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EUROPEAN COMMISSION

Brussels, 17 December 2010
C(2010) 9402

COMMISSION DECISION

of 2010

**adopting an Annual Programme for Kosovo* under the IPA Transition Assistance and
Institution Building Component for 2010**

* Under UNSCR 1244/1999.

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adopting an Annual Programme for Kosovo* under the IPA Transition Assistance and Institution Building Component for 2010

THE EUROPEAN COMMISSION,

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

Having regard to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-accession Assistance (IPA)¹, and in particular Article 14(2)(a) thereof,

Whereas:

- (1) Regulation (EC) No 1085/2006 lays down the objectives and main principles for pre-accession assistance to candidates and potential candidates.
- (2) In accordance with Article 7 of Regulation (EC) No 1085/2006, the assistance should be provided through multi-annual or annual programmes. These programmes should be drawn up in accordance with the general policy framework referred to in Article 4 of Regulation (EC) No 1085/2006 and the relevant multi-annual indicative planning document referred to in Article 6 of the same Regulation.
- (3) The Council established an Accession Partnership or a European Partnership for all candidates and potential candidates. On 10 July 2009 the Commission adopted a multi-annual indicative planning document which presents indicative allocations for the main priorities for pre-accession assistance to Kosovo for 2009-11².
- (4) Therefore, having regard to the projects proposed by Kosovo, the 'Annual Programme for Kosovo* under the IPA Transition Assistance and Institution Building Component for 2010' aims to provide assistance for political criteria, economic criteria and European standards.
- (5) This decision meets the requirements of Article 90 of Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002³ (hereinafter referred to as 'the implementing rules') and thus constitutes a financing decision within the meaning of Article 75 of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities⁴ (hereinafter referred to as 'the Financial Regulation').

* Under UNSCR 1244/1999.

¹ OJ L 210, 31.7.2006, p. 82.

² C (2009) 5438 of 10 July 2009.

³ OJ L 357, 31.12.2002, p. 1.

⁴ OJ L 248, 16.9.2002, p. 1.

- (6) It is appropriate to implement this programme partly by centralised management in accordance with Article 53a, partly by joint management with the Council of Europe in accordance with Article 53d(1)(b) of the Financial Regulation which stipulates that the Commission implements the budget by joint management ‘wherever the Commission and the international organisation elaborate a joint project or programme’ and with the United Nations Office for Project Services (UNOPS) in accordance with Article 53d(1)(c) of the Financial Regulation which stipulates that the Commission implements the budget by joint management ‘where the funds of several donors are pooled and are not earmarked for specific items or categories of expenditure, that is to say, in the case of multi-donor actions’ and partly by indirect centralised management with the Kreditanstalt für Wiederaufbau (KfW) in accordance with Article 54(2)(c) of the Financial Regulation which stipulates that the Commission may delegate tasks of public authority and in particular budget implementation tasks to ‘national or international public-sector bodies or bodies governed by private law with a public-service mission providing adequate financial guarantees and complying with the conditions provided for in the implementing rules’.
- (7) The measures provided for by this Decision are in accordance with the opinion of the IPA Committee⁵,

HAS DECIDED AS FOLLOWS:

Article 1

The ‘Annual Programme for Kosovo* under the IPA Transition Assistance and Institution Building Component for 2010’, as set out in the Annex, is hereby adopted.

This programme shall be implemented partly by centralised management, partly by joint management with the Council of Europe and the United Nations Office for Project Services (UNOPS) and partly by indirect centralised management with the Kreditanstalt für Wiederaufbau (KfW).

It shall be implemented by means of a financing agreement to be concluded between the Commission and Kosovo in conformity with the Framework Agreement of 19 December 2007.

Article 2

The maximum European Union contribution shall be **EUR 63.9 million**, to be financed under Article 22.020200 of the general budget of the European Union for 2010.

Done at Brussels,

*For the Commission,
Štefan Füle
Member of the Commission*

⁵ Recalling the Council Conclusions of 18 February 2008, Member States declare that adoption of the Annual Programme for Kosovo* under the IPA Transition Assistance and Institution Building Component for 2010 does not prejudice the position of each individual Member State on the status of Kosovo, which will be decided in accordance with their national practice and international law.

**ANNEX: ANNUAL PROGRAMME FOR KOSOVO* UNDER THE IPA
TRANSITION ASSISTANCE AND INSTITUTION BUILDING COMPONENT
FOR 2010**

1. IDENTIFICATION

Beneficiary	Kosovo
CRIS number	2010/022-452
Year	2010
Cost	EUR 63.9 million
Implementing authority	European Commission, except for activity 5 of project 1 and activity 3 of project 3, which will be implemented by joint management with the United Nations Office for Project Services (UNOPS), project 2, which will be implemented by joint management with the Council of Europe, and activity 3 of project 10, which will be implemented by indirect centralised management with the Kreditanstalt für Wiederaufbau (KfW).
Final date for concluding the financing agreement	At the latest by 31 December 2011.
Final dates for contracting	2 years following the date of conclusion of the financing agreement. These dates apply also to beneficiary co-financing.
Final dates for execution	2 years following the end date for contracting. These dates apply also to beneficiary co-financing.
Sector codes	12110, 14010, 14020, 15110, 15111, 15130, 15160, 16062, 23010, 25020, 31110, 31195, 41010, 43081, 43082
Budget line concerned	22.020200
Programming task manager	Unit C3, DG Enlargement
Implementation task manager	European Commission Liaison Office to Kosovo

2. PRIORITY AXES / PROJECTS

2.1. Priority axes

This programme focuses on the objectives identified in the Multi-annual Indicative Planning Document (MIPD) for 2009-11⁶ which reflects the key priorities of the Enlargement Strategy, the European Partnership and Kosovo's Medium-Term Expenditure Framework (MTEF). Taking into account previous IPA programmes as

* Under UNSCR 1244/1999.

⁶ C (2009) 5438 of 10 July 2009.

well as the fact that the Commission envisages, subject to a timely fulfilment of conditionality, to disburse EUR 50 million in macro-financial assistance (MFA) in 2010, this annual programme puts greater emphasis on the political criteria and European standards and allocates a slightly lower percentage to the economic criteria than envisaged in the MIPD for 2009-11.

Priority Axis 1 - Political criteria

39% of this programme focuses on priority axis 1 - the EU political criteria, including strengthening the rule of law, governance, public administration reform, communities and education.

Priority Axis 2 – Economic criteria

33% of this programme addresses priority axis 2 - wider socio-economic issues, such as public finance, regional economic development, including infrastructure, and agriculture and rural development.

Priority Axis 3 – European standards

19% of this programme focuses on priority axis 3 - the approximation of legislation and European standards, including on veterinary and food safety, energy sector reform, and the environment.

Priority Axis 4 – Support activities

A maximum of EUR 6.1 million will be allocated to priority axis 4 to cover the costs of preparatory action necessary to implement and attain the objectives of other actions already defined in this programme, including feasibility and other studies, training, seminars, supervisory services and related technical assistance. The 2010 programme is designed to have the flexibility necessary to respond to Kosovo's priority needs in 2011 and 2012, particularly for strengthening the EU's leadership role and presence in Kosovo.

2.2. Description of projects grouped per priority axis

Priority axis	IPA support⁷	Project beneficiary/purpose/activities and indicative implementation schedule and indicative budget allocations
Priority axis 1 <i>Political criteria</i>	24.8	
01-2010/1: <i>Strengthening the rule of law</i>	12.3	Beneficiaries: Ministry of Internal Affairs, Ministry of Justice, Ministry of Health, Kosovo Judicial Council, Kosovo Prosecutorial Council, Kosovo Police <ul style="list-style-type: none"> • Increasing the independence and improving the performance of the judiciary by developing the professionalism, independence and efficiency of the Kosovo Prosecutorial and Judicial Councils • Building a safe house and strengthening institutions through procedures and systems to reduce trafficking and smuggling of human beings, protect trafficked individuals and victims of

⁷ In EUR million.

		<p>domestic violence and tackle organised crime</p> <ul style="list-style-type: none"> • Improving the treatment of mentally ill offenders by establishing a Forensic Psychiatry Institute • Strengthening performance capability and improving the services of the Kosovo Police by implementing the intelligence-led policing concept and establishing a uniform intelligence information system • Increasing public safety by appropriately accommodating an increasing number of high-risk inmates and enabling Kosovo authorities to handle the potential increase in convictions related to the readmission of persons with a criminal background from EU Member States (joint management with UNOPS) <p>Implementation: 4 service contracts, 2 works contracts, 1 supply contract to be launched in Q1 - Q3 2011 (EUR 7.3 million); 1 contribution agreement with the United Nations Office for Project Services to be concluded in Q3 2011 (EUR 5 million)</p>
02-2010/1: Governance	2.0	<p>Main beneficiaries: Ombudsperson Institution in Kosovo, Office of Good Governance, Human Rights, Equal Opportunities and Gender Issues (OGG) under the Office of the Prime Minister of Kosovo, Kosovo Anti-Corruption Agency (KAA) and Financial Intelligence Centre (FIC); other beneficiaries include the Human Rights Units in the relevant ministries and municipalities and civil society organisations</p> <ul style="list-style-type: none"> • Strengthening institutional capacity to counter corruption, money-laundering and financing of terrorism in Kosovo in accordance with European standards based on thorough assessments and recommendations for improving and streamlining reforms targeting economic crime • Building the capacity of institutional and non-institutional human rights stakeholders to apply and ensure compliance with European human rights standards in Kosovo <p>Implementation: 2 contribution agreements with the Council of Europe to be concluded in Q1 2011 (EUR 1 million each)</p>
03-2010/1: Public administration reform	5.5	<p>Beneficiaries: Ministry of European Integration, Kosovo Assembly, Statistical Office of Kosovo (SOK)</p> <ul style="list-style-type: none"> • Enhancing administrative capacity in the Assembly to ensure that the Presidency and Assembly Committees fulfil their tasks properly in relation to EU approximation and implementation of EU best practices • Generating a core group amongst the new generation of civil servants who are prepared and determined to implement reforms in public administration, in particular those required for EU integration • Strengthening Kosovo's statistics system by enabling SOK to carry out the population and housing census in 2011 (joint management with UNOPS) <p>Implementation: 1 service contract (EUR 1.5 million) and 1 twinning contract (EUR 1.5 million) to be launched in Q4 2010 – Q1 2011; 1 contribution agreement with the United Nations Office for Project Services to be concluded in Q4 2010 (EUR 2.5 million)</p>

04-2010/1: <i>Communities and education</i>	5.0	<p>Beneficiaries: Ministry for Communities and Returns (MCR) and a number of selected municipalities, local and central organisations representing refugees, displaced persons /groups, Ministry of Education</p> <ul style="list-style-type: none"> • Allowing sustainable return of displaced persons and refugees from minority communities through increased involvement of central and municipal state and non-state actors in selected municipalities • Supporting research activities and building the capacity of universities and research institutes in priority sectors: agricultural production and food safety; the environment; energy and natural resources; health and medical research; and social science research <p>Implementation: 2 calls for proposals⁸ to be launched in Q1 – Q2 2011 (EUR 4 million and 1 million respectively)</p>
Priority axis 2 <i>Economic criteria</i>	21.0	
05-2010/2: <i>Public finance</i>	1.5	<p>Beneficiaries: Kosovo Customs and Privatisation Agency of Kosovo</p> <ul style="list-style-type: none"> • Improving the IT infrastructure of Kosovo Customs, integrating supply chain security management into the Customs Declaration Processing System and further aligning Kosovo legislation and procedures with the EU <i>acquis</i> • Helping the Privatisation Agency of Kosovo complete the on-going privatisation and liquidation of socially-owned enterprises <p>Implementation: 1 service contract to be launched in Q4 2010 (EUR 1.5 million)</p>
06-2010/2 <i>Regional economic development</i>	17.5	<p>Beneficiary: Ministry of Local Government Administration</p> <ul style="list-style-type: none"> • Consolidating the European Union Regional Economic Development (EURED) process to be run by Kosovo authorities building on previous EU assistance in a multi-annual approach. This includes support for operation of the five regional development agencies, plus small grants targeting job creation and fostering civil society, good governance and youth activities • Improving social and economic infrastructure and making local government better able to develop infrastructure, e.g. schools, kindergartens, health, youth and sports facilities, municipal buildings and road rehabilitation, water supply and sewage systems <p>Implementation: 2 service contracts, up to 5 works contracts (EUR 12.5 million), 5 direct operating grants to the 5 regional development agencies (RDAs) in Kosovo (as per article 168(1)(c), refer to section 4.2. below) (EUR 1 million) and 1 grant scheme⁹ (EUR 4 million) to be launched in Q1 2011 – Q4 2011</p>

⁸ The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions.

⁹ Ibid.

07-2010/2: <i>Agriculture and rural development</i>	2.0	Beneficiary: Ministry of Agriculture, Forestry and Rural Development (MAFRD) <ul style="list-style-type: none"> Strengthening administrative structures within the MAFRD and civil society organisations to formulate and implement Kosovo's agriculture and rural development programme in conformity with EU principles and standards Implementation: 1 twinning contract to be launched in Q1 2011 (EUR 2 million)
Priority axis 3 <i>European standards</i>	12.0	
08-2010/3: <i>Veterinary and food safety</i>	1.5	Beneficiary: Kosovo Food and Veterinary Agency (FVA) <ul style="list-style-type: none"> Strengthening the FVA's capacity to adopt and enforce EU policies and legislation on animal and plant health and hygiene and helping agri-food businesses and the farming community to implement EU standards Implementation: 1 twinning contract to be launched in Q4 2010 (EUR 1.5 million)
09-2010/3: <i>Energy sector reform</i>	2.0	Beneficiary: Energy Regulatory Office (ERO) and Kosovo Transmission System and Market Operator (KOSTT) <ul style="list-style-type: none"> Supporting ERO with further development and implementation of the regulatory framework Strengthening the capacity of KOSTT to participate in the regional energy market and the European Network of Transmission System Operators for Electricity (ENTSO-E) Implementation: 2 service contracts to be launched in Q1 2011 (EUR 2 million)
10-2010/3: <i>Environment</i>	8.5	Beneficiaries: Ministry of Environment and Spatial Planning, Regional Water Company Pristina J.s.c. (project implementing agency), Ministry of Economy and Finance (MEF) as owner of the Regional Water Company Pristina, Municipality of Pristina, Fushe Kosove, Obiliq, Podujev, Graqanica, National Institute for Public Health in Kosovo <ul style="list-style-type: none"> Strengthening the capacity of the Environment Ministry and stakeholders for completing and enforcing the secondary legislation on water and river basin management, management of water infrastructure, including dams, waste management, spatial and urban planning management, nature protection and biodiversity Supporting the Environment Ministry in drafting a water strategy and an action plan including preliminary and preparatory work such as data collection, studies and analyses of water resources in Kosovo Providing a sustainable supply of reliable and safe drinking water to the population of the region of Pristina (indirect centralised management by KfW) and beyond, by improving laboratory analyses and adopting advanced water treatment processes Implementation: 1 twinning contract (EUR 1.8 million), 1 service contract (EUR 1.2 million) and 1 supply contract (EUR

		0.5 million) to be launched in Q1-Q2 2011; 1 delegation agreement to be concluded with the Kreditanstalt für Wiederaufbau in Q2 2012 (EUR 5 million)
Priority axis 4 <i>Support activities</i>	6.1	
11-2010/4: <i>General technical assistance and ‘Kosovo Communication’ follow-up facility</i>	6.1	<p>Main beneficiary: Ministry of European Integration</p> <ul style="list-style-type: none"> • Supporting the newly established ministry, line ministries and beneficiaries in preparing action linked to the priorities for EU integration, sustained socio-economic development, sectoral approximation and regional cooperation • Supporting measures proposed in the ‘Kosovo Communication’ in order to promote Kosovo’s political and socio-economic development <p>Implementation: indicatively 10-15 contracts (services, works and supplies) to be launched in Q1 2011 – Q4 2012 (EUR 6.1 million)</p>
TOTAL	63.9	

Other EU assistance complementing this programme

Close coordination and complementarity will be sought with other EU instruments outside this annual programme. Projects under the IPA Multi-Beneficiary Programme for the entire Western Balkans region should also cover Kosovo, addressing regional cooperation and coordination dimensions. The TEMPUS programme is financed from the IPA geographical allocations, including EUR 2.2 million from the annual allocation for Kosovo. The aim is to involve Mitrovica/ë and Pristina universities in partnerships and studies with and/or in European universities.

In addition to IPA, the 2007-10 European Instrument for Democracy and Human Rights (EIDHR) Programme managed by DG AIDCO includes an annual allocation of EUR 0.9 million for Kosovo in 2007, 2008, 2009 and 2010. This programme should address the human rights challenges by means of grants to civil society organisations.

2.3. Overview of past and ongoing EU, multilateral and bilateral assistance, including lessons learned and donor coordination

In July 2008, the Commission organised a donors’ conference for Kosovo, which raised EUR 1.2 billion in pledges, including more than EUR 500 million from the EU budget. Combined, the EU and its Member States pledged almost EUR 800 million. The Commission has already committed all the funds it pledged, alongside virtually all other donors. Disbursement and contracting have started. Kosovo continues to benefit from EU financial assistance under the Instrument for Pre-accession Assistance, CARDS¹⁰, the Instrument for Stability and other initiatives. It remains eligible for macro-financial assistance. This programme complements assistance provided to Kosovo under the IPA annual programmes for 2007, 2008 and 2009 and takes account of the results expected from them. Many projects financed under these programmes are currently under implementation and have not, therefore, yet been subject to an impact evaluation.

¹⁰ Community Assistance for Reconstruction, Development and Stabilisation.

Experience suggests that IPA assistance needs to consider the following lessons learned:

- EU assistance must be directly linked to Kosovo's European perspective, e.g. the European Partnership Action Plan and Kosovo's Medium-Term Economic Framework (MTEF), including relevant sectoral strategies and plans.
- One precondition for efficient assistance is coordination, requiring greater efforts from Kosovo's institutions to link their development needs and EU assistance, efficient donor consultation and closer cooperation within the government, a process to be driven by Kosovo's IPA coordinator.
- Greater local ownership of EU assistance is essential for effective targeting and for achieving the agreed results in line with EU standards. The planning and project preparation capacity of Kosovo's authorities therefore has to be improved. In order to reap maximum benefit from the assistance provided, the administration's absorption capacity must be taken into account when designing programmes, including its capacity to develop internal mechanisms for assessing institutional capacity.
- There are various reasons to support allocating a significant proportion of EU assistance to investments in infrastructure: (1) many donors already offer 'soft' technical assistance (training), (2) the expected economic downturn adds to the importance of capital investment and (3) the existing buildings and equipment are often inadequate.
- Proper monitoring of programmes, both by the beneficiaries and by the Commission, is vital for achieving the desired results or adapting the activities to the rapidly changing environment.

A number of EU Member States, International Financial Institutions (IFIs), other organisations and bilateral donors are active in Kosovo. However, IFI involvement there is limited for reasons related to Kosovo's status. Furthermore, EULEX Kosovo, the CSDP Mission established in 2008, is mandated in the rule of law field to carry out monitoring, mentoring and advisory activities. One of the latest developments to improve aid effectiveness and donor coordination since the Tirana Donor Coordination Conference organised by the European Commission in April 2009 is an 'Aid Management Platform' funded by the EU and the United States Agency for International Development with the full support of the Kosovo authorities and the donor community. This will make it easier to share information on ongoing and planned projects across the donor community. This Aid Management Platform addresses the main problems encountered with donor coordination in Kosovo, i.e. the large number of donors present, the lack of resources at government level and the lack of a comprehensive system for sharing tentative plans and priorities.

To make further progress towards developing sector strategies, the Medium-Term Expenditure Framework has been updated. Kosovo's European Partnership Action Plan, updated in May 2010, identifies the action Kosovo intends to take to implement its EU reform agenda. Strategic planning at sectoral level, supported by donors and by Kosovo, has become more visible. The Kosovo authorities have established government coordination meetings and have embarked on a more structured approach to donor coordination and a sectoral approach to planning assistance.

The European Commission Liaison Office to Kosovo plays an important role in ensuring donor coordination and aid effectiveness on the ground. It organises and chairs monthly meetings of the main donors in which representatives of Kosovo participate. The

European Commission supports Kosovo's ownership of donor coordination and work towards a programme-based approach.

2.4. Horizontal issues

Systematically addressing horizontal issues is a critical starting-point in programme design. Local bodies responsible for these issues, including civil society, will be consulted continuously to help Kosovo's institutions mainstream horizontal issues effectively. Part of the projects' budget may be allocated for this purpose.

Equal opportunities and non-discrimination

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

Support for minority and vulnerable groups

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

Environmental protection

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

Good governance, with particular attention to the fight against corruption

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

2.5. Conditions

- The Kosovo authorities must formally endorse project fiches, including parallel co-financing commitments.
- The Kosovo authorities must ensure that the beneficiary institutions have adequate resources to use EU financial support in the most effective and sustainable manner.

- Beneficiary institutions must participate in drafting the design and tender documents, including terms of reference, and formally endorse them. They must also participate in the selection committees for procurement and grants.
- The Kosovo authorities must ensure the availability of land where ownership is clear and certain for the planned works. They must secure the long-term sustainability of relevant action by allocating the necessary resources, including operating and maintenance costs.
- Beneficiary institutions must organise, select and appoint members of working groups, steering, monitoring and coordination committees and seminars, as required by the project activities (ensuring a gender and ethnic balance).

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

2.6. Benchmarks

	N		N+1 (cumulative)		N+2 (cumulative)	
	EU	NF	EU	NF	EU	NF
Tenders launched	2	2	26	7	34	7
Calls for proposals launched	1	0	11	0	11	0
Contribution agreements concluded	1	0	4	0	4	0
Delegation agreements concluded	0	0	0	0	1	0
Contracting rate (%)	4%	0%	60%	70%	100%	100%

2.7. Roadmap for decentralisation of management of EU funds without *ex-ante* controls by the Commission

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

3. BUDGET (AMOUNTS IN EUR)

3.1. Indicative budget table

Centralised management	Institution building (IB)					Investment (INV)					Total (IB + INV)	Total IPA EU contribution	
	Total expenditure	IPA EU contribution		Beneficiary contribution*		Total expenditure	IPA EU contribution		Beneficiary contribution*				
	EUR (a)=(b)+(c)	EUR (b)	% ⁽¹⁾	EUR (c)	% ⁽¹⁾	EUR (d)=(e)+(f)	EUR (e)	% ⁽¹⁾	EUR (f)	% ⁽¹⁾	EUR (g)=(a)+(d)	EUR (h)=(b)+(e)	% ⁽²⁾
Priority axis 1 Political criteria	24,714,000	15,600,000	63%	9,114,000	37%	12,200,000	9,200,000	75%	3,000,000	25%	36,914,000	24,800,000	39%
Project 1: Strengthening the rule of law	3,352,000	3,100,000	92%	252,000	8%	12,200,000	9,200,000	75%	3,000,000	25%	15,552,000	12,300,000	–
Project 2: Governance	2,200,000	2,000,000	91%	200,000	9%	0	0	0	0	0	2,200,000	2,000,000	–
Project 3: Public administration reform	12,700,000	5,500,000	43%	7,200,000	57%	0	0	0	0	0	12,700,000	5,500,000	–
Project 4: Communities and education	6,462,000	5,000,000	77%	1,462,000	23%	0	0	0	0	0	6,462,000	5,000,000	–
Priority axis 2 Economic criteria	7,405,000	7,000,000	95%	405,000	5%	17,900,000	14,000,000	78%	3,900,000	22%	25,305,000	21,000,000	33%
Project 5: Public finance	1,650,000	1,500,000	91%	150,000	9%	500,000	0	0	500,000	100%	2,150,000	1,500,000	–
Project 6: Regional	3,555,000	3,500,000	98%	55,000	2%	17,400,000	14,000,000	80%	3,400,000	20%	20,955,000	17,500,000	–

economic development													
Project 7: Agriculture and rural development	2,200,000	2,000,000	91%	200,000	9%	0	0	0	0	0	2,200,000	2,000,000	–
Priority axis 3 European standards	5,400,000	5,000,000	93%	400,000	7%	37,200,000	7,000,000	19%	30,200,000	81%	42,600,000	12,000,000	19%
Project 8: Veterinary and food safety	0	0	0	0	0	1,700,000	1,500,000	88%	200,000	12%	1,700,000	1,500,000	–
Project 9: Energy sector reform	2,000,000	2,000,000	100%	0	0	0	0	0	0	0	2,000,000	2,000,000	–
Project 10: Environment	3,400,000	3,000,000	88%	400,000	12%	35,500,000	5,500,000	15%	30,000,000	85%	38,900,000	8,500,000	–
Priority axis 4 Support activities	5,800,000	5,800,000	100%	0	0	300,000	300,000	100%	0	0	6,100,000	6,100,000	9%
Project 11: General technical assistance and Kosovo Communication follow-up facility	5,800,000	5,800,000	100%	0	0	300,000	300,000	100%	0	0	6,100,000	6,100,000	–
TOTAL	43,319,000	33,400,000	77%	9,919,000	23%	67,600,000	30,500,000	45%	37,100,000	55%	110,919,000	63,900,000	100%

* Contribution (public and private beneficiary and/or international contribution) provided by counterparts from the beneficiary.

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

(2) Priority axis rows only. Expressed in % of the grand total of column (h). It indicates the relative weight of the priority with reference to the total IPA EU contribution of the entire FP.

3.2. Principle of co-financing applying to the projects funded under the programme

The EU contribution, which represents 58% of the total budget allocated to this programme, has been calculated in relation to the eligible expenditure, which in the case of centralised management and joint management is based on the total expenditure. Parallel co-financing will be used.

In total, 23% of co-financing is envisaged institution building (IB) and 55% for investment (INV). The rate of co-financing of IPA programmes has increased year by year.

In the case of grants, final grant beneficiaries should contribute a minimum of 10% of the eligible expenditure, both for investment and institution building projects.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Method of implementation

The programme will mainly be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation¹¹ and the corresponding Implementing Rules¹². Implementation of the programme will be managed by the European Commission Liaison Office to Kosovo.

Activity 5 of project 1 and activity 3 of project 3 of this programme will be implemented by the European Commission by joint management with the United Nations Office for Project Services (UNOPS) and project 2 by joint management with the Council of Europe, in accordance with Article 53d of the Financial Regulation and the corresponding Implementing Rules. To this end, the Commission will conclude contribution agreements with the relevant international organisation.

Activity 3 of project 10 will be implemented by the European Commission by indirect centralised management with the Kreditanstalt für Wiederaufbau (KfW) in accordance with Article 54(2)(c) of the Financial Regulation and the corresponding Implementing Rules. To this end, the Commission and KfW will conclude a delegation agreement.

4.2. General rules for procurement and grant award procedures

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

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

The Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EU external actions" ("Practical Guide") as published on the EuropeAid website¹³ at the date of the initiation of the procurement or grant award procedure.

The general rules for procurement and grant award procedures for activity 5 of project 1 and activity 3 of project 3 on the one hand and for project 2 on the other will be defined in the

¹¹ Regulation 1605/2002 (OJ L 248, 16.9.2002, p. 1), as amended.

¹² Regulation 2342/2002 (OJ L 357, 31.12.2002, p. 1), as amended.

¹³ http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm.

contribution agreements between the Commission and UNOPS and the Council of Europe respectively for implementing the project/activity.

The operating grant contracts provided for in project 6 (activity 1) may be awarded to the five regional development agencies in Kosovo without a call for proposals due to their *de facto* monopoly and exclusive competence (entities of public nature) in the targeted geographical areas covering the entire territory of Kosovo and in accordance with Article 168(1)(c) of the Implementing Rules to the Financial Regulation. The cases will be duly substantiated in the respective award decisions. All relevant provisions of the Financial Regulation and its Implementing Rules will be respected, and notably Art. 113 (2) of the Financial Regulation.

4.3. Implementation principles for twinning projects

Twinning projects shall be set up in the form of a grant agreement, whereby the selected Member State administrations agree to provide the requested public sector expertise against the reimbursement of the expenses thus incurred. The contract may in particular provide for the long-term secondment of an official assigned to provide full-time advice to the administration of the beneficiary as resident twinning advisor. The twinning grant agreement shall be established in accordance with relevant provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The twinning manual is available on the website of DG ELARG at the following address: http://ec.europa.eu/enlargement/financial_assistance/institution_building/twinning_en.htm

4.4. Environmental impact assessment and nature conservation

All investments shall be carried out in compliance with the relevant EU environmental legislation. An environmental impact assessment equivalent to that provided for by the EIA Directive must be made for each project¹⁴ which falls within the scope of the EIA Directive¹⁵.

An appropriate nature conservation assessment equivalent to that provided for in Article 6 of the Habitats Directive¹⁶ must be made for any project¹⁷ that is likely to affect sites of nature conservation importance.

5. MONITORING AND EVALUATION

5.1. Monitoring

The Commission may take any action it deems necessary to monitor the programmes. Such action may be carried out jointly with the international organisation or body concerned if the activity is implemented by joint management or indirect centralised management.

5.2. Evaluation

Programmes shall be subject to *ex-ante* evaluations and also interim and, where relevant, *ex-post* evaluations in accordance with Articles 57 and 82 of the IPA Implementing Regulation, with the aim of improving the quality, effectiveness and consistency of the assistance from EU funds and of the strategy and implementation of the programmes. The results of *ex-ante*

¹⁴ Cf. EIA Annex to the corresponding investment project fiche.

¹⁵ Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment (OJ L 175, 5.7.1985, p. 40), as amended.

¹⁶ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7), as amended.

¹⁷ Cf. nature conservation Annex to the corresponding investment project fiche.

and interim evaluation shall be taken into account in the programming and implementation cycle. The Commission may also carry out strategic evaluations.

6. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES

The accounts and operations of all parties involved in implementation of this programme and all contracts and agreements implementing this programme are subject to, on the one hand, supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or via an outside auditor, and, on the other, audits by the European Court of Auditors. This includes measures such as *ex-ante* verification of tendering and contracting carried out by the European Commission Liaison Office. In order to ensure efficient protection of the financial interests of the European Union, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures specified in Council Regulation (EC, Euratom) 2185/96¹⁸. The controls and audits described above apply to all contractors, subcontractors and grant beneficiaries who receive EU funds.

7. NON SUBSTANTIAL REALLOCATION OF FUNDS

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

8. LIMITED ADJUSTMENTS IN THE IMPLEMENTATION OF THE PROGRAMME

Limited changes in the implementation of this programme affecting essential elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature¹⁹, may be undertaken by the authorising officer by delegation (AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him/her by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

¹⁸ OJ L 292, 15.11.1996, p. 2.

¹⁹ These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.