

COMMISSION DECISION

C(2007)2271 of 01/06/2007

on a Multi-annual Indicative Planning Document (MIPD) 2007-2009 for Kosovo under UNSCR 1244

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

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 creates a coherent framework for Community assistance for candidate countries and potential candidate countries. Article 6 (1) of that Regulation requires that the assistance shall be provided on the basis of multi-annual indicative planning documents established by country in close consultation with the national authorities.
- (2) In accordance with Article 6 (3) of Regulation (EC) No 1085/2006 assistance for countries listed in Annex II to that Regulation shall be based on the European Partnerships and cover the priorities and overall strategy resulting from a regular analysis of the situation in the country and on which preparation for further integration into the European Union must concentrate.
- (3) Kosovo under UNSCR 1244 is listed in Annex II to Regulation (EC) No 1085/2006.
- (4) The Council adopted on 30 January 2006 the European Partnership with Kosovo under UNSCR 1244².
- (5) This Decision is in accordance with the opinion of the IPA Committee set up under Article 14 of Regulation (EC) No 1085/2006,

¹ OJ L 210, 31.7.2006, p.82

² Council Decision 2006/56/EC of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with Serbia and Montenegro including Kosovo as defined by the United Nations Security Council Resolution 1244 of 10 June 1999 (OJ L35, 7.2.2006, p.32)

HAS DECIDED AS FOLLOWS:

Sole article

The Multi-annual Indicative Planning Document (MIPD) for the years 2007-2009 for Kosovo under UNSCR 1244 attached to the present Decision is hereby adopted.

Done at Brussels, [...]

For the Commission

[...]

Member of the Commission

EN

EN

EN

ANNEX

Instrument for Pre-accession Assistance (IPA)

MULTI-ANNUAL INDICATIVE PLANNING DOCUMENT FOR KOSOVO (under UNSCR 1244)¹

2007 - 2009

¹ United Nations Security Council Resolution 1244 of 9 June 1999

Table of Contents

Instrument for Pre-accession Assistance (IPA) MULTI-ANNUAL INDICATIVE PLANNING DOCUMENT FOR KOSOVO (under UNSCR 1244) 2007 - 2009	1
Preface	3
Executive Summary	4
1. Assessment of Strategic Priorities and Objectives	5
1.1 Introduction	5
1.2 Objectives of pre-accession assistance	6
1.3 Overview of past and on-going pre-accession assistance	8
1.4 Relevant IFI, multilateral and bilateral assistance.....	10
2. Pre-accession Assistance Strategy for the Period 2007-2009.....	11
2.1 Strategic Choices.....	11
2.2 Component I – Transition Assistance and Institution Building	12
2.2.1. Political Requirements.....	12
2.2.2 Socio-economic Requirements	15
2.2.3 European Standards	19
2.2.4 Financial indications	22
2.3 Component II – Cross Border Cooperation	23
2.3.1 Current situation and past/ongoing EU assistance	23
2.3.2 Major areas of intervention and goals.....	24
2.3.3 Main priorities and objectives.....	24
2.3.4 Expected results and time-frame	24
2.3.5 Type of assistance to be provided	24
2.3.6 Financial indications	25
List of abbreviations	26
ANNEX 1	27

Preface

The main objectives of the **Instrument for Pre-Accession Assistance (IPA)**² is to help Kosovo face the challenges of European integration, to implement the reforms needed to fulfil EU requirements and progress in the Stabilisation and Association Process and to lay the foundations for fulfilling the Copenhagen criteria for EU membership.

The IPA instrument in general consists of five components; (IPA-I) Transition Assistance and Institution Building; (IPA-II) Cross-Border Cooperation, which applies to border regions between beneficiaries from member states, candidate states and countries in pre-accession status; (IPA III, IV and V) Regional, Human Resources and Rural Development, which are planned for candidate countries.

Potential candidate countries will receive assistance through components I and II of IPA. Potential candidate countries and candidate countries that have not been accredited to manage funds in a decentralised manner (DIS) should however be eligible, under component I, for measures and actions of a similar nature to those which will be available under components III, IV and V.

The basic policy documents for setting down the priorities for programming of assistance under IPA are the European Partnership, the Strategy Paper - which presents the Commission's overall enlargement policy for the candidate and potential candidate countries - as well as the annual report on progress made by countries on their road towards the EU, including implementation and enforcement of EU standards.

IPA will allow flexibility in order to respond to possible new priorities identified in the Commission's annual progress reports.

This multi-annual indicative planning document (MIPD) is the strategic document for IPA. It is established for a three year rolling period, with annual reviews. It follows the Multi Annual Indicative Financial Framework (MIFF) which indicatively allocates funds per beneficiary and per component. It draws on the pre-established IPA components.

The priorities set out in the MIPD components will serve as a basis for the annual programming of EU funds in 2007, 2008, and 2009.

² Council Regulation (EC) No 1085/2006 of 17 July 2006, Official Journal L210

Executive Summary

Along with the rest of the region, Kosovo is presently embracing the European agenda, underpinned by the EU policy for the Western Balkans, the Stabilisation and Association Process (SAP). At the same time, the ongoing talks under the auspices of the United Nations on its future status are expected to be finalised by late 2006. Future EC assistance will support the status settlement, the development of Kosovo's economy and Kosovo's European and regional efforts to integrate.

The major challenges for Kosovo that will be addressed by the multi annual indicative planning document are:

Kosovo status: EC assistance will accompany the realisation of requirements in relation to any future status settlement and be used to support Kosovo to develop into a stable, modern, democratic and multi-ethnic society based on the respect of the rule of law. These conditions are at the heart of the EU's political criteria.

Socio-economic development: EC assistance will also be used in support of developing Kosovo's weak economy and enhancing the wider socio-economic environment for all communities. This will require grant funding for direct investment. At the same time, more efforts will be devoted to help the authorities in developing a reform agenda that promotes good governance of public expenditure and ensures fiscal sustainability.

The European agenda: EC assistance will support and accompany Kosovo's European vocation as a regionally integrated part of the Western Balkans region. Gradual approximation to the EC legislation, increased attention to home affairs and preparation for participation into Community programmes will be the most salient features.

The indicative funding available for the period 2007 – 2009 amounts to €199.1 million for the Transition Assistance and Institution Building component and the cross border cooperation component. Although these components have a separate allocations in the MIFF, complementarity and synergy between actions programmed under the two components shall be ensured.

*IPA allocations for Kosovo 2007 – 2009 (in € million) agreed in the **Multi-annual Indicative Financial Framework (MIFF)***

Component	2007	2008	2009	2007-2009
<i>Transitional Assistance and Institution Building</i>	65,7	62,0	63,3	191,0
<i>Cross-Border Cooperation</i>	2,6	2,7	2,8	8,1
Total	68,3	64,7	66,1	199,1

1. Assessment of Strategic Priorities and Objectives

1.1 Introduction

The **Multi-annual Indicative Planning Document** (MIPD) 2007 - 2009 is the key strategic planning document for assistance to Kosovo under the Instrument for Pre-Accession Assistance³ (IPA). It follows the **Multi-annual Indicative Financial Framework** (MIFF) which indicatively allocates funds per beneficiary and per component.

Kosovo is at an important point in its history. Significant developments have taken place since 1999, which has witnessed the establishment of the United Nations Interim Administration Mission in Kosovo, local and Kosovo wide elections and the establishment of, and the increasing transfer of responsibilities to, Kosovo's provisional institution of self-government realising the UNSC 1244 prescribed aim of meaningful self-administration.

The political process to determine Kosovo's future status was launched in November 2005. Under the auspice of the UN Envoy Mr Martti Ahtisaari, talks between Pristina and Belgrade are ongoing with particular focus on decentralisation, community rights, religious and cultural heritage and economic issues. The Contact Group⁴ has provided a set of "guiding principles" for this process and expressed its preference that status talks be concluded by the end of 2006.

The international community has committed itself to guaranteeing the stipulations of the future status settlement to ensure that the future Kosovo will be a stable, democratic and multi ethnic society based on the rule of law and safe for all its communities. The European Union has pledged to play a bigger role in Kosovo, particularly in relation to the rule of law and the economy. It is currently laying the groundwork for such a role.

Meanwhile, Kosovo is embracing the European agenda and determined to move closer to Europe. Almost all instruments under the Stabilisation and Association Process are open to Kosovo. The **European Partnership**⁵ adopted in January 2006 integrated the content of all eight chapters of the "UN Standards for Kosovo" into its general structure. This resulted in one single legal framework for implementation and monitoring.

The SAP Tracking Mechanism - established by the Commission with the local and international authorities - provides a high level forum for policy and technical dialogue, complemented by technical sectoral workshops. The Commission's annual progress report has – as in the rest of the region – become an important monitoring tool to assess Kosovo's progress on annual basis.

EC assistance is an integral part of fostering Kosovo's participation in the SAP.

The MIPD sets the strategic context and identifies the major areas of intervention and main planning priorities for the subsequent development of assistance annual programmes. It sets out the European Commission's main priorities and areas of intervention to be supported during 2007-2009 in the context of the Stabilisation and Association Process and

³ Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)

⁴ The Contact Group provides political guidance to the process. It is composed of France, Germany, Italy, Russia, the United Kingdom and the United States.

⁵ Council Decision of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with Serbia and Montenegro including Kosovo as defined by the United Nations Security Council Resolution 1244 of 10 June 1999 and repealing Decision 2004/520/EC (2006/56/EC)

its tools, notably the European Partnership and the **Action Plan** for the implementation of the European Partnership adopted by Kosovo on 9 August 2006.

The present multi annual indicative planning document (MIPD) is the first such document for Kosovo in 2007-2009. It builds on previous EC assistance (mainly the CARDS programme) which addressed the most pressing reconstruction needs in Kosovo and has increasingly been focused on institution building in recent years. The next MIPD will be developed in 2007 covering on rolling basis three next years (2008-2010) of the planning period. The possibility of updating and adding development priorities every year allows for flexibly following actual integration and development of candidates and potential candidates.

The multi annual indicative planning document has been widely consulted during its preparation.

Consultation with Kosovo authorities - The United Nations Interim Administration Mission in Kosovo (UNMIK) and the Provisional Institutions for Self Government (PISG) were consulted on a number of occasions during the drafting of the present document on its priorities and detailed scope in order to ensure complementarity with Kosovan priorities and policies. Furthermore, the international and local authorities were consulted at the SAP Tracking Mechanism meetings of March, July and September 2006. Detailed comments received have been taken into account.

Consultation with EU Member States present in Kosovo - Meetings were held in Pristina during the development of the current MIPD, to which all Member States present in Pristina were invited, where the priorities of the current MIPD were presented in order to ensure complementarity with Member States' bilateral assistance plans, as well as to avoid any duplication of efforts between the EC and Member States. Valuable comments received from EU Member States have been considered in the document.

Consultation with civil society – Kosovo based local and international civil society organisations were given a draft of the MIPD and an opportunity to comment on its content.

Consultation with other stakeholders - Co-ordination meetings with international financing institutions and other stakeholders were held in Pristina, attended by UNDP, IMF, the World Bank, the Swiss Office and USAID. Consultation with EIB and International Financial Institutions took place in November 2006.

Co-ordination between the World Bank's Washington headquarters and Brussels office takes place regularly and benefits further from the presence of the EC/WB Joint Office in Brussels.

1.2 Objectives of pre-accession assistance

EU assistance will respond to Kosovo's immediate, medium and long term development needs. These development needs are as much prescribed by its future status and difficult economic situation, as it is by Kosovo's European vocation.

As soon as Kosovo's status has been defined, a further and much more substantial transfer of competences to the provisional institutions will occur. This may entail the creation of institutions that currently do not exist and setting up new administrative structures, or enhancing existing ones.

A 2005 assessment of Kosovo's administrative capacity found that the foundations for a sound system of public administration had been established. However, serious weaknesses

remain and Kosovo has yet to build up an administration that can manage the requirements that will come with increased responsibilities.

Despite general improvements in economic regulatory frameworks, the economy's structural performance remains difficult. The World Bank's 2005 poverty assessment found that poverty remains widespread and strong growth will be needed to alleviate poverty in Kosovo.

Macroeconomic stability has yet to have been satisfactorily achieved, mainly due to the fragile fiscal and Kosovo's unsustainable external position. The informal economy is large. Unemployment remains high, also due to excessive labour costs. These costs also dampen private sector development and export competitiveness.

Developing and implementing sector policies in line with European standards and requirements is a demanding effort that requires a committed and strong administration. Kosovo's current capacities need to be further enhanced to develop and implement those policies.

Kosovo is also striving to ensure that it will be able to fulfil the requirements of the Stabilisation and Association Process, and realise its European vocation, alongside the rest of the Western Balkans.

The key objectives of pre-accession assistance are fully in line with the **European Partnership** with Kosovo and form three overarching sub-components of MIPD:

EC assistance will accompany the realisation of requirements in relation to any future status settlement and be used to support Kosovo to develop into a stable, modern, democratic and multi-ethnic society.

When Kosovo's future status is settled, the international community will be called upon to safeguard the status settlement and guarantee its implementation. The authorities of Kosovo will be accompanied by a future international civilian presence that will have corrective, monitoring and mentoring functions. Donors will be called upon to help set up new administrative structures, building local capacities and other requirements that will come with a status settlement.

While UNMIK and Kosovo's provisional institutions of self government have made good progress in setting up an administrative system, starting almost from scratch in 1999, it is recognised that due to its specific history, Kosovo needs to further develop in order to establish a multi-ethnic, democratic society firmly anchored in the rule of law. EC assistance will focus on achieving this aim.

EC assistance will also enhance Kosovo's socio-economic development, including regional development.

Sustainable stability can only be achieved if Kosovo's economy develops and offers opportunities to all communities. Support to economic growth will be another key objective for EC assistance.

It should be highlighted that major infrastructure investments needs persist which need to be matched with enhanced corporate governance of public utilities which ensure efficient administration of taxpayers' moneys. Investments should also go hand in hand with a rigorous reform agenda that ensures fiscal discipline and macro-economic stability. This is also a key-priority of IPA assistance in Kosovo.

EC assistance will support and accompany Kosovo's European vocation as a regionally integrated part of the whole Western Balkans region, able to engage in good neighbourly

relations with all surrounding countries, to fully participate in regional cooperation, including cross-border cooperation.

Kosovo's authorities have made the European agenda the lead agenda. The Thessaloniki agenda applies as much to Kosovo as it does to the rest of the region. In order to realise these ambitions, Kosovo authorities are in the process of strengthening EU integration structures, including those which enable cross-border cooperation of neighbouring communities.

A good neighbourly relation between communities with different cultural, ethnic or religious backgrounds is the key for stability and peace. Borders and boundaries should not act as an impediment to the development of good neighbourly relations which are for the benefit of all the people in the region.

In view of the fast-changing environment in Kosovo with its evolving and newly developing needs, a reserve in an annual programme will be established to target unforeseen expenditure, in relation to needs arising from status related issues and other unexpected and unforeseeable needs in relation to the political processes surrounding Kosovo.

There are certain key issues which shall be reflected as horizontal objectives in all activities programmed under IPA. The major **cross cutting issues** to be tackled in Kosovo are:

- **Civil society** (including employers' organisations, trade unions, professional organisations as well as non-governmental organisations, etc) plays a major role in transition societies. Ensuring those groups' concerns are taken into account in the European development agenda and enhancing their policy dialogue with the administration and Kosovo's institutions will be aspects mainstreamed within the assistance programmes.
- **Environmental considerations** will be duly reflected in all IPA financed activities, in addition to specific actions dedicated to environment, in particular as concerns environmental impact assessments. This is particularly relevant where there is potentially a high environmental impact, such as co-financing of investments, new legislation, etc.
- **Equal opportunities and non discrimination of women, minority and vulnerable groups** (including children, disabled and elderly people) will find considerations in all aspects of EC funded activities, particularly in relation to public services, legislative matters and socio-economic support programmes.
- **Good governance** will be fostered through the introduction of monitoring, evaluation and control mechanisms, through awareness campaigns involving wider public as a way to contribute to the fight against corruption and to enhance civic responsibility in respect of payment for public services.

1.3 Overview of past and on-going pre-accession assistance

Community assistance to Kosovo has been provided since 1998 under a variety of instruments including regular technical assistance, humanitarian aid, exceptional financial support and financing to Pillar IV of UNMIK. Since 2000, the CARDS programme has been the main financial instrument for Kosovo, with programmes mainly implemented by the European Agency for Reconstruction.

To date, European Union assistance - including the EU Member States assistance - amounts to €2.6 billion. Out of this figure, EC assistance accounts for almost €1.8 billion.

EC support to Kosovo since 1999 (in € million)

CARDS and other EC support	1,174
Support to UNMIK Pillar IV	126
Exceptional financial assistance (including budgetary support)	115
Humanitarian assistance (for the period 1999-2002)	378
Total	1,793

More detailed data on 2002-2006 CARDS support by year and by sector is included in Annex 1.

In the post-conflict phase, an urgent physical infrastructure and stabilisation programme was initiated. This included: the reconstruction of over 16,000 houses; the rehabilitation of water and sanitation systems; the irrigation of over 10,000 hectares of farm land; the repair of over 400 km of road and 16 bridges; the completion of municipal infrastructure projects; and the construction of six regional landfills to EU standards and Kosovo's first wastewater treatment plant. However, there is still a significant need for infrastructure support in Kosovo.

Major investments (over €400 million of EC investments) supported the rehabilitation of Kosovo's dilapidated energy sector. EC funds have supported emergency electricity imports and the large-scale over-haul of the Kosovo B power plant, the coalmines, transmission systems, distribution networks, and district heating plants. EC assistance also targeted management and capacity building in energy sector and assisting Kosovo's participation in Energy Community for South East Europe. However, the outstanding investment needs are much larger, as is the need to support sound corporate management to ensure the viability and sustainability of the sector.

EC assistance has gradually evolved to reflect and support Kosovo's participation in the Stabilisation and Association Process, to fulfil European Partnership priorities and in support of the implementation of the UN Standards for Kosovo. In partnership with the government, UNMIK, EU Member States, IFIs and other donors, on-going assistance focuses on: strengthening the rule of law; building the technical skills and capacity of the Provisional Institutions of Self Government (Kosovo assembly, ministries, and municipalities) to formulate and implement coherent policy reforms, strategies and EU-compatible legislation and to fulfil their expanding mandates. Economic development and creating sustainable jobs for Kosovo's communities; supporting the return and durable integration of minorities was another priority area for support.

Kosovo also benefits from the CARDS regional programme to support actions of common interest for the Western Balkan region, for example in the fields of infrastructure, institution building, higher education (e.g. Tempus) and cross-border cooperation. However, Kosovo's possibilities and capacities to fully participate in regional programmes were limited hitherto. Given the importance of regional cooperation, an objective is to further support Kosovo's full participation in regional activities of Western Balkans, including cross-border cooperation with neighbouring areas.

Past assistance has contributed to stabilising Kosovo. However, continuous well-focused and coordinated assistance is needed in order to create the conditions for sustainable political and socio-economic development after the status settlement.

Experience with previous EC assistance has shown that the future assistance under IPA needs to consider the following **lessons learnt**:

- EC assistance must be **interlocked with Kosovo's development and action plans**, e.g. the action plan for the implementation of the European Partnership priorities and Kosovo's Development Strategy and Plan, including sectoral strategies and plans. Projects, which do not comply with strategic documents, should be rejected or included in programmes only in exceptional cases.
- A precondition for efficient assistance is **coordination**. This will require increased efforts of Kosovo's institutions to articulate a link between their development needs and EC assistance, efficient donor coordination and improved cooperation within the PISG. Kosovo's IPA coordinator will be responsible for the coherence and complementarity of IPA assistance internally and with other donors. Kosovo's Action Plan for the implementation of the European Partnership will specify the sub-sectors where IPA assistance can be used and how it would match with financing from other donors and Kosovo's budget.
- Increased **local ownership** of EC assistance to Kosovo is essential for the effective targeting of that support, and achieving the agreed results in line with EU standards. Therefore, the **planning** and **project preparation** capacity of Kosovo's authorities has to be improved. A targeted and continuous institution building assistance should be planned in programmes.
- As Kosovo moves closer to Europe and *acquis* approximation becomes more and more pertinent, the **administrative and financial implications of *acquis* approximation** to the Kosovo administration must be considered in delivering technical assistance and its sequencing need to be seen in the light of scarce budgetary resources. The administration's **absorption capacity** must also be taken into account when designing technical assistance programmes in order to allow maximum benefit of assistance provided. In this context, targeted support to the improvement of human resources management and development in the Kosovo's administration should be considered. It is important to develop internal evaluation mechanisms for institutional capacity assessment in Kosovo administration.

1.4 Relevant IFI, multilateral and bilateral assistance

A number of EU Member States, international financing institutions, other organisations and bilateral donors are active in Kosovo. An outline of the current main actors by area of intervention is listed below. Close coordination and division of tasks with other donors will be ensured during the annual programming phase.

- *Institution building* (incl. public administration reform, public finance, local government): DFID/UK, Sida/Sweden, Germany, Council of Europe, OSCE, UNDP, IMF, USAID.
- *Rule of law and the security sector*: DFID/UK, France, Germany, OSCE, IOM, OHCHR, UNICEF, USAID, US Department of Justice.
- *Returns and minorities*: Germany, Italy, the Netherlands, Sweden, Council of Europe, UNHCR, UNDP, IOM, USAID, Norway.
- *Economic development* (including rural development and job creation): Sida/Sweden, KfW/Germany, GTZ/Germany, DFID/UK, European Training Foundation, EIB, EBRD, IMF, the World Bank, FAO, UNDP, USAID, Norway, Switzerland.

- *Infrastructure sectors* (incl. energy, environment, and transport): the Netherlands, KfW/Germany, GTZ/Germany, DFID/UK, EBRD, World Bank, UN Habitat USAID.
- *Social sectors* (including health, education, civil society): DFID/UK, Sida/Sweden; Germany, Austria, World Bank, Soros Foundation.
- *Cross-border cooperation*: OSCE, East- West Institute, Sida/Sweden, DFID/UK

2. Pre-accession Assistance Strategy for the Period 2007-2009

2.1 Strategic Choices

In designing this multi-annual indicative planning document, Kosovo's general strengths, weaknesses, opportunities and threats have been considered.

EC assistance will be drawing on Kosovo's *strengths*: its young population, with its motivation linked to Kosovo's future status and integration into the region. The basic regulatory framework for the establishment of a market economy is in place, privatisation has progressed and a Kosovo Development Strategy and Plan is being prepared. Among the *weaknesses* that must be considered: the need to fully provide all communities the same opportunities, deficits in the respect for the rule of law, the lack of institutional capacity, high unemployment and low wages.

Kosovo must seize the *opportunities* such as natural resources with a high potential for domestic and foreign direct investment and the willingness of the European Union and the international donor community to provide financial assistance as well as facilitating regional and cross border cooperation in the context of its European perspective. However, difficult relations with Belgrade and other neighbours, rampant corruption and organised crime are *threats* to the realisation of the aims of EC assistance which need to be taken seriously.

Kosovo authorities are currently proceeding with an assessment of EU compatible sector reforms and financing needs with the preparation of a Kosovo Development and Strategy Plan (KDSP) and Medium-Term Expenditure Framework (MTEF) which will include a long-term vision, a macroeconomic framework 2007-2013, sector policies, priority projects in the period 2007-2009 and an action plan. This package of documents will be used by authorities as a base for further planning and programming.

The objectives of the European Partnership, lessons learnt from past and on-going donors' assistance (EU and other), and analysis of the current situation and challenges ahead have informed the strategic choices for Kosovo made in this multi annual indicative planning document.

- First, EC assistance will support Kosovo in developing the reforms necessary to promote a modern, democratic, multi-ethnic and well administered society and in support of the implementation of the Kosovo's status settlement.
- Second, developing Kosovo's economy and enhancing the wider socio-economic and institutional environment will be a priority of this MIPD.
- Third, assistance to prepare a comprehensive European reform agenda, e.g. by paying special attention to addressing needs and priorities identified in the last progress report, the European Partnership and in relation to wider EU sectoral approximation.

All IPA activities programmed for Kosovo will be closely coordinated with other EC sponsored cooperation activities and multi-beneficiary programmes. The continued aim is

to integrate Kosovo fully into the region and implement regional strategies (e.g. in areas of infrastructure, justice and home affairs, public administration reform, including TAIEX, strengthening civil society, education, youth and research, and market economy) at local level. Kosovo MIPD will finance the following activities programmed under the Multi-Beneficiary MIPD 2007-2009: Nuclear Safety and Tempus and Erasmus Mundus. Assistance is foreseen for the support of Customs and Taxation administration, by supplementing existing regional programmes in the area, allowing them to continue or ensuring follow-up to present actions.

Consistency and complementarity will also be sought with other EU initiatives and instruments, including the EIDHR, the Stability Instrument and Micro Financial Assistance.

EC financed cross border cooperation is new to Kosovo but it is recognised as crucially important for stability, good neighbouring relations and socio-economic development of peripheral communities. The aim of EC assistance will be to develop local administrative and project management capacity in Kosovo's border regions and also identify the pipeline of local development projects. Development of cross-border cooperation is dependent on general capacity building activities of authorities responsible for regional policy. The institution building activities under IPA components I and II will also have as an objective to generate additionality, complementarity, and catalytic effects between components.

2.2 Component I – Transition Assistance and Institution Building

For 2007 – 2009, the **main areas of intervention** for component I are described below as the following sub-components of the MIPD:

- ***Political Requirements***

This sub-component focuses on the fulfilment of the EU's political criteria and consolidation of Kosovo's institutional, administrative and judicial set-up, including fight against corruption, the protection of human and minority rights and the promotion of civil society activities. This is particularly important in view of the settlement of Kosovo's future status.

- ***Socio-economic Requirements***

This sub-component addresses wider socio-economic issues, including fiscal and financial management, improvement of investment climate, trade opportunities, and development of energy, environment, transport, agriculture, education and employment sectors.

- ***European Standards***

This sub-component focuses on capacity building and approximation of legislation and flanking measures in the context of European standards. These include internal market issues, justice and home affairs, food safety, veterinary and phytosanitary domains, statistics, media and electronic communication and the preparation for the participation in regional initiatives and Community programmes.

2.2.1. Political Requirements

Kosovo's institutions are in the final stages of preparing a comprehensive capacity building strategy and action plan. It will provide a results-focused means of developing the provisional institutions of self government and to identify priority areas for co-ordinated donor involvement. Kosovo's institutions are also preparing a public administration reform strategy plan. The plan is expected to be completed by autumn 2006 for implementation

during the period 2007-2010. However, Kosovo's governance structures in general and at all levels still require institution building and infrastructure support. This will become more important in view of its future responsibility to implement the provisions of the status settlement.

Another important challenge for the Kosovo institutions will be to effectively implement and enforce a coherent and inter-connected body of EU compatible legislation, whilst fully taking into account the budgetary and resource implications on the government expenditure.

The issue of decentralisation and strengthening local governance will require particular attention, not only in relation to a future status settlement but also as a development aim to enhance the delivery of services to all inhabitants of Kosovo.

A housing and population census is due to be held in 2007. It should provide much needed statistical data to support to decentralisation issues and public and economic policy development.

Meanwhile, the rule of law has yet to firmly take hold in Kosovo, both in the public mind and in the newly created structures, such as the ministries of justice and interior. The judiciary remains weak and struggles to deal with important backlogs, while operating under difficult conditions. In December 2005, UNMIK established the ministry of justice, the ministry of internal affairs and the Kosovo judicial council and set out the framework and guiding principles of the Kosovo police service.

The strategic framework on communities and returns launched in July 2005 identifies three priority areas: the promotion of safety and freedom of movement; the creation of sustainable conditions for returns; and the enhancement of institutional support for returns. In June 2006, the Republic of Serbia, UNMIK and the provisional institutions of self government signed a protocol on returns, reiterating the parties' commitment to a sustainable returns process. The challenge is now to ensure that the conditions and representation in public institutions of all minority communities living in Kosovo provide assurances for the return of IDP-s and refugees to take place.

Civil society in general has yet to find a way of more meaningfully contributing to, and be heard in, the questions and issues important for the wider public.

2.2.1.1 Main priorities and objectives

Based on the above assessment of needs in this area the priorities for EU assistance are the following:

- A sustainable and successfully implemented status settlement is of prime importance for Kosovo. **Supporting the implementation of the status settlement** and related requirements and institution building needs will be reflected in future IPA programming.
- A well functioning public administration will be a main priority 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.
- **Consolidating the rule of law** through strengthening the wider judicial system, police reform, supporting the fight against corruption – in close cooperation with the future ESDP mission to ensure a well coordinated and mutually reinforcing approach.
- **Promoting human and minority rights, IDP and refugee return and a climate of inter-ethnic tolerance** in order to foster sustainable returns and protect the rights of communities already living in Kosovo. To create conditions for growth and sustainable development of all communities as well as to ensure the preservation of and access to cultural and religious heritage of non majority communities.
- The role and contribution of wider civil society still needs to be enhanced in Kosovo. **Contributing to the consolidation of civil society and public media sector** through mainstreaming civil society issues in all programmes and complementing support from other EC assistance instruments (i.e. EIDHR).

2.2.1.2 Expected results and time frame

The following results are expected to be achieved by the end of the first IPA programming period (2012):

- Reinforced capacity for good governance (with particular focus on fighting corruption) and general government coordination, formulation and implementation of policy at all levels;
- Improved capacities in relation to EU matters and approximation;
- Strengthened governance capacities at municipal level;
- A general civil service reform strategy and more transparent procedures on recruitment, transfer, appraisal, promotion, conduct and dismissal of civil servants;
- Improved quality and availability of basic public services to all communities;
- A population and housing census carried out with full respect to international standards;
- A strengthened judicial system and the further development of legal education and training, particularly for judges, prosecutors and administrative personnel;
- Strengthened courts and prosecutor's offices and better managed judiciary processes;
- Continued, sustainable and fair resolution of property rights; Kosovo Cadastral Agency and municipal cadastral offices offer transparent access to full property records;
- Improved conditions for the viable existence of minority communities and their non-discriminatory participation in society;
- Increased civil society involvement in policy and social questions and a functioning public broadcaster servicing all communities in Kosovo.

2.2.1.3 Programmes to be implemented in pursuit of these objectives and type of assistance to be provided

In the annual programmes 2007-2009, assistance may be provided in the areas listed below. It will be the responsibility of the beneficiary to establish the exact scope of the programmes during the elaboration of the project proposals for the annual programme.

- Ad hoc support to realise the stipulations and guarantee mechanism of a future status settlement. Full flanking support to accompany the transfer of competences to the Kosovan authorities and to the establishment of new institutions after the settlement;
- Enhancing public administration reforms, capacity building, programme planning and management skills – including electronic communication and planning and assessment of human resources. Supporting central government coordination and management training to enhance the efficiency of Kosovo's public administration and the implementation of the decentralisation process;
- Comprehensive judicial support activities fostering the independence and professionalism of the wider judicial system, including, courts, the prosecution, legislative processes and ministries. Support to police reform and investigation capacities;
- Developing financial instruments in support of central, local and regional projects in areas of functioning democracy, rule of law, human rights, social inclusion, protection of minorities, return of internally displaced and refugees, protection of cultural and religious heritage, civil society development, media, etc;
- Developing strategic planning and project cycle management skills of beneficiaries, preparing feasibility studies, cost-benefit analysis, tender documents including terms of references, technical specifications and technical drawings, and facilitating monitoring and evaluation of projects, etc.

The most likely type of assistance for current sub-components would be Technical Assistance (TA), which is widely used for past and on-going EU projects. Public administration could be supported by the Twinning/Twinning Light Instrument, which is new for Kosovo and has to be progressively introduced where most relevant.

If justified, small-scale investments may accompany TA or Twinning projects in order to fulfil obligations of the future status.

Following the lessons learnt, the Project Preparation Facility would be the best instrument for ad hoc support to capacity building and project preparation in order to ensure higher level of ownership of assistance by beneficiary institutions.

Grant schemes for various beneficiaries on central, regional or local level could be designed, including an objective of development of civil society, provided the conditions for these schemes are met.

2.2.2 Socio-economic Requirements

After a period of relatively high growth fuelled by the post crisis construction boom and donor money influx, Kosovo's economy is now marked by stagnating development and negative growth rates. Unemployment stands at around 40% with little absorption capacity of job seekers by the labour market. Employment prospects for the young are particularly bleak; 37,000 school leavers enter the job market every year and face major difficulties to find employment

There is not yet an effective and coordinated strategy in Kosovo to alleviate poverty although around 37% of the population live in poverty with around 15% in extreme poverty. Direct economic development support to vulnerable groups such as women, youth and minorities and mainstreaming their participation in existing PISG and donor initiatives is needed.

Kosovo's education system is over-stretched and under resourced. Significant policy-making and capital investment deficits are apparent. The challenge will be to enhance the quality of the educational system and ensure that qualifications provided to the extremely young population of Kosovo correspond to labour market needs.

The informal ("grey") sector of economy is a serious problem in Kosovo and a crucial one to address in relation with its future economic and social development. Transforming informal activities into formal ones is a key objective concerning effectiveness of implementation of reforms as well as of the EU acquis and the impact of EU support.

Minorities remain marginal to the services of employment administration. Kosovo Serb communities do not cooperate with PISG public authorities on policy and service delivery and parallel education arrangements continue to be a challenge.

The ministry of trade and industry's *private sector development strategy* aims to reduce unemployment and improve the competitiveness of the Kosovo economy through a number of reform measures to attract local and foreign investment, stimulate the SME sector, to implement the Free trade Agreements and increase the export base.

Kosovo's deficient basic infrastructure hampers its development, particularly in the energy sector where power cuts still occur frequently. Unless fresh off-budget investment in the lignite mines that supply the power plants is granted, power supply will come to a halt in 2009. Opening the new lignite mine is critical to ensure a continuous power supply beyond 2009. The *Energy Strategy Paper 2005-2015* sets out a road-map for the further development of the sector and Kosovo's integration into the regional energy market.

Investments in the transport sector from the Kosovo consolidated budget do not suffice to guarantee maintenance of Kosovo's transport network, let alone building new networks. New major road investment will be necessary but need appropriate justification on economic and environmental grounds and good preparation. Road accidents are increasing and road safety action is required. The government has approved an Environment Protection Strategy and Spatial Plan. The implementation of these strategies will also require support.

Despite its potential, Kosovo's agriculture remains under-exploited and key challenges such as poor infrastructure, unresolved property rights, small farm size, lack of farm competitiveness, and poor access to commercial credit, inefficient quality control mechanisms, failure to prepare and enforce environmental and local development plans and low levels of education need to be tackled. A medium-term and integrated *agriculture and rural development plan for 2007-13* is being developed by the Ministry for Agriculture, Forestry and Rural Development. It follows EC Guidelines, and is aligning Kosovo with the current EU agriculture and rural development strategy.

Financial management at all levels of Kosovo's administration remains weak and the necessary structures of financial control still need improvement. Kosovo's administration has to improve its revenue raising capacities to contribute to the Kosovo consolidated budget, particularly in relation to tax collection.

2.2.2.1 Main priorities and objectives

As the outcome of the needs assessment above, the following priorities have been set for this intervention area:

- **Enhancing Kosovo's investment climate and support to small and medium sized enterprises** through a favourable legislative and policy framework, enhancing corporate governance and access to support and services, including investment and import/export promotion.
- **Enhancing sound financial management and control** at central and local level in order to ensure transparency, efficiency, sustainability and better control of public finances, including development of a modern public procurement framework and related legislation and institutions.
- **Improving budget and fiscal policy-making and management**, enhancing control and collection capacity of the tax and customs administration and contribute to prudent fiscal policies, including addressing the budgetary and resource implications of EU approximation measures to the budget.
- **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.
- **Undertaking a functional review of the health system** in Kosovo to enhance service delivery and financing.
- **Improving the quality of the education and training systems** in line with European standards and Kosovo's social, economic and population needs. Provide technical assistance and investment support for education, including vocational education and training.
- **Developing active labour market measures** in order to combat unemployment and adjust to changes in the economy and fostering social inclusion.
- **Promoting agriculture and rural development** through support to the rural economy and the livelihood of the rural population, in line with priority measures identified in Kosovo's Agriculture and Rural Development Plan 2007-13.
- **Supporting Kosovo's consolidation of the network of bilateral free trade agreements** and preparation for its future participation in the Central European Free Trade Agreement (CEFTA).

2.2.2.2 Expected results and time frame

The following results are expected to be achieved until the end of the first IPA programming period (2012):

- An improved investment climate including investment and import/export promotion, enhanced trade facilitation and increased number of small and medium sized enterprises through a more favourable legislative and policy framework and targeted support measures;

- Measures included in the European Charter for Small enterprises are started to be implemented;
- Enhanced efficiency and transparency of the management of public expenditures.
- Improved fiscal policy making and tax compliance that ensure sustainability of the Kosovo's budget;
- Security of energy supply through better management of the public utility company. Conditions created for the development of a new lignite mine and for attracting competitive private sector investments in the development of a new energy power plant;
- Improved capacity to strategically plan and deliver infrastructure development and maintenance. Environmental impact assessment is mainstreamed in public/private investments;
- The main road network stabilised and road safety improved;
- A comprehensive strategy for the health sector has been developed and implementation started;
- Improved quality of the education and training systems in line with European standards and Kosovo's social, economic and population needs;
- Active labour market measures in order to combat unemployment and adjust to changes in the economy are being developed. Kosovo's employment guidelines are considered a coherent part of the Kosovo Development Strategy and Plan. The national monitoring and performance management systems are being developed for the sector;
- Rural development is being promoted through support to the rural economy and the livelihood of the rural population, in line with priority measures identified in Kosovo's Agriculture and Rural Development Plan 2007-13.

2.2.2.3 Programmes to be implemented in pursuit of these objectives and type of assistance to be provided

In the annual programmes 2007-2009; assistance may be provided in the areas listed below. It will be the responsibility of the beneficiary to establish the exact scope of the programmes during the elaboration of the project proposals for the annual programme.

- Developing relevant administrative structures and developing EU-compliant and favourable SME policies;
- Enhancing sound financial management and control at central and local level in public administration in order to ensure transparency, efficiency, sustainability and better control of public finances, including development of a modern public procurement framework and related legislation and institutions;
- Provision of technical assistance to the ministries, to municipal administrations and to the customs and tax services;
- Enhancing sound financial management and control in the newly incorporated public enterprises, in particular KEK;
- Capacity building and infrastructure development in the area of energy, transport and road safety;

- Addressing environmental standards and enhancing environmental conditions with high impact on public health with particular focus on waste management, water and waste water management;
- Building strategy-making capacity of public health institutions and conducting an impact assessment of financing systems for public health;
- Supporting education, including vocational education and training development schemes, curricula improvement, teacher training and the necessary investment flanking measures. The actions in this area will be implemented in close coordination with the Tempus programme;
- Actions on employment and economic development and social inclusion with a particular focus on the unemployed and disadvantaged groups;
- Supporting rural development to enable improved living and working conditions for farmers, households and enterprises, including access to training, management and product development services;
- Improving project preparation capacities of beneficiaries, including projects for IFI financing. The activities may include developing of strategic planning and project cycle management skills, preparation of feasibility studies, cost-benefit analysis, tender documents including terms of references, technical specifications and technical drawings, facilitating monitoring and evaluation of projects, etc.

This sub-component will allow the financing of investment in infrastructure as well as establishment of grant schemes for economic, human resource and/or rural development. It is possible to design grant schemes in support of credits from private banks if necessary and feasible. However, there should be the capacity for management of grant schemes in place as well as the project pipeline ready for implementation.

Cost-effectiveness of infrastructure support will be strictly assessed during design process of support programmes.

In order to facilitate Kosovo's institutions in design and implementation of infrastructure grant schemes, and ensure capacity of final beneficiaries to prepare and implement grant projects a Project Preparation Facility is the most likely instrument to be included in programmes.

Following the lessons learnt and cross cutting issues, good governance of utilities supported by investment should be ensured through relevant Technical Assistance components of infrastructure projects.

For enhancement of public administration, business environment and investment climate Technical Assistance is the most likely type of assistance. If appropriate, Twinning or Twinning Light could be progressively used.

2.2.3 European Standards

The European agenda has been declared the main agenda by Kosovo's authorities.

Kosovo is part of the EU's policy frame in Western Balkans, and can benefit from the Stabilisation and Association Process. Kosovo's administration engages in a regular dialogue with the Commission in the framework of the Stabilisation and Association Process Tracking Mechanism, the forum where the Commission and Kosovan authorities

discuss and assess progress in relation to the European agenda. Kosovo is also benefiting from the regional initiatives that are launched under the SAP.

The office for European integration processes has recently been upgraded to an agency for European integration, an executive government agency under the direct responsibility of the prime minister. This further underlines the government's commitment to the EU.

Kosovo has made progress to approximate its legislation and policies with European standards. However, the effective implementation and enforcement of legislation passed has not always been ensured. More efforts are needed to create an administrative environment that will ensure further approximation to European standards.

Throughout the administration, the capacity to develop and implement sector strategies is weak and needs to be further strengthened.

Kosovan institutions will have to further develop their capacities in relation to home affairs. While general policing capacities are relatively well developed, some specific issues such as the fight against organised crime and terrorism, trafficking and border control need to be further strengthened.

While the agency for European integration is being strengthened, EU integration cells in ministries have to be created and/or strengthened, also in view of preparing for future participation into community programs and agencies.

2.2.3.1 Main priorities and objectives

European integration is a long-term perspective for Kosovo. It requires effective institutional capacity that will be supported with EC assistance according to the following priorities:

- **Supporting the development of sectoral strategies and policies compatible with European standards** in order to build up a sustainable Kosovo with a clear European perspective. The priority sectors for support are internal market, statistics, financial sector regulation and public procurement; data protection and protection of intellectual property rights as well as food safety, veterinary and phytosanitary standards, transport, energy and environment.
- **Enhancing Kosovo's capacities in areas related to home affairs**, in particular in relation to policies related to civil registration, visa, border control, asylum and migration, money laundering, drug trafficking, and the fight against organised crime and terrorism.
- **Supporting preparations for the establishment of agencies and institutions** required for the implementation and enforcement of European sectoral policies including mechanisms for the verification of EU compatibility of government policies and draft laws.
- **Supporting Kosovo to participate in regional initiatives**, including support to establish and/or enhance the necessary structures, legal basis and requirements (e.g. in the areas of safety, security and ATM) for Kosovo's full participation in the Energy Community Treaty and the South East European Transport Observatory with particular focus on the development of a comprehensive energy and transport strategy, the European Common Aviation Area Agreement and adoption of the relevant single European sky acquis in the framework of the South Eastern Europe Functional Airspace Blocks Approach initiative.

- **Preparing Kosovo to participate in Community Programmes and Agencies**, including support to establish and/or enhance the necessary structures and contributing to the financing of Kosovo's participation in the programmes and agencies.

2.2.3.2 Expected results and time frame

The following results are expected to be achieved until the end of the first IPA programming period (2012):

- The Agency for European integration will develop into the lead government agency to coordinate Kosovo's European approximation efforts and establish the European Partnership Action Plan as the guiding instrument for government delivery of its European agenda;
- Further developed and fully integrated sectoral reform strategies, fully in line with the Kosovo Strategy and Development Plan and the Medium term expenditure framework 2007-2009;
- Preparation for alignment with internal market requirements has started;
- Statistics for national accounts are developed;
- Compliance of financial sector regulation, protection of intellectual property rights and electronic communication with EU standards assessed and enforcement of track-record in implementation of public procurement legislation has improved;
- Progress in alignment of legislation on EU veterinary and phytosanitary acquis;
- Integrated border management systems and tools are being developed, in line with the EC's integrated border management strategy; visa, asylum and migration policies are being devised. Capacity for the fight against organised crime and financial crime is enhanced;
- The structures necessary for efficient participation in regional initiatives and Community programmes and initiatives are being prepared, including the signature of a framework agreement with the Commission and the relevant memoranda of understanding for the Community programmes in question;
- Kosovo actively participates in - and implements the obligations of - regional initiatives of the South East Europe.

2.2.3.3 Programmes to be implemented in pursuit of these objectives and type of assistance to be provided

In the annual programmes 2007-2009, assistance may be provided in the areas listed below. It will be the responsibility of the beneficiary to establish the exact scope of the programmes during the elaboration of the project proposals for the annual programme.

- Assistance to European integration efforts and comprehensive development of EU compatible sectoral policies and laws, EU approximation related training in priority sectors for support, etc;
- Supporting further alignment with European standards in the area of justice, freedom and security, in particular visa (in order to support future visa facilitation arrangements in Kosovo), border management, asylum and migration mechanisms, regional cooperation in the field of law enforcement and the fight against organised crime and terrorism;

- Upgrading of strategic planning, acquis related equipment and infrastructure, e.g. equipment for laboratory testing in support of industrial standards, border crossings and other JLS related infrastructure, food safety, veterinary controls and public health, etc;
- Accompanying measures for facilitating the participation in regional initiatives and Community programmes.

This sub-component would benefit most likely from the Twinning/Twinning Light Instrument as Member States institutions are most suitable for providing experienced advisers for Kosovo's authorities. However, for certain specific areas of technical expertise Technical Assistance could be most appropriate.

It is foreseen that Investment in acquis could be provided under this sub-component if justified and feasible.

A financial contribution may be provided for the participation in the Community programmes.

2.2.4 Financial indications

The following table gives an overview of the overall indicative weighting that should be given to the different sub-components outlined above.

The programmes for the planning period 2007-2009 have to pay important attention to the following:

- Supporting institution building of Kosovo authorities to ensure the conformity with the respect of EU's political criteria.
- Economic development of Kosovo is vital to ensure social stability. Therefore, interventions in Socio-economic Requirements are in financial terms relatively highly weighted.
- Financing opportunities are foreseen for fostering Kosovo's approximation to meet EU standards and further progress in the SAP.

Percentage by sub-component

Intervention area	Percentage range
Political Requirements	25 – 35
Socio-economic Requirements	45 – 60
European Standards	10 – 20

2.3 Component II – Cross Border Cooperation

2.3.1 Current situation and past/ongoing EU assistance

Establishing cross border cooperation is particularly important for the population of Kosovo and the wider region who previously relied on economic and personal cross border links within the territory of the former Yugoslavia. Cross border cooperation represents not only an opportunity for economic and social development but also for reconstruction of social, cultural and personal links between inhabitants, which is an important basis for reconciliation.

A protocol between Kosovo and the Former Yugoslav Republic of Macedonia has been signed for co-operation in the fields of education, investment and tourism. Moreover there are also agreements with Albania (tourism) and Montenegro.

Several municipalities in Kosovo are already engaging in cross border cooperation with their neighbours:

- *Gjilan/Gnjilane* with the municipalities of Preševo/Presheva and Bujanovac/Bujanoc in Serbia, and Kumanovo/Kumanova in the former Yugoslav Republic of Macedonia;
- *Dragash/Dragaš* with the municipalities of Tetovo/Tetova and Gostivar in the former Yugoslav Republic of Macedonia, and Kukes in Albania;
- *Gjakova/Djakovica* with the municipalities of Tropoja and Bajram Curr in Albania.
- *Peje/Pec* with the municipalities of *Plave* and *Rozhaje* in Montenegro and *Shkodra* in Albania in the *Balkan Peace Park*.

The OSCE also facilitates cross border cooperation. Talks are currently ongoing between Dragash/Dragaš and Prizren and their counterparts from Kukes (Albania) and Tetovo/Tetova (former Yugoslav Republic of Macedonia).

Previous **regional EC assistance** for cross-border cooperation has been targeted on institution building and cooperation programmes between Member states and Western Balkans ' countries. Few programmes between candidate and potential candidate countries have been developed. Kosovo has not participated in any special cross-border programme yet due its geographical location (no borders with Member States and its specific status under the UNSCR 1244).

EC CARDS cross-border cooperation assistance for the region is following:

1. The CARDS 2003 Regional Action Programme included a technical assistance project on cross border Institution building (€2 million).
2. The CARDS 2004 Regional Action Programme provided funds (total €15 million) for the participation of Western Balkan countries in cross-border and transnational (CADSES) co-operation programmes (Neighbourhood Programmes) with Member States.
3. The CARDS 2005 Regional Action Programme continued the support for participation of Western Balkan countries in Neighbourhood Programmes and provided additional funds to initiate cross-border programmes at borders between Western Balkan countries themselves (€17,2 million).
4. The CARDS 2006 Regional Action Programme continue the support for participation of Western Balkan countries in Neighbourhood Programmes and provided additional

funds to initiate cross-border programmes at borders between Western Balkan countries themselves (€7,9 million).

2.3.2 Major areas of intervention and goals

The administrative capacity of Kosovo's institutions requires significant support in order to ensure that the conditions are ripe for the full participation of Kosovo authorities, non profit organisations and businesses in cross-border cooperation.

Bearing in mind that cross border cooperation can only be successful if the parties involved are willing to engage in it, EC financed activities will only be implemented if and when parties show a clear interest and commitment to engage in cross border cooperation activities.

All of Kosovo's border areas will be considered for IPA cross border assistance:

- A. Former Yugoslav Republic of Macedonia / Kosovo
- B. Republic of Montenegro / Kosovo
- C. Albania / Kosovo

2.3.3 Main priorities and objectives

- Addressing the institutional shortcomings (e.g. agencies for cross-border cooperation have to be created to coordinate the operators on the territory and assist them in project implementation);
- Developing the reference framework for CBC activities and developing the required CBC programming documents;
- Improving infrastructures in cross-border regions;
- Fostering reciprocal trust, cultural and socio-economic exchanges at local level;
- Supporting initiatives in the area of education.

2.3.4 Expected results and time-frame

It is expected that Kosovo's central and municipal institutions will become more acquainted and proficient in regional development planning in relation to cross border cooperation and in particular in relation to articulating joint cross border needs and developing joint cross border programming documents in cooperation with authorities across the border.

Furthermore, through the increased focus on cross border cooperation, the border population should be sensitised to the economic, social and stabilising benefits that cross border cooperation activities. This will be mainly achieved through highly visible and necessary cross border infrastructure projects and EC sponsored cross border cooperation activities between local organisations from both sides of the border ("people-to-people" activities).

2.3.5 Type of assistance to be provided

The financial support will be provided in principle through:

- Technical assistance to develop cross-border co-operation programming documents with the neighbouring countries

- Technical assistance for CBC agencies (as appropriate) to strengthen capacity to conceive and implement CBC programmes
- High visibility projects with a strong impact on the local population
- Small scale cross border infrastructure projects
- Grant schemes for civil society (people to people projects)

During the programming period 2007-2009, most of assistance would be provided through major Technical Assistance projects, preparing appropriate structures and programming documents as well as capacity of relevant institutions for implementation of the Joint Programmes on the next stages of multi-annual planning.

2.3.6 Financial indications

The following table gives an overview of the overall indicative weighting that should be given to the different intervention areas outlined above.

Percentage by intervention area

Intervention area	Percentage range
Cross border cooperation capacity building ⁶	15 – 25
Border region with the former Yugoslav Republic of Macedonia	25 – 35
Border region with Montenegro	25 – 35
Border region with Albania	25 – 35

⁶ Including preparation for future participation in the relevant ERDF transnational programmes (e.g. the "South-European Space" programme, the successor of CADSES)

List of abbreviations

CADSES	Central, Adriatic, Danubian and South-Eastern European Space
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBC	Cross-border cooperation
CEFTA	Central European Free Trade Agreement
DFID	UK Department for International Development
DIS	Decentralised Implementation System
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
ERDF	European Regional Development Fund
ESDP	European Security and Defence Policy
EU	European Union
FAO	International Food and Agriculture Organisation
GTZ	Deutsche Gesellschaft für technische Zusammenarbeit
IDP	Internally Displaced Persons
IFI	International Financial Institutions
IMF	International Monetary Fund
IOM	International Organisation of Migration
IPA	Instrument of Pre-accession Assistance
KEK	Kosovo's Energy Corporation
KfW	Kreditanstalt für Wiederaufbau
KTA	Kosovo Trust Agency
MFA	Macro-financial Assistance
MIFF	Multi-annual Indicative Financial Framework
MIPD	Multi-annual Indicative Planning Document
NIPAC	National IPA Coordinator
OSCE	Organisation for Security and Cooperation in Europe
PISG:	Provisional Institutions for Self-government
SAP	Stabilisation and Association Process
Sida	Swedish International Development Agency
SME	Small and Medium-sized Enterprises
TA	Technical Assistance
TAEIX	Technical Assistance Information Exchange Office
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNMIK	United Nations Interim Administration Mission in Kosovo
USAID	United States Agency for International Development

ANNEX I

Overview of CARDS assistance per year and per sector in €million

Sectors	2002	2003	2004	2005	2006	Total
Democratic Stabilisation						
Minority Rights and Returns	2,7	5,0	14,0	5,0	4,5	31,2
Civil Society & Media	2,8	0,9	1,0	1,0	0,5	6,2
Good Governance & Institution Building						
Justice & Home Affairs	6,0	0,5	7,2	5,6	6,0	25,3
Integrated Border Management		4,5		1,5	1,5	7,5
Public administration reform	9,8	5,4	6,9	15,0	8,0	45,1
Health	5,3					5,3
Economic and Social Development						
Enterprise Strategy & Enterprise Development	2,7	14,2	20,0	15,7	8,5	61,1
Rural Development	8,9	4,8	6,0	5,2	5,0	29,9
Energy	61,8	14,1	12,0	21,0	3,0	111,9
Environment	5,1	9,5	2,5	3,0	3,0	23,1
Vocational education & training, University Education	5,1	3,0	2,0	2,0	1,5	13,6
Tempus	1,0	1,0	1,0	1,0	1,0	5,0
Transport (incl Telecommunications)	6,2				1,0	7,2
Housing	16,0					16,0
Customs (CAFAO)	2,5	2,3	1,5	1,5	2,0	9,8
Others/GTAF/reserve	2,1	0,9	1,2	1,5	4,0	9,7
Total	138,0	66,1	75,3	79,0	49,5	407,8