity for government coordination and define more precisely the responsibilities of the central and local authorities for ensuring consistency of policy implementation'.

The *Comprehensive Proposal for the Status Settlement of Kosovo* states that local self-government and decentralisation is to be 'based upon the principles of good governance, and efficiency and effectiveness in public service'. The Proposal also states that 'Local self government in Kosovo shall be based upon the principles of the European Charter of Local Self Government and in particular the principle of subsidiarity'. The Proposal also stresses the relevance of Inter -Municipal cooperation and requires the respect of human and minority rights. This project intends to support the implementation of the status settlement through supporting local government reform, including decentralisation, and the development of urgently needed infrastructure in municipalities.

The European Commission's *Progress Report for Kosovo 2006* highlights the weak administrative capacity at the municipal level and the needs to further define in terms of competencies the relationship between the central and the municipal levels.

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

The MIPD makes clear that EC assistance is predicated on the basis of it supporting 'stable, modern, democratic and multi ethnic society based on the respect for the Rule of Law' and in a way which will help 'authorities in developing a reform agenda that promotes good governance of public expenditure and ensures financial sustainability'. EC assistance will also be used to develop Kosovo's weak economy and enhance the wider

socio-economic environment for all communities. This will require grant funding for direct investment. Investments should also go hand in hand with a rigorous reform agenda that ensures fiscal discipline and macro-economic stability. The document identifies the following priorities and objectives, by priority headings:

Political Requirements:

- A sustainable and **successfully implemented status settlement** is of prime importance for Kosovo
- A **well functioning public administration** to foster democratic governance and extend public service access to all people in Kosovo. Improving the performance of Kosovo's public administration will be a priority of EC assistance. The objective is an effective public administration at all levels able to design and implement a coherent and interconnected body of legislation and to provide public services in a transparent and accountable manner.
- **Advancing the reform of local self-government** as part of the decentralisation process. This will include the improvement of managerial competencies, service delivery and dialogue with citizens. Supporting municipal, inter-municipal and cross-border projects and implementation of the poverty reduction measures at the local level.

Socio-Economic Requirements

- **Improving good governance of public utilities and develop infrastructures** in order to promote business related activities and enhance quality of public goods and services. The areas of energy, transport, environment, health, information technology etc. have to be developed as cornerstones of future economic growth.^{2.5} Link with National Development Plan

The draft *Kosovo Development and Strategy Plan*, presented to the Government in January 2007, sets out a strategy for 2006-2013 identifying three strategic pillars for action and of which Pillar 1 relates to 'building good governance and capacity'. The KDSP objectives envisage the building of a democratic, inclusive and effective state which had as building blocks the ensuring of internal security and the rule of law, the establishment of a democratic system, the building of an efficient, effective, decentralised and citizen friendly public administration.

The *Medium Term Expenditure Framework* lists numerous projects developed by municipalities to enhance the social and economic aspects of their locality.

2.6. Link with national/ sectoral investment plans

The *Strategy for Public Administration Reform* (approved in March 2007) and its *Action Plan 2007- 2012* recognises its relationship to the *European Partnership Action Plan*, the *Mid Term Expenditure Framework*, and the draft *Kosovo Strategy and Development Plan*. Of strategy emphasises the need to: have 'effective horizontal and vertical structures and organisation of Public Administration institutions in compliance with their competencies'; ensure 'effective and mutual communication with the citizens....as part of policy development and service provision'; and 'a functioning system for preventing and fighting corruption.

The draft '*Action Plan for the Implementation of Decentralisation*' prepared by the MLGA sets out detail actions required under the proposed Kosovo Status Settlement including legislative reform and the establishment of new municipalities; a 3-year process is envisaged commencing with the adoption of the Status Settlement.

3. Description of project

3.1 Background and justification

Local Government in Kosovo, as part of the Status Settlement, needs to respond to a new framework of territorial decentralisation with the creation of a number of new Municipalities, consolidation of pilot arrangements under earlier reform proposals, and the consequential implications for the original Municipalities affected by new boundaries. The proposed status settlement also opens up the opportunity for new administrative arrangements, particularly ‘partnerships’ between municipalities.

In addition to the specific demands of the Status Settlement Kosovo has an on-going need to approximate to European practice and to mature the function of administration throughout the local government system.

Reforming local government, including the decentralisation process, requires the Ministry of Local Government and the municipalities to overcome a number of challenges, which form the background of this project:

- *Improving performance standards:* A number of sources including the Ministry’s own Monitoring arrangements, the UNDP *Kosovo Mosaic* Reviews, UN Standards monitoring system and the Kosovo Democratic Institute’s *score card of performance* highlight the significant differences between municipalities in performance practices. A more comprehensive approach is now needed to build on collective past experience, develop practices in a sustainable way and to coordinate an approach that links the Central and local levels of Government in a common purpose. The setting of performance standards will also serve as a competitive stimulus for the development of better public services. At the core of performance standards is the need for municipalities to have clear strategies that link their financial resources with the services and regulatory functions that they have to deliver; and to present these to the public in a manner that encourages transparency and accountability.
- *Enforcement of legislation at the local level:* The Status Settlement requires substantial changes in legislation in the local government sector including new laws on local self-government, local elections and local boundaries. A significant number of other laws will also be revised including those affecting local finance, education, and primary health. Ensuring consistency and coordination in the legislative process has frequently been impaired by the lack of knowledge of the legislation and absence of necessary secondary legislation at central and local levels. The Ministry of Local Government Administration (MLGA) has made steps to improve this in the current environment through the *Municipal Law Manual*. However, substantial work is necessary to reflect the new legal environment and to complete the regulatory process through to the municipal level.
- *Development of inter-municipal co-operative arrangements, including partnerships and associations:* The proposed Status Settlement foresees stronger reliance on inter-municipal cooperative arrangements in order to provide municipal services in an effective and efficient manner, especially in the smaller municipalities. A limited number of existing arrangements of this nature exist in Kosovo normally focussed around project-specific schemes. An exception is the regional water and waste utilities. Substantial assistance is required to maximise the opportunities presented by such schemes including potential partnerships between new municipalities and the municipalities from which they were separated. The Association of Kosovo Municipalities is a potential key body for advocating partnership and cooperative

schemes. The proposed Status Settlement also accelerates the possibilities for municipalities to contract for services from both the private and public (non profit making organisations) sectors. A private sector market is slowly developing for the delivery of services and in some cases NGOs have been used to provide services. The constraints of the Kosovo Consolidated Budget and skill shortage also prompt consideration of alternative approaches. The development of services based on ‘out sourced’ principles will take time to emerge. It raises the need to prepare for client: contractor arrangements, service specification and a more refined management process. The Project provides an opportunity to encourage a critical assessment of such opportunities and, where agreed, ensure the development of skills and expertise in the preparation of specifications, contract terms and monitoring of performance.

- *Public protection:* A key role of municipalities is to ensure public consumer protection including public health and building safety. This sector (‘Municipal Inspection’) has been relatively neglected in Kosovo and obligations between local and central levels lack clarity both in legislation and in practice. In the context of decentralisation review is needed to clarify the arrangements for the benefit of the community, to strengthen the contribution to anti-corruption policies, and to approximate European practice of citizen protection. The municipal inspectorate function is also closely linked to enforcement arrangements by the police and the courts, and to consumer protection aspects of the *acquis*.
- *Infrastructure deficit:* there is a serious infrastructure deficit at the 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. Many municipalities struggle to meet the needs of residents, particularly in relation to minorities and women, and are unable to develop services and infrastructure to meet these requirements, which are a fundamental part of the MIPD and of the proposed status settlement. The resources of many municipalities are limited, not only financially but also in technical skills. It is therefore imperative to provide both types of support to meet the needs of the municipalities. Under a previous CARDS project, there were over 100 separate infrastructure projects requested by municipalities of which 44 were actually realised, indicating a high level of need and demand for infrastructure at the municipal level.
- *Financial support:* The Comprehensive Proposal for the Kosovo Status Settlement refers to the urgent need of legislation on Local Finance. Additionally revisions have been envisaged to the existing Law on Public Financial Management and Accountability. While there will be considerable focus on financial support in a number of International Projects and particular to new Municipalities, the Project envisages a support to the selected Municipalities in relation to the increasing demands that will be placed on them in dealing, for example, with Programme budgeting.

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

The project will deliver a positive impact through improving the performance of the Ministry of Local Government Administration and the Municipalities in delivering public services. The refinement of service standards will lead to improved practice, greater uniformity of management and service effectiveness. Public confidence in and understanding of municipal working and competencies will be improved. The

accountability of municipalities for their performance will be more evident and this should lead to the improved achievement of work plans. Decision making will be improved by the collection and analysis of more robust data. The involvement of the Local Government Associations will contribute to capacity building and in ensuring that the needs of local government are more fully recognised.

The particular focus of the project on consumer and public protection will demonstrate within Kosovo the advantages to citizens of strong regulation at the local level leading to a stabilised market environment, to higher safety standards in urban areas, and environmental improvements. Strengthening of this sector acts as a catalyst for further sector specific initiative that accelerate the implementation of European standards into public life.

The impact of the project's infrastructure works are expected to be significant because of the substantial lack of municipal infrastructure especially in newly formed municipalities. The project will improve municipal services to all sectors of the communities with particular emphasis on ensuring that minorities and the disadvantaged are able to access these services more easily in future. Water and wastewater schemes will improve public health issues, particularly as rural projects include elements of wastewater treatment, thus also improving environmental conditions in rivers. Road schemes will enhance accessibility to main towns and provide access for minority communities, local businesses etc. School and municipal buildings will enhance the education of children and provide community centres in rural areas. These projects will help municipalities implement the requirements of the European Partnership and the status settlement, through the provision of better services to their communities. All schemes are designed to be sustainable through agreements for maintenance and through a requirement for the scheme to be included in the development plan of the municipality.

3.3 Results and measurable indicators

Expected results:

- An agreed framework for the regular assessment of Municipal performance management is established between the MLGA and municipalities.
- Improved inter-ministerial coordination and enhanced cooperation between central and local government that effectively contributes to the process of decentralisation, policy formulation and the implementation of the legal framework at the municipal level.
- Improved processes for coordination between municipal departments in line with Municipal development plans.
- Municipal accountability increased through provision of public information and active involvement of interest groups in decision making processes.
- Procedures and structures as well as capacities of inspectorates improved thereby providing greater public confidence in municipal services.
- Upgraded municipal infrastructure that improve the public service delivery.

Measurable indicators:

- Policies and procedures for municipal performance assessment are in place and performance reports publicly available.
- Protocols for inter-institutional coordination are in place enabling the monitoring of service delivery.
- Improved rates of compliance with regulatory requirements, including revenue collection.

- Infrastructure projects completed.

3.4 Activities:

Activity 1: Further institution building support to the Ministry of Local Government Administration

1.1: Design and implementation of a Municipal Management Performance system

This activity will assist the MLGA to:

- Develop an assessment/audit approach to municipal management performance that will evaluate the performance of municipalities on a regular basis and highlight the specific areas in need for support and assistance from the ministry and donors.
- Establish the process of joint ministry-municipality performance reviews, facilitating the sharing of lessons learnt and identification of good practices followed by development of necessary guidance on improving municipal services, training materials for performance improvement and the publication of municipal performance.
- For a range of municipal service areas develop frameworks for local service improvement plans, possibly combined with incentive tools. Particular attention may be given to Plans that are required by Kosovo law (road improvement and maintenance plans, environmental plans, etc.) but frameworks should not be limited to these areas.

1.2: Inter-Institutional co-ordination

- Strengthen the role of the Ministry of Local Government Administration in communication and coordination between the Kosovo institutions and with the donor community in order to ensure a cohesive legislative and administrative framework for municipalities and the decentralisation process.
- Support the identification, agreement and development of key data sets to be used for improved service delivery and for inter-governmental grant calculations (health, education, minorities/returns, agriculture forestry and rural development, environment and spatial planning as examples) and the data that will have emerged from the Official Census
- Develop procedures to ensure that the Ministry of Local Government Administration is able to influence the development of policy as a precursor to legislation affecting the local government sector.

Activity 2: Support to Local Government

This activity will target and assist a number of municipalities based on the following criteria, which will be further developed during the initial implementation phase of the project:

- New Municipalities created as a result of the new Law on Municipal Boundaries consequent on the Kosovo Status Settlement.
- Municipalities that have their boundaries changes as a result of decentralisation or the Status Agreement
- Municipalities that are identified as relatively disadvantaged based on socio-economic criteria
- Municipalities which have demonstrated good practice and commitment to the implementation of the European Partnership Action Plan and/or the provision of the status settlement.

An indicative list of municipal functions to be addressed by the project activities are provided below. The specific functions and activities of the project will be further appraised and decided upon during its initial implementation phase through a detailed needs assessment. This assessment will appraise the activities required to assist municipalities to meet the specific provisions of the Status Agreement and to ensure that the project actions complement the work of other donors in the area of local government.

2.1: Supporting inter-municipal cooperation

- Assist the development of agreements, through partnerships as defined in the Status Settlement, or otherwise, to enable selected municipalities to improve their public service delivery and economic efficiency
- Provide models of partnerships or other agreements that can be used as ‘best practice’ by municipalities, and which cover a range of delivery options (for example: direct delivery by municipalities in cooperation’ ‘out-sourcing’ of service delivery to commercial or non-profit (NGO) parties, etc.)

2.2: Improving municipal performance and accountability

- Assist municipalities to respond to the frameworks for local service improvement plans developed under Activity 1.2 in order to provide models of good practice in local service improvement planning
- Assist municipalities to make their actions transparent to citizens, reinforce and share best practices and new approaches in relation to the transparency of municipal decisions and activity, the public access to information, and dialogue with citizens and civil society. This is likely to include such actions as strengthening the capacity of Municipal Information Offices and other municipal department/units, to meet the relevant objectives of the *Strategy for Public Administration Reform*, and the MLGA Administrative Instruction on transparency.
- Assist municipalities to develop their annual review, planning and reporting processes including appropriate engagement with citizens and civil society organisations, policy discussion and debate through Municipal Assemblies and Committees.

2.3: Enhancing Municipal Inspection Services

- Review the responsibilities of inspectorates and provide assistance in their consolidation/reorganisation in line with European practice in relation to trading standards and similar
- Review existing intra-Municipal coordination and cooperation with the Kosovo Police Service and Courts system in relation to enforcement arrangements.
- Assist the development of public awareness programmes of municipal competencies through publicity campaigns, the engagement of civil society, use of Municipal websites and other information techniques.

2.4: Developing financial policy and financial decentralisation

- Provide direct support to selected Municipalities in dealing with the implementation of the existing and intended financial legislation and related regulations, including support to the requirements for budget programming and execution and in dealing with integrated municipal planning and inter Municipal contracts of cooperation.

Activity 3: Upgrading priority municipal infrastructure

3.1: Preparation of municipal infrastructure projects.

This activity will include preparation of the eligibility criteria for municipalities to apply for funding, and the preparation of relevant tender dossiers for approved physical infrastructure works.

3.2: Implementation of construction works

This activity will consist of the construction, supply of equipment (where relevant) and supervision of projects identified by municipalities in accordance the criteria set in Activity 3.1 and approved by the steering committee.

The projects are expected to including the rehabilitation/construction/upgrading of such areas as: schools; health centres; water and wastewater systems and access roads. Inter-municipal projects, jointly proposed by two or more municipalities, will also be considered.

Contracting arrangements

Activity 1 and 2:

- At least two service contracts are envisaged to implement the actions described

Activity 3:

- Up to five works contracts, possibly up to three supply contracts for equipment, and one service contract for the works supervision are envisaged to implement the actions for this activity. Parallel co-funding is expected form municipalities and/or the MLGA for each municipal infrastructure project.

Project management and administration

The European Commission Office in Pristina will manage the procurement, implementation, quality control, reporting and coordination with other donors of the development assistance and of the financial and technical cooperation related to the actions described in this project fiche, taking remedial actions if and when needed. The European Agency for Reconstruction's operational centre in Pristina will assist the Commission Office in preparing for the initial implementation phase of this project through such actions as the drafting of project Terms of References and helping to prepare the IPA tender dossiers.

Project Steering Committees will be responsible for the overall direction of the project and comprise of representatives from the beneficiary institutions (including the MLGA and possibly KIPA), the Council of Europe and the Commission Office.

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

3.5 Conditionality and sequencing:

The project includes the following conditionalities:

- The implementation of infrastructure actions require prior agreements with the relevant municipalities for maintenance, relevant training and evidence that the EC works to be undertaken are reflected in the development plans of the municipality.
- Endorsement by all key stakeholders of the Terms or Reference and Call for Proposals, as well as the individual contracts to be engaged.

- Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars and study visits by the beneficiaries as per the project work plan.
- Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan.
- Beneficiary partners demonstrate strong ownership attitude towards the project.
- Reorganisation of municipalities is carried out in line with the decentralisation plan.

In the event that conditionalities are not met, suspension or cancellation of the project or specific activities will be considered.

3.6 Linked activities

The project link to and complement the following donor projects and initiatives:

- USAID: The Local Government Initiative programme (\$11.0 million) ends in July 2007. USAID will planning to launch a three year Effective Municipalities Initiative (\$9.0 million) from August 2007. The EMI will focus on new and selected ‘old’ municipalities. It shares many features with the IPA 2007 project described in this fiche, including the emphasis supporting the decentralisation process, enforcement of legislation and building the skills of Municipal staff. The EMI will have an ‘incentive fund’ to assist Municipalities with infrastructure projects.
- OSCE: The ‘Transparency Plans’ initiative implemented in cooperation with the Association of Kosovo Municipalities (AKM) ends in June 2007.
- UNDP: Login database project (€0.3m) ends June 2007 . UNDP is also planning to launch a project ‘Clarifying decentralisation for Kosovars’ from September 2007, assuming donor funding can be secured.
- Norwegian Association of Local and Regional Authorities: ‘Training of elected members after the next election’
- GTZ: ‘Improvement of Public Services’. A second phase will be implemented during 2008.
- UN Habitat, funded by Sweden/Sida, is assisting six municipalities in the area of spatial and urban development planning, in cooperation with the Ministry of Environment and Spatial Planning and Association of Kosovo Municipalities.
- Council of Europe support for promotion of decentralisation in Kosovo. See annex III for more details.

The project builds-on the significant EC assistance for local government reform in Kosovo. In particular, the 2007 project will follow-up, consolidate and draw lessons learned from the following on-going projects:

Name of project (Amount €million)	Start End	Activities/Results
<i>Support to central institutions that impact municipalities</i>		
Ministry of the Local Government Administration (€ million)	May 2006- May 2008	The overall objective of the project is to build the institutional capacity and technical competence of the MLGA to perform its mandate regarding policy formulation and the development of implementation mechanisms in areas identified in the Standards Implementation Plan.
Further support to the Public Internal Financial Control and Internal	March 2007	Support to the PISG to increase the capacities of the internal audit functions, including municipalities, to improve the effectiveness and efficiency of public spending.

Audit (€1.5 million)	August 2009	
Public Investment Programme – Phase 2 (€1.0 million)	May 2007- May 2009	The project aims to consolidate the capacities of the PISG at all levels to implement a coherent Public Investment Programme (PIP) process that is fully integrated into the MTEF and budgetary processes to ensure transparency, efficiency, and a better control of public spending.
Further support to the Office of the Auditor General (€1.5million)	July 2007 Dec 2009	The objective of the project is to strengthen the operational and functional capacity of the Office of the Auditor General to improve the efficiency and the effectiveness of public spending, including auditing of municipalities.
<i>Direct support to municipalities</i>		
Support to Local Government (€1 million)	May 2007 - May 2009	The project aims to achieve a more efficient, effective and accountable local government (municipalities) with emphasis on better management (particularly financial); consistent service delivery and improved relations with citizens.
Further support to the Association of Kosovo Municipalities (€0.75 million)	June 2006- June 2008	Further strengthening the institutional capacity of the AKM as an effective forum to enhance inter-municipal cooperation and dialogue with the central level government in areas of municipal competence as well as local government reform process.
Municipal Infrastructure Development Projects (€16 million)	Nov 2004- Dec 2007	Support to implementation of UN Standards for Kosovo in municipalities through provision of social and economic infrastructure. To date 44 projects were designed by the municipalities out of which 12 are road projects, 19 for improving water supply and sewage systems, 11 for building schools, one for a sports centre and one for an archive building.

The project will also have links to other projects under IPA 2007, specifically ethnic minority returns and the public procurement project which involve capacity building actions at the municipal level.

3.7 Lessons learned

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

- *Implementation and enforcement of legislation:* The legislative programme in Kosovo has been ambitious and mainly focused on primary legislation. Secondary legislation and necessary directions and instructions have not been sufficiently prepared which inhibits the process of implementation, especially at the municipal level. In addition, municipalities, particularly newly created municipalities, lack the skilled staff, resources and coordination mechanisms to ensure adequate enforcement of legal frameworks. The project aims to strengthen the involvement of the MLGA and the municipalities in the development of primary and secondary legislation. It will also build the capacity of selected municipalities to develop the skills and mechanisms to enforce legislation.
- *Coordination within the government:* Further improvements – in line with the spirit of EU accession– could be realised in a stronger government leadership in the coordination efforts among the ministries and departments and a stronger focus on operational coordination and harmonisation of policies. This project aims to strengthen inter-ministerial coordination on decentralisation and local government issues. It will also improve coordination between central and local government.
- *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 infrastructure support is essential to realise the expected impact. This project aims to balance and complement technical assistance at the local level with essential municipal infrastructure development actions.

- *Flexibility:* In the *Needs Assessment and Feasibility Analysis for future EAR Projects in the field of Public Administration Reform* (February 2005) recurring reference is made to the uncertainties regarding status determination; to the importance of creating flexibility in planning and projects to accommodate the needs at the time; and the importance of avoiding duplication. Close cooperation with other donors is also strongly recommended. The need for flexibility is also conditioned by the final selection of beneficiaries of this Project that will include both original and new Municipalities. There will be wide variations in level of their institutional development, staff capability and standards of service.

4 Indicative Budget (amounts in €million)

Activities	TOTAL COST	SOURCES OF FUNDING									
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION				PRIVATE	
		Total	% *	IB	INV	Total	% *	Central/municipal	IFIs	Total	% *
1. Ministry of Local Government Administration	1.0	1.0	100	1.0	0						
2. Local Government	3.4	3.4	100	3.4	0						
3. Municipal Infrastructure	10.5	8.0	76	0	8.0	2.5	24	2.5			
TOTAL	14.9	12.4	83	4.4	8.0	2.5	17	2.5			

* expressed in % of the Total Cost

For activity 3, up to €2.5 million is expected as parallel co-financing by municipalities and/or the MLGA for the municipal infrastructure projects.

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

Contracts	Start of Tendering	Signature of contracts	Project Completion
Ministry of Local Government Administration	Q2 2008	Q3 2008	Q2 2011
Local government	Q3 2008	Q1 2009	Q2 2011
Municipal Infrastructure	Q1 2008	Q3 2008	Q4 2011

Q = quarter

6. Cross cutting issues

6.1 Equal Opportunity (gender mainstreaming)

A network of Gender/Equal Opportunity Officers exists both in Ministries and Municipalities. The importance of this dimension is reflected in the Kosovo Civil Service Law, the Law on Gender Equality, and the Anti Discrimination Law. This dimension is also reinforced in the IPA, European Partnership Action Plan and the draft Kosovo Development and Strategy Plan. In the implementation of the Project specific attention will be given to the need to reflecting gender balance and equal opportunities.

6.2 Environment

The Project's infrastructure component will be consistent with Environmental implications as set out in relevant Regulations consistent with the Law on Environmental Protection. It should be noted that the Kosovo Environmental Action Plan awaits formal Assembly approval.

The other project components are expected to have a neutral impact on the environment.

6.3 Minorities

The equitable treatment of Minorities has formed a fundamental element in the implementation of the UN Standards and is reflected in The Kosovo Civil Service Law and Anti Discrimination Laws and is a key priority for the European Partnership.

The Comprehensive Proposal for the Kosovo Status Settlement also underpins the imperative of promoting a multi ethnic society in its General principles and Annexes II and III. Formal recognition of these key issues will form a compulsory part of any planning process.

The implication for these cross cutting aspects will also form part of any formal reports considered by the Municipality. The improvement of publicity and information services will ensure that all sections of the Community are able to have access. The regular meeting of the Equal Opportunities Committee will be encouraged as a means of reinforcing political and managerial understanding and responding to these themes. Environmental impact will also be considered as part of any contracts /agreements negotiated by Municipalities.

ANNEXES

ANNEX I: Log frame in Standard Format

ANNEX II: Amounts contracted and Disbursed per Quarter over the full duration of Programme

ANNEX III: Council of Europe's involvement in the promotion of decentralisation in Kosovo

ANNEX 1: Logical framework matrix in standard format

Project Title: Support Local Government and Decentralization		Programme name and number		Building EU compatibility and expertise in Kosovo's institutions		
Sector: Institution Building		Contracting period expires three years after the signature of the financing agreement between the European Commission and the Kosovo Authorities.		Disbursement period expires: One year after the final date for the execution of contracts.		
		Total budget : €14.9		IPA budget: €12.4		
Overall objective		Objectively verifiable indicators		Sources of Verification		
To advance the reform and capacity building of local self-government in the context of the ongoing decentralisation process, including the improvement of managerial competencies, service delivery and dialogue with citizens, in line with European standards and best practice.		<ul style="list-style-type: none"> • Improved performance as set against Annual and other Plans • Increased coordination and consultation. • More timely advice available to Municipalities. • Greater professionalism • Increased public awareness. • Service standards are improved 		<ul style="list-style-type: none"> • Project implementation reports, indicators • Protocols • Ministry and Municipal work plans • Management performance Plans • Policy papers linked to proposed legislation • Coordination and other planning meetings • Advice given to Municipalities 		
Project purpose		Objectively verifiable indicators		Sources of Verification		Assumptions
<ol style="list-style-type: none"> 1. To improve coordination between central government and municipalities on policy development, the enforcement of legal frameworks and service delivery. 2. To improve the performance and accountability of municipalities to deliver cost effective public services and to improve dialogue with citizens. 		<ul style="list-style-type: none"> • Increased involvement of politicians senior management in formalised joint working and planning. • Improved means of consultation developed. • Decisions based on more qualitative information • Training and other means of staff support and guidance • Improved management process 		<ul style="list-style-type: none"> • Project implementation reports, indicators • Protocols (and review) • Ministry and Municipal work plans • Management Performance Plans • Performance reviews • Plan preparation more integrated and timely • Advice given to Municipalities • Surveys undertaken • Submissions in respect of draft legislation 		<ul style="list-style-type: none"> • Implications of the UNSC resolution and degree to which it is supported by all relevant parties. • Effective transfer of competencies and set up of arrangements as identified in the Status Proposal (UNMIK/EU/IRO) • Political stability and commitment • Competencies fully clarified • Absorption capacity of PISG to respond to new legislative demands and new institutions and procedures. • Envisaged legislation enacted.
Results		Objectively verifiable indicators		Sources of Verification		Assumptions
<ul style="list-style-type: none"> • An agreed framework for the regular assessment of Municipal performance management is established between the MLGA and municipalities. • Improved inter-ministerial coordination and enhanced cooperation between central and local government that effectively contributes to the process of decentralisation, policy formulation and the implementation of the legal framework at the municipal level. • Improved processes for coordination between municipal departments in line with Municipal development plans. • Municipal accountability increased through provision of public information and active involvement of interest groups in decision making processes. • Procedures and structures as well as capacities of inspectorates improved thereby providing greater public confidence in municipal services. • Upgraded municipal infrastructure that improve the public service delivery. 		<ul style="list-style-type: none"> • Policies and procedures for municipal performance assessment are in place and performance reports publicly available. • Protocols for inter-institutional coordination are in place enabling the monitoring of service delivery. • Improved rates of compliance with regulatory requirements, including revenue collection. • Infrastructure projects completed. 		<ul style="list-style-type: none"> • Project Implementation reports • Protocols • Annual statements/reports of performance • Meetings/ consultation processes and other evidence of engagement with Civil Society • Applications made to Improvement Fund • Inter-Municipal agreements concluded • Cross border agreements concluded • Surveys as to stakeholder perceptions. • Steering committee approval records 		<ul style="list-style-type: none"> • Extent of PISG inter- Ministerial cooperation improvement • Cooperation on an inter-Municipal/ cross border basis is possible. • Extent of retention of trained/ qualified personnel at central and municipal levels • Capacity building and training ready for newly recruited staff has taken place • New procedures for legislation proven to be effective. • Extent to which KCB budget may be cut to meet new expenditure demands • Speed with which the post status legislation implemented. • Social stability maintained
Activities		Means		Costs		Assumptions
<ul style="list-style-type: none"> ➢ Further institution building support to the Ministry of Local Government Administration ➢ Support to Local Government ➢ Upgrading priority municipal infrastructure 		<ul style="list-style-type: none"> ➢ At least two service contracts are envisaged to implement the actions described ➢ Up to five works contracts and one service contract are envisaged to implement the actions for this activity. Parallel co-funding is expected from municipalities for each municipal infrastructure project. 		<p>EC €1m</p> <p>EC €3.4m</p> <p>EC €8.0m Additional co-financing contribution of €2.5m from municipalities/MLGA</p>		<ul style="list-style-type: none"> ➢ Contract signed after a successful tendering procedure and the implementation starts according the indicative implementation schedule ➢ The ownership and organisational structure of the beneficiary institution, where the project will be based is strong enough for implementation

Pre conditions:

- The implementation of infrastructure actions require prior agreements with the relevant municipalities for maintenance, relevant training and evidence that the EC works to be undertaken are reflected in the development plans of the municipality.
- Endorsement by all key stakeholders of the Terms or Reference and Call for Proposals, as well as the individual contracts to be engaged.
- Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars and study visits by the beneficiaries as per the project work plan.
- Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan.
- Beneficiary partners demonstrate strong ownership attitude towards the project.
- Reorganisation of municipalities is carried out in line with the decentralisation plan.

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

	2008				2009				2010				2011	
Contracted	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Ministry of Local Government Administration			1.0											
Local government					3.4									
Municipal Infrastructure		0.2	1.0		2.0	1.5	3.3							
Cumulated Total		0.2	2.2	2.2	7.6	9.1	12.4							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Disbursed														
Ministry of Local Government Administration					0.2			0.3			0.25			0.25
Local government					0.8			0.9			0.85			0.85
Municipal Infrastructure		0.2	0.6		0.5	0.5	2.2	2	0.5	0.5	0.5	0.5		
Cumulated Total		0.2	0.8	0.8	2.3	2.8	5.0	8.2	8.7	9.2	10.8	11.3		12.4

ANNEX III: Council of Europe’s involvement in the promotion of decentralisation in Kosovo

July 1999 A few weeks after its establishment, UNMIK asked the CoE and the OSCE to carry out a fact-finding mission on the situation of local government. The result was the joint CoE-OSCE report on : “Filling the power vacuum”, which asked UNMIK to remove from office a number of Kosovo Liberation Army members who were acting as mayors, whilst confirming the Serb elected representatives.

January-April 2000 CoE assisted UNMIK in the establishment of a legal basis to regulate the work of municipalities. This resulted in the adoption of UNMIK Regulation 45/2000 which defines the competences of municipalities and provides for the setting up of “communities committees”(where complaints from minority members can be lodged) and “mediation committees” aiming at a better protection of non-Albanian citizens.

October 2000 CoE supervised the international monitoring of the municipal elections in Kosovo at the request of UNMIK and OSCE.

Early 2001 CoE was instrumental in the setting up of the Association of Kosovo Municipalities, which initially comprised also Serb participation.

Mid 2002 SRSG Steiner persuaded the Serbs to take part in the Kosovo Assembly elections (October 2002) in exchange for a decentralisation plan which he asked the CoE to prepare.

Feb.-Nov.2003 A CoE expert mission, headed by Amb. Civiletti, worked for nine months on a comprehensive proposal for reform of local self-government in Kosovo.

March-June 2004 Following the violent events in Kosovo, the UN Security Council asked UNMIK to make proposals for renewed structures of local government which would better guarantee the rights of the Serb community. UNMIK set up a “Working Group on local self-government”¹ whose terms of reference were to provide a framework document for local self-government. The “Civiletti report was one of the working documents at the disposal of the WG. The CoE was asked to provide urgently the necessary legal expertise to assist in the drafting of the framework document. The Contact Group (Russia, US, UK, France, Italy and Germany) asked the Venice Commission to assist. A CoE official from the Secretariat of the Venice Commission and the CoE Head of Office in Pristina took part in all the meetings of the Working Group. The WG elaborated a “Framework for the Reform of Local Self Government in Kosovo” with the support of all WG members including the Serbs.

¹ UNMIK, OSCE, CoE, USAID, Ministry of Public Services, Prime Minister’s Office, Ministry of Finance, Serb community representative, representative of other minorities, Association of Kosovo Municipalities.

19 July 2004 *The “Framework” document was sent by UNMIK as a consensual document to the UN Security Council in New York.*

End 2004

Following the Kosovo Assembly elections (held on 23 October) the WG resumed its work. The CoE was asked by UNMIK to continue its participation in the Working Group and more specifically to:

- assist in the drafting of a Law on local self-government based on the framework document;
- provide an experienced Mayor (or former Mayor) to oversee the implementation of a number of pilot projects aiming at giving Serbs increased self-government in select areas.

Feb.-Oct. 2005

A CoE resident expert (supported by CoE staff both in Pristina and Strasbourg) provided advice to the newly established PISG on the design and implementation of the pilot projects.

*August 2005-
January 2006*

The CoE assessed various drafts of local government basic legislation prepared by the experts of the “Local Government Reform Working Group on Legislation”, providing advice on the overall design of basic legislation and guiding principles, as well as on targeted issues such as: supervision, work of local councils and their committees (namely the committees on “communities”, on “mediation” and on “policy and finance”), financial arrangements for local government; institutional dialogue, etc.

End 2005-2006

Since the start of “status talks” under Martti Ahtisaari’s leadership (UNOSEK), CoE has been asked to provide expert advice on a task-oriented basis. Although the CoE was not directly involved in the “status talks” held in Vienna, it acted as a resource organisation, giving advice on compatibility with European standards and on member states’ practices in a number of fields that were part of the “bottom-up” approach phase pursued by UNOSEK involving direct talks between the parties. The CoE has been asked to provide assistance on: general principles underpinning structures of local self-government (i.e. different degrees of autonomy), “asymmetric” decentralisation, local government responsibilities, decentralisation in the areas of justice, police and education, local finance, inter-municipal co-operation, administrative supervision. The CoE has been further requested to assist in proximity talks with the parties, based on the standards of the European Charter on Local Self-Government. It has provided extensive comments on the “position paper” on decentralisation prepared by Ambassador Albert Rohan (Ahtisaari’s Deputy). Two CoE officials, experts on local self-government, accompanied Mr Rohan in his proximity talks with the parties in the region.