



Support for Low Emission Development in SEE (SLED)

Third draft

28th May 2013

PROJECT CYCLE MANAGEMENT

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 **Austrian**
Development Cooperation

Introductory remark: the following template is meant to be a guide and support for organizations submitting a project proposal to the Austrian Development Cooperation. The questions given are only meant to serve as an aid to orientation and as a means to cross-check whether all relevant aspects have been taken into consideration for the analysis and planning of the action.

Consequently the elaboration of the project document needs to be the final point of the actual analysis and planning process, putting the results of the process into written form. The elaboration of the project document may by no means substitute the process of analysing and planning the project – making it merely a “filling in the boxes” exercise.

In practical terms we would kindly ask you to delete the questions given under each headline in the template and to write the corresponding texts in the respective chapters.

Please limit the project description to a maximum of 18 pages.

Support for Low Emission Development in South East Europe (SLED)**Country:**Albania, Montenegro, FYR of South East Europe
Macedonia, Serbia, Kosovo**Region:****Planned project Period from:**
1 June 2013**till:**
31 December 2015**Applicant****Local Project Partner**

Name: Regional Environmental Center for Central and Eastern Europe (REC)	Name: UNDP Kosovo
Legal Status, Year of Founding: International Organisation, 1990	Legal Status, Year of Founding: International Inter-Governmental Organization, UNDP was established in 1965 (started with it's activities in Kosovo in 1999)
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Financing (Euro)

Project Budget (total)	Requested Grant ADC	Contribution in Cash by the Applicant	Possible Contributions from Third Parties
100%	100%	10%	0%
EUR	1 255 500	125550	

Short Description (max. 2000 characters)

The project geographically focuses on the South East Europe (SEE) region. Component 1 will be implemented by REC in Albania, F.Y.R. of Macedonia, Montenegro and Serbia while Component 2 will be implemented by UNDP Kosovo in Kosovo. Both project components aim to support low emission development in the target countries.

Component 1 aims at (I) providing assessment and options in the low emission development transformation of four countries in the electricity sector and (II) providing policy options in building energy efficiency increase for the region with replicable methodology. The time-horizon for the scenarios is 2025/2030 and the studies will identify potential nationally appropriate mitigation measures (NAMAs¹). Local stakeholders and experts will be involved in the development of the scenarios and the results of the work will be introduced at workshops in the target countries as well in Brussels to the donor community.

The main purpose of the **Component 2** is to support the Government of Kosovo to mainstream climate change concerns into sectoral and overall Kosovo's development priorities, thus enabling Kosovo to deal with climate change-related issues, and consider it not only as a separate environmental issue but as an issue of sustainable development. It will increase the capacity for low emission climate resilient development strengthened at national and local level; enable development of low emission climate resilient strategy and promote sustainable energy policies and programs and enhance public awareness concerning energy efficiency.

Governmental organisations, relevant civil society organisations as well as private sector actors will be the target groups of **both component of the project**, which will bring benefit for the society of the target countries in general.

¹ Nationally Appropriate Mitigation Action (NAMA) refers to a set of policies and actions that countries undertake as part of a commitment to reduce greenhouse gas emissions. The term recognizes that different countries may take different nationally appropriate action on the basis of equity and in accordance with common but differentiated responsibilities and respective capabilities. It also contains the notion of financial assistance from developed countries to developing countries to reduce emissions.

1. Summary

The project is proposed by the REC and UNDP Kosovo to support low emission development in the South East European region. The project provides background for stakeholders involved in developing strategies, policies and measures as well as identifying opportunities for direct investment. It will build upon other existing initiatives supporting the same aim, such as the LOCSEE² project, the EC funded RENA³ and ECRAN⁴ regional projects.

The project geographically covers Albania, F.Y.R. of Macedonia, Kosovo, Montenegro and Serbia and encompasses two major components, first one targeting 4 SEE countries Albania, F.Y.R. of Macedonia, Montenegro and Serbia, the second component focuses on Kosovo.

Component 1 aims at (I) providing assessment and options in the low emission development transformation of four countries in the electricity sector and (II) providing policy options regarding increasing energy efficiency in buildings for the region with replicable methodology and (III) increasing awareness regarding low emission policy options. It will be implemented by REC

The main objective of **Component 2** is to support the Government of Kosovo to mainstream climate change concerns into sectoral and overall Kosovo's development priorities, thus enabling Kosovo to deal with climate change-related issues, and consider it not only as a separate horizontal issue but as an issue of sustainable development. Component 2 will be implemented by UNDP.

2. Background / context

(Max. 4 pages)

2.1. Relevant governmental and sectoral policies

The 2011 UNDP Human Development Report provides overwhelming evidence that humanity is reaching an upper limit to emit greenhouse gases without dire consequences. It has been estimated that stabilizing the greenhouse gas concentrations in the atmosphere at a level that prevents catastrophic climate change will require a 50% reduction of the greenhouse gas emissions (GHG) emissions by 2050 from 1990 levels.

Both in the United Nation Framework Convention on Climate Change (UNFCCC) and EU policy framework there is a push for countries to develop long term strategies on the transformation of their economies addressing climate change mitigation objectives. These political goals are necessitated by the imperative to avoid dangerous climate change. For that purpose developed countries need to reduce their greenhouse gas emissions significantly and developing countries should limit the growth of their greenhouse gas emissions in connection with their economic development.

Low-Emission Development Strategies and Plans give UNFCCC Parties the possibility to formulate integrated, consistent strategies on climate change mitigation and provide long-sighted guidance for daily policy decisions. Therefore, the 2010 Cancún Agreements recognised that „a low-carbon development strategy is indispensable to sustainable development” (Decision 1/CP.16, Para. 6).

Based on the broad obligations of Art. 4.1.b UNFCCC for all countries to formulate programmes on climate change mitigation, the notion of low emission development strategies (LEDs) has been

² Low Carbon South East Europe

³ Regional Environmental Network for Accession

⁴ Environment and Climate Regional accession Network

mentioned by the Parties in Copenhagen and Cancún. The Copenhagen Accords refers to “a low-emission development strategy” (Draft Decision -/CP.15, Para. 2). In more detail, the Cancún Agreements stipulate that developed countries should draft LEDS and developing countries are encouraged to do the same (Decision 1/CP.16, Para.s 45 and 65).

However, there is no internationally agreed definition of LEDs while it is commonly agreed notion, that such strategy is a framework that articulates concrete actions, policies, programs and implementation plans to achieve long-term, measurable reductions in greenhouse gas emissions as compared to a business-as-usual development pathway, while at the same time ensuring sustainable development. The OECD has characterised LEDs as “forward-looking national development plans or strategies that encompass low-emission and/or climate-resilient economic growth”. Typically, LEDs comprise most or all of the following elements:

- A compilation of emissions data and projections
- Economy-wide, broad long-term mitigation goals (in the range of 15 to 30 years)
- A survey of cost-efficient mitigation options and their prioritization
- The stipulation of concrete short- and mid-term mitigation actions

Countries need to define a LEDs in a broad developmental context, and build upon existing national plans and strategies, in line with national objectives. Moreover, a LEDS is a coordination framework which can be used to mobilise financial and knowledge resources towards implementation of key measures in an economically optimized manner.

Component1:

The countries in the focus of the Component 1 of the project are candidate or potential candidate countries for EU accession and prescribed to the long term (2050) EU goal of decarbonisation which requires the development of low emission development strategies. Government authorities are in different stages of considering the preparation of low emission development strategies. Preparation of sectoral scenarios are promoting such process by providing analytic background in two of the key sectors where nearly full decarbonisation is needed on the time horizon of 2050.

Component2:

In Kosovo, the responsible authority for environment and climate policy is the Ministry of Environment and Spatial Planning (MESP), while the Kosovo Environment Protection Agency (KEPA) monitors the state of the environment.

MESP has initiated consultations with the secretariats of multiple Conventions and has started to prepare documentation for the ratification of the Conventions.

Moreover, Kosovo is in the process of aligning its policy framework with that of the EU and has already adopted a number of framework laws to implement the EU climate acquis, such as in the area of energy efficiency and wider utilization of renewable energy. However, the implementation of the adopted legislation needs additional support in terms of human, administrative and financial capacities.

Although not a Party to UNFCCC, in 2012, Kosovo developed its first GHG inventory. Covering the period 2008-2009, it will serve as a basis for analysis and projections during the development of a LEDS.

2.2. Characteristics of the project environment

SEE is a diverse and complex region characterized by a low level of income compared to that of European Union. The population of the beneficiary region is 16.03 million inhabitants. The region faces common challenges, such as a history full of conflicts, multi-ethnic composition of societies, low GDP per capita levels in comparison to the EU 27 average and a strategic orientation towards the EU. The European integration is widely recognized as a key strategy towards economic development in the region. Greenhouse gas emissions from the region are significantly below the level of most developed countries, but limitation of emission growth requires careful policy considerations along with the lines of Cancun agreement: “Agrees that developing country Parties will take nationally appropriate mitigation actions in the context of sustainable development, supported and enabled by technology, financing and capacity-building, aimed at achieving a deviation in emissions relative to ‘business as usual’ emissions in 2020”.

According to the 2012 EC Progress Reports the beneficiary countries of the proposed project have made limited or in certain cases no progress in relation to the alignment with EU legislation, including the climate *acquis*. This might be partially attributable to the early phase of approximation to the EU and that no support projects were in place to support such direct policy development, only training focused ones. Countries of the region are acting on energy related matters, including energy efficiency in buildings within the framework of the Energy Community which aims the expansion of EU energy policy into non-EU member SEE countries.

Component 1 aims to contribute to the development of low emission development strategies of the target countries, identifies policy and investment project options towards the decarbonisation goal and thus contribute to goal 7 of the MDGs, specifically to the integration of principles of sustainable development into country policies and programmes. Within the assessment timeframe of the project (2025/2030) target countries unlikely to implement the whole package of EU *acquis* thus the project assumes an approximation of the implementation of legal frameworks similar to the one of the EU as well as the one foreseen by UNFCCC decisions.

The project is executed in parallel with the LOCSEE and ECRAN projects, which has strong focus on awareness raising and capacity building for stakeholders regarding low emission development. The three projects envisioned to be complementary and support each other in their impacts. The project contains a small component for continuous information exchange among the

Component 2

Kosovo's citizens are the poorest in Europe with an average annual per capita income (PPP) of \$7,400. Unemployment, around 45%, is a significant problem that encourages outward migration and a significant informal, unreported economy, followed by improper use of natural resources. The poverty makes the country especially vulnerable to any climatic changes.

In Kosovo, framework laws in the area of Climate Change are either in place or in the process of adoption. The institutions needed to implement EU standards are also in place but their capacity to implement and enforce legislation at central and local levels must be strengthened. The budget devoted to the sector is insufficient, while at the same time environmental and climate change mitigation and adaptation concerns are not mainstreamed into other policies. The lack of human, administrative, and financial capacities to implement EU environmental and climate standards has been also reiterated in the European Commission's Staff Working Document “Commission Communication on a Feasibility Study for a Stabilisation and Association Agreement between the European Union and Kosovo”, Brussels, 23 October, 2012 { SWD(2012) 339 final/2 }.

While the first GHG inventory was prepared in 2012, with support from UNDP, there is still no register of sources and emissions of GHGs and a baseline year, from which GHG emissions will be measured, has not been identified as yet. The results of GHG inventory showed that Kosovo compared to EU has

low emissions per capita, but high emissions per unit GDP (per capita t CO₂ eq: Kosov 5,7/ EU 9,9; per Euro GDP kg CO₂ eq. :Kosovo 0,84/EU 0,4). However, Kosovo has not yet started to submit National Communications to the Climate Change Secretariat in the UNFCCC.

In 2010, the Government of Kosovo introduced Kosovo Environmental Strategy (KES) (2011-2015). It outlines the key strategic targets to be achieved during this period. These are ultimately related to the promotion of energy efficiency and increase in the utilization of renewable energy sources (RES). These goals are also stated in the Kosovo Energy Strategy (2009-2018). However, a comprehensive mid- and long-term development strategy is required, in view of enabling the low-emission pathway of development. According to the Kosovo Energy Efficiency Action Plan (KEEAP) (2010 – 2018), the implementation of energy efficiency measures in households and public buildings is a high priority, as 35% of the energy produced in Kosovo is used for heating. Moreover, according to the KEEAP, the households absorb the larger share of electricity (approx. 63%).

2.3. Consistency with the objectives of the Austrian Development Cooperation

The project contributes to the realisation of Target 7.A of the MDG goals with promotion of the horizontal integration of decarbonisation of significant economic sectors in the target countries, namely power and building sectors providing the largest emission reduction potential. Early assessment of policy and investment directions provide a window of opportunity for a cost efficient transition towards the necessary emission limitations and helps to avoid the so called lock-in effects. The project helps to build local capacity in assessment of building stocks from the aspect of energy efficiency and provides support for policy makers and stakeholders with providing scenarios with costs assessment on the implementation of potential decarbonisation scenarios. The project contains a regional component where possible cooperation strategies of the target countries in the electricity sector are analysed.

Energy efficiency in buildings related measures are among those which bring sustainability bonuses along with positive impact on reducing emissions and increasing resilience to the impact of climate change.

2.4. Target group, beneficiaries and local project partners

The project engages stakeholders and decision makers from various segments of the society.

Component 1.

Component 1 addresses and engages two different subset of target groups in the countries as it has two distinct elements, one regarding electricity sector and the other regarding energy efficiency in buildings.

Electricity sector:

- Energy policy professionals, government employee, electricity grid regulators
- Power utility decision makers, analyst of power utilities
- Climate policy professional, government employees dealing with climate policy, environmental NGOs
- Donor organisations focusing on climate finance, financing NAMAs

Building sector:

- Climate policy professional, government employees, government employees dealing with climate policy, environmental NGOs
- Building policy professionals, architects, engineers , university based researchers dealing with building retrofits
- Decision makers and government employees dealing with building codes and regulations
- Donor organisations focusing on climate finance, financing NAMAs

Target groups are lacking the information which is to be delivered by the project. Providing background analysis on the decarbonisation options and transferring and adapting best-practices in key sectors are the most important elements of developing meaningful decarbonisation strategies. Regrettably such preparatory work is missing in several cases and strategies without such information base are developed. Such strategies are unlikely to have impact on policies and investment projects as they tend to be very general and short term focus. In the case of the electricity sector a general problem of such analysis is to miss the interlinkage of the electricity system with the neighbouring countries, while in the building sector an integrated view of the available mitigation options encompassing the building stock characterisation.

The whole population of the target countries can be considered beneficiaries as the project will deliver assessments which aim to inform policy makers as well as stakeholders and provides information which will be unlikely neglected in any exercise developing local decarbonisation strategies. The project makes also easier the development of such strategies.

The studies can support formulation of new policies outside of the low emission strategy development as well. In the electricity sector the beneficiaries include all with access to electricity, in the building sector it can accelerate energy efficient refurbishment and a portion of the population can have the benefit of cost efficient renovations or accelerated rate of renovations due to project impact.

REC has country offices in all of the target countries and these offices will be responsible for assisting in implementation of the various components which require local expert involvement or any other type of local interaction. The local offices are already involved in the project preparation and will have sufficient capacity earmarked in the project implementation phase to contribute and to organise.

The project will be managed by REC and Component 1 will be led by REC fully. Under the supervision of REC subcontracted experts will take part in the technical work of Component 1 in electricity sector and related work of energy efficiency in buildings. Along other international and local experts will contribute to the implementation of the project. REC local offices will assist with local logistics and providing other necessary support for the implementation of the project.

Since funding is not sufficient to fill the data needs in the building sector components in some of the target countries, further fundraising is intended locally (IPA funds), which is to be led by local partners. In such case REC will provide know-how and support for those local partners to run the specific components.

Component 2:

MESP, the Ministry of Agriculture, Forestry and Rural Development, the Ministry of Economic Development, the Ministry of Infrastructure, and the Ministry for European Integration will be the main beneficiaries of component II, together with the University of Prishtina, relevant civil society organizations and the private sector. MESP is the owner of the project results and; as such, it shall ensure effective coordination among involved ministries and agencies, proactive participation of relevant staff in every phase of the project, and access to data and information for project implementation. In addition, Kosovo authorities will be responsible for undertaking the necessary steps and measures for the approval and follow-up implementation of the LEDS and its action plans, for incorporating mitigation and adaptation policies and measures into Kosovo's overall development

plans, as well for periodically reviewing the status of implementation of recommended policies and measures.

Women are underrepresented in government administration at both central and municipal level. The project will encourage equal participation of both genders in the working groups established for each output and, where relevant, include women NGOs in the consultation process.

2.5. Problem analysis and analysis of local potentials

Component 1:

The current, rapid climate change is of anthropogenic nature and avoiding it reaching a dangerous level necessitates significant changes of emission trajectories world-wide. The UNFCCC calls countries to prepare low emission development strategies which formulate and design the way of this profound change in the coming decades. The EU, which is a political centre of gravity for the region, went further and spelled out the need of 80 % domestic emission reduction compared to the 1990 levels by 2050 as a political goal. Currently discussion is initiated about the interim goal for 2030 in the EU. Low emission development strategies or comparable documents are prepared in several of the EU Members States or preparation of such documents is under way.

Preparing of low emission development strategies or low emission development strategies is not an easy task especially in countries with limited knowledge on the details of the matter and with limited data availability. These two factors can be prohibitive for the development of low emission development strategies or can render such exercises symbolic, not having the detailed understanding of the details and implications of the transition in specific sectors.

The two most important sectors by their contribution to the greenhouse gas emissions in size and because of the potential of emission reductions are the electricity and the building sectors. Within the EU assessments indicate 80-90 percent emission (dominantly CO₂) reductions as needed and feasible in the power and building sectors. Power sector is typically the largest emitter and building sector uses up to 40% of the energy in energy consumption including construction, heating, cooling and powering and maintaining of buildings. While the emission profiles of the target region differ from each other, the important role of the two sectors and the potential for actions is evident.

Some of the countries initiated work towards assessment of these two sectors and all of them had prepared plans on energy efficiency however, with a limited time horizon of 2018. The EU is encouraging the development of low emission development strategies/plans in the target countries, however, the background work for these plans/strategies is not yet done. Along with providing the background assessments, the project "as a by-product" will identify potential NAMAs, which can be made available for the donor community, in case governments agree with their promotion.

Local potential and capacity to address the detailed sectoral work concerning LEDs development varies in countries of the region. Administrative capacity for dealing with the LEDs development related matters is severely limited in all target countries. The focus of work in these countries was short term planning and programming without LEDs specific assessment of policy options in sectors as well as building up the basic UNFCCC inventory and reporting structures.

Component 2:

The main strategy of this project is to support the Government of Kosovo to mainstream climate change concerns into sectoral and Kosovo's overall development priorities, thus enabling Kosovo to deal with climate change-related issues in a comprehensive manner, throughout the policy cycle and not as a separate environmental issue.

Currently, there are no clear linkages between environmental management, development planning investments, and public budget allocations. The LEDS needs to take into account the country's dependence on climate variability, the heightened vulnerability of the poorest strata of the populations and the relatively underdeveloped infrastructure.

It is important for Kosovo to start the process of developing its adaptation capacities to climate change. Adaptation to climate variability and change is a social process, which requires an assessment and response to impacts, and to formulate plans and policies in ways, which reduce the risk of adverse outcomes in the future. This is an area of increasing importance, where the need to develop knowledge and awareness is immediate. This project aims to strengthen current capacities to allow also the preparation of an Adaptation Strategy, as part of LEDS. The Adaptation Strategy will advocate measures to enhance resilience to climate change while generating complementary and necessary information to support the efforts of mainstreaming these measures into the sustainable development and poverty reduction processes.

This will be done with the involvement of a wide group of stakeholders at the national and municipal level and in the geographical areas which are most at risk. The likelihood of a river bursting its banks and flooding the nearby villages is considered high in Kosovo and it has been prioritized as a climate risk in Kosovo. Because of their exposure and vulnerability to climate-induced disasters, particular attention will be given to the adequate representation of poor and marginalized groups, as well as an equal participation of both genders in decision making and participation to the formulation of the targeted challenges. It is expected that multiple institutions and agencies will be involved in the project, and each party will facilitate the collection and compilation of the data needed for the vulnerability assessment.

At the same time, Kosovo faces serious challenges in the energy sector (energy, industry and transport) and Land Use, Land-Use Change and Forestry sector (LULUCF). Its ability to address them effectively cannot be separated from climate change issues. A Sectoral Low GHG emission strategy and respective action plans should be prepared on the basis of the existing UNFCCC methodology and will lead to the identification of priority actions in the most vulnerable sectors such as agriculture. Consultations with local stakeholders are a key dimension of the process.

A comprehensive LED strategy enables the evaluation of individual NAMAs and the development of long-term financing and technical-assistance plans for NAMA implementation. Furthermore, issuing a LECRDS allows NAMAs to be linked with the country's development plans.

2.6. Harmonization and Alignment (H&A)

Component 1:

The project aims to support and strengthen government action in the four countries in fulfilling the requirements by UNFCCC decisions as well as help countries in bringing closer their climate policy to the EU's decarbonisation goal and planning process which allows cost effective action on the field. There are two other projects which support the same policy direction for these countries, but with different actions. These are the LOCSEE and the ECRAN projects. Latter is in development stage. Also, there is activity by UNDP in the region supporting climate policy related capacity building.

The Working Group 1 of ECRAN is planned to deal with low carbon development related issues and Component 1 of SLED and Working Group 1 of ECRAN will be aligned in order to be mutually supportive. ECRAN will focus on capacity building and awareness related activities primarily and might provide support for modelling outside of the SLED project area. Further details of harmonisation of the timelines of the projects will be worked out during the time period covered by the inception phase of SLED.

REC is part of the LOCSEE project and REC staff is in contact with the staff of DG Climate Action of the European Commission responsible for the development of the ECRAN project. ECRAN and the current project developed in some interaction, in order to ensure alignment and mutual support. There is a support for cooperation from the Slovenian project leader of LOCSEE as well.

Within the framework of the project an informal information exchange is planned with representatives of activities of similar focus in the region in every six months in order to avoid parallel work and to use synergies. Such informal information is welcomed by representatives of the European Commission, the Slovenian leader of LOCSEE, ECRAN consortium as well as of the UNDP Bratislava office.

The ECRAN project is in development being aware of REC's planned component of SLED and one of its working group will deal with low carbon development related knowledge sharing and training. It will offer practical hands-on assistance and short missions to support the drafting, fine-tuning and implementation of key policy documents and legislation on low carbon development, mitigation and adaptation as well as related assessments of social and economic impacts. The project's objective is to do this without duplicating other projects on the area.

Further synergies can be built with local initiatives which aim to promote issues concerning low emission development, energy efficiency in building as well as low emission development in the power sector. Such synergy with the on-going Energy Community secretariat current work on renewables and energy efficiency in the field of electricity is also foreseen. Such initiatives can be identified with the help of REC local offices and during visits preparing the research elements of the project.

Component 2:

The United Nations Development Programme works in close cooperation with the relevant institutions across all policy and programme areas. The interventions in the area of environment and climate change are designed in close cooperation and consultation with MESP. Based on an agreement between the UNDP and the Ministry, as of December 2012 MESP jointly with UNDP carefully coordinates donor interventions in the climate change agenda for Kosovo. The plans of other relevant donors like EU, FAO, GIZ and WB are linked to the UNDP initiatives to develop the low emission climate resilient strategy for Kosovo. Thus, the on-going FAO project will contribute to the sectoral strategy for forestry; WB and GIZ will provide inputs to the sectoral strategy for electricity and building; the EU has tailored the tasks for the new climate change expert from the TAIEX programme taking into account the UNDP's plan to develop the low emission climate resilient strategy for Kosovo.

In the beginning of 2013, MESP with the support from UNDP Kosovo launched development of the framework low emission climate resilient strategy (LECRDS) for Kosovo. Moreover, UNDP is continuing with the support to the Kosovo Environmental Protection Agency (through the Czech trust fund) in strengthening their GHG monitoring and reporting system. This project proposal aims to further build on the results of the current projects.

2.7. Data basis and documentation

Component 1:

For the general framework energy efficiency strategy documentation was reviewed from all target countries as well as relevant European Commission progress report regarding the enlargement strategy and main challenges. For the development of the project documentations of similar ongoing building sector analysis (in Hungary) was used as an example. Data availability was assessed with the overview of census data questionnaires regarding building sector and assessment of statistical and other type of relevant data via country offices of REC. In case of Serbia, the results of the TABULA project were consulted.

For the electricity sector part of the project REKK's previous work for the Energy Community Secretariat regarding electricity sector development in the SEE region will be used, but updating of the

data and validation from the participation countries is required. For the electricity sector work REKK possesses the necessary data from previous work for modelling. In case of cost and impact related renewable energy, a new module for the sectoral model is to be development as part of the project.

Component 2:

The topics and priority interventions for this project were selected from the priorities in the National Environmental Strategy and National Environmental Action Plan for the period 2011-2015. The intervention is also identified as priority for Kosovo's EU approximation process.

As stated in European Commission's Staff Working Document "Commission Communication on a Feasibility Study for a Stabilisation and Association Agreement between the European Union and Kosovo", Brussels, 23 October, 2012 { SWD(2012) 339 final/2 }: "*Kosovo is not a party to the UN Framework Convention on Climate Change. There is no climate change strategy, action plan, economy-wide mitigation targets or policies and measures on climate change.*" The statement in this document emphasizes the need for Kosovo to make serious effort to ensure concrete actions in this direction.

Ongoing development of the framework LED for Kosovo will provide guidance for the formulation of sectoral strategies and actions plans and guide the overall climate change strategy implementation in Kosovo.

3. Intervention logic

(See annex no. 1)

3.1. Overall Objective

Component 1:

The component's overall objective is to support the countries of activity in the process of developing low emission policy framework and pay increased attention to potential policies and projects associated with this policy development. It also plans to assist the donor community with enhanced information on possible policies and projects for low emission development. The project will contribute to the sustainability of the region in general.

Component 2:

The overall objective of the component is to achieve long-term, measurable reductions in greenhouse gas emissions while at the same time ensuring sustainable development in Kosovo.

3.2. Project Purpose

Component 1:

The projects purpose is to provide useful policy analyses and advices for target countries regarding low emission development planning and efficient investments in the electricity sector and in the area of energy efficiency in buildings. The project also aims to facilitate the identification of NAMAs in the two sectors in a coordinated manner with the EC funded ECRAN project.

The studies to be prepared are crucial for unlocking the preparation of meaningful low emission development strategies and contribute to sectoral strategy formulation in the building and electricity sector. As the studies are connecting previously isolated areas of research and policy development it facilitates the integration of climate policy into sectoral policies.

The main purpose of the **Component 2** is to support the Government of Kosovo to mainstream climate change concerns into sectoral and overall Kosovo's development priorities, thus enabling Kosovo to deal with climate change-related issues, and consider it not only as a separate environmental issue but as an issue of sustainable development.

3.3. Expected Results

The expected results for **Component 1** of the project are the following:

1. providing assessment and options in the low emission development transformation of four countries (Albania, F. Y.R. o. Macedonia, Montenegro, Serbia) in the electricity sector and identification of potential NAMAs in the sector
2. Providing policy options regarding increasing energy efficiency in buildings for the region with replicable methodology (case studies in Serbia, Montenegro and potentially F. Y.R. o. Macedonia) and identification of potential NAMAs in the sector
3. Increasing awareness regarding low emission policy options

The expected results (1-3) for **Component 2** are as follows:

1. Capacity for low emission climate resilient development strengthened at national and local level;
2. Low emission climate resilient strategy and action plans developed;
3. Promote sustainable energy policies and programs and enhance public awareness concerning energy efficiency.

3.4. Activities

Activities for **Component 1** are clustered in three broad categories as follows:

I. Inception phase

The project includes a short inception phase, where lead ministries responsible for sectoral policies as well as for climate policy will be contacted by REC. The project concept will be introduced to responsible government officials and they will be harmonized by local activities on national level. On the basis of possible synergies some elements of project design as well as timing might change. However, the regional scope of the project requires the application of the same methodology, which will also allow comparability and better documented project results, along with replicability.

Interaction with local stakeholders will also aims to embed the planned studies in the framework of the development of low emission development strategies, and REC will promote local fundraising via IPA for the development of LEDs on the basis of the studies. In case of the energy efficiency in buildings sub-component, attempt will be made to fundraise with local partners (potentially with the lead ministry) for a project component which would bridge the data availability problem in the Albanian building sector with large scale sample data collection.

The inception phase also allows for the synchronization of the project timeline with the European Commission sponsored ECRAN project which is still in development phase.

At the end of the three months inception phase an inception report will be prepared and submitted to ADA for approval. The report includes an updated and refined project document and the logframe, budget, time frame and monitoring plan need to be adjusted accordingly.

II. Residential building sector retrofit scenario building

Building stock in the CEE region in general holds considerable energy saving potential. The pace of building retrofit, however, is rather slow and many economically beneficial projects lack implementation for a variety of reasons such as lack of financial resources (both private and public), limited knowledge on the building stock etc.

This subcomponent would focus on the residential building segment and aim at building capacity and provide the policy makers in the region with a decision aid tool that quantifies the energy saving potential of residential housing stock and develops building retrofit scenarios at the nation level. It could provide substantial impetus on the policy process of energy efficiency target setting, designing national support programs and utilizing international donor funding more efficiently. The “residential building” subcomponent would include the followings:

Activity 1: Data availability study on 4 countries

Residential building energy efficiency planning should start from data screening on the availability of information on the current residential building stock with the aim of identifying the available and information on the residential building stock of the 4 countries as a starting point. Data screening would involve publicly available sources such as the latest census, building databases, national energy statistics for defining heat demand of residential buildings. This activity would involve various tasks:

Task 1: Development of data template containing the data requirement of scenario building

Task 2: Identification of and consultation with local experts on building stock statistics and aggregate energy statistics

Task 3: Data collection

Task 4: Regional data report

Deliverable: regional data screening report

Activity 2: Detailed residential building retrofit scenario development for Serbia and Montenegro

The aim of this Activity is to provide the decision makers with a tool to be able to assess the energy efficiency potential of the residential building stock, regarding its heat demand, plus provide an estimate of the cost of various retrofit options. This bottom up approach is built on the identification of building types that can represent adequately the national stock. Building types are usually defined along several characteristics such as their vintage, construction material, the type of building (single flat, block etc.) and - in case of countries with very different climatic zones - the geographical location. As far as the country selection concerned, Serbia has already developed its building typology matrix in the framework of the IEE project “TABULA”⁵ but is lacking the accompanying building stock modelling that would translate the primary data into aggregate scenarios useful for the decision makers. In addition, the matrix is not elaborated on the basis of the available statistical data on the stock, therefore it is questionable that the matrix is applicable for national estimations and probably a revision will be necessary. Montenegro was selected in the basis of data availability, the current stage of policy development (currently developing buildings regulation) and already established working relationship of REC and subcontracted experts with national decision makers.

⁵ (<http://www.building-typology.eu/tabula.html>)

Once the matrix is developed, an energy model will be carried out for each types based on the technical documentation of real example buildings using with the methodology of the energy certification and/or energy audit. On the basis of building types (each with its representative primary energy needed to cover heat demand, its CO₂ consequences), the impact of retrofits on primary energy demand for heat and CO₂ emissions are estimated. This, together with the associated costs of 2 alternative retrofit packages, retrofit scenarios can be constructed that would provide information for the policy makers on the aggregate cost of alternative retrofit programs (timing of retrofits, focus on building types), in other words provide guidance on NAMAs. Scenarios are developed with an energy use projection model. In case the country has an overall national energy saving target, the role of residential buildings can be assessed.

Task 1: acquisition of required data from the national statistical agency

Task 2: residential building typology matrix development for Montenegro and Serbia

Task 3: selection of real example buildings for each building type for energy assessment

Task 4: energy and CO₂ calculations of the example buildings (original state)

Task 5: definition of retrofit levels

Task 6: consultation with local experts on technology options and cost definition

Task 7: estimating the effect of retrofit options on primary energy use and CO₂ emissions

Task 8: retrofit cost calculation per building type and retrofit deepness

Task 9: preparation of draft country reports, consultation and final report

Deliverables: Draft and final versions of Residential building retrofit scenario report for Serbia and Montenegro

Activity 2a: Methodology handbook on typology and scenario development (financing permitting - optional)

On the basis of the 2 country studies, a detailed methodological guidance will be prepared that enables other countries in the region to prepare their own building retrofit scenarios, or alternatively, attract international funding for execution. The manual would cover all aspects of the scenario process indicated above.

Inclusion of the development of the methodological handbook will be decided on the assessment of the building sector related component of the project and their budgetary implications in the inception phase of the project.

Task 1: preparation of the draft guidebook, including a building catalogue

Task 2: sending around among the responsible governmental institutions for commenting

Task 3: final version of the guidebook

Deliverable: Draft and final versions of the Methodological guidebook on retrofit scenario development

III. Electricity sector strategy development component

The electricity sector is one of the main contributors to GHG emissions. In the analysed countries the electricity sector has specific characteristics. Generally high level of hydro capacities makes the sector less GHG intensive, than some other countries in the region, but additional capacities are based on outdated coal or lignite fired power plants. In addition the networks are generally underdeveloped both at the distribution and transmission levels. Consumption is projected to grow at a higher pace than in the EU member states. The countries are members of the Energy Community (EnC), which helps them to go on their modernisation pathways, to better integrate to the EU markets and to harmonise their rules of operation with the EU common market regulations.

The objective of the activity A in the project is to identify the cost efficient options in the four analysed countries from the GHG emission reduction point of view if they are in line with the European long term decarbonisation objectives.

Activity A) Country level analysis

Task 1, Stocktaking of current and planned policies impacting on the electricity sectors, having impact on the countries' decarbonisation pathways. The policy areas include the followings:

- Renewable policies (analysed countries undertake targets within the energy Community framework), including operational and investment support and other non- tariff based support
- Carbon taxation/participation in EU ETS scheme, possible timing of this step.
- Energy saving measures impacting on electricity consumption. As this field covers an extensive area this sub-task will focus on the existing literature and data sources on the energy saving potential.
- Application of minimum performance standards on power plants, e.g. to undertake the provisions of LCP directive.
- Increased interconnection capacities with neighbors enabling more regional cooperation. The increased integration could result in both increase/decrease in carbon emissions – depending on the energy mix of the traded electricity - and has to be evaluated.

A wider outlook will be provided in the whole energy sector, e.g. on the gas infrastructure developments as well that could also impact on the natural gas use in these countries and consequently on the carbon emissions of the analysed countries.

Deliverable: data report on 4 countries

Task 2, Model development

REC will use its electricity model already covering the four countries, however in order to indigenize the modeling of RES-E developments it must be further developed. This development will include:

- *RES-E technology characterization*
- *RES-E potential estimations for the four countries*
- *Estimating cost reflective supply curves for RES-E, that takes into consideration support levels.*

In addition the Danube Region Gas Model of a subcontractor will be used to derive the region/country specific natural gas prices, that play crucial role in determining the share of gas fired power plants in the region.

Deliverable: Validated reference scenario for the 4 countries

Task 3, Modelling available options for the decarbonisation policies in the four analysed countries. In this assessment each country will be modeled individually, in that respect, that the rest of the countries are only pursuing their reference pathways. This analysis aims to identify those options, that are the most efficient one from the GHG reduction point of view at the country level.

- It includes the estimation of cost and carbon reduction potentials for the policy options.
- Early and delayed actions scenarios to be analysed in order to quantify effects of timing of the suitable policies.

The analysed scenarios set-ups will be agreed with the corresponding public institutions (ministry or regulators).

Deliverables: 4 country reports, including the ranking of emission reduction potentials and abatement costs.

Activity B, regional focus

First the previously mentioned modeling exercise will be supplemented with a scenario analysis, when countries in the region undertake coordinated actions in the field of climate mitigation policies, e.g. harmonized carbon taxation or RES-E support schemes (to be agreed with the stakeholders). The objective of this task is to explore if further advantages could be materialized from a common action of the participating countries.

This task consists of the following sub-task:

- Region specific scenario definition, with feedback from local experts.
- Modeling the agreed scenarios.

Deliverable: One regional analysis, including all analysed countries in the assessment.

IV. Promoting the results of the underlying studies for stakeholders and beneficiaries

During the project execution there will be repeated interaction with local decision makers, government officials involved on the field of electricity policy, energy efficiency in buildings as well as climate policy. Along with these consultations the project relies significantly on local expertise for specific tasks. In both subcomponent of the project a feedback from stakeholders is envisioned regarding the draft reports for quality assurance as well as increased local ownership over the project results.

The process of increasing ownership of the project results will mean continuous engagement with local experts and government authorities, decision makers during the project lifetime, via visits of the expert staff. The project attractiveness for the respective government officials is partly promoted by the fact that the project aims to identify NAMAs which can be registered and funded by donors as part of their climate finance engagement running up until 2020. To increase the credibility of the NAMA identification motivation, the project results are planned to be conveyed to the donor community via an international workshop planned in Brussels (but might take place at other venue, back-to-back a meeting of donor organisations) along with a side-event at the Conference of Parties of the UNFCCC in 2015.

It is important to make local stakeholders aware of the project results as widely as possible. It is envisaged that all locally relevant studies will be available both in local languages as well as in English and will be published on-line. At the final stage of the project local workshops will be held in each of the four countries, where project results are introduced and discussed with stakeholders and promoted in local press.

The activities under the **Component 2** are as follows:

Inception phase:

In the inception phase the project will make an assessment of the context in which it will operate. The starting point will be the functional review of the relevant ministries, existing inter-ministerial coordination mechanisms and assess what could be the obstacles for delivering the project objectives. Similar exercise will be undertaken with the municipalities. This phase will serve as an introduction of detailed interventions to the partners and contribute to their full participation in the process.

The outcome of the inception phase will result with clear staff and budget structure.

Expected result 1. Strengthening of the capacity for low emission climate resilient development at national and local level

1.1 National climate monitoring and reporting system for adaptation and low emission strengthened

1.1.1. Establishment of the monitoring and reporting system at the Hydrometeorological Institute

1.1.2. Assistance to sectoral governmental agencies for the data gathering and processing for the formulation of GHG inventories

1.1.3 Assistance to Kosovo Environmental Protection Agency (KEPA) in undertaking GHG inventories and reports

1.1.4. Development of indicators to monitor the implementation of the LECRDS action plans

1.1.5. Identification and provision of support to the respective authorities in charge for reporting

1.1.6 Development of needed legislation for authorization and establishment of procedures for reporting

1.2 Improvement of the technical capacity for climate change scenario modeling at Kosovo level

1.2.1 Selection of priority sectors for the climate change scenario modeling

1.2.2 Training the sectoral experts for climate change scenario modeling

1.2.3 Assisting sectors in making a prioritization on the needs and capacities for the establishment of permanent climate change scenario modeling

1.3 Assessment of the current vulnerabilities and adaptation of the selected priority sectors

1.3.1 Selection of priority sectors for the assessment of vulnerabilities and adaptation capacities

1.3.2 Training the sectoral experts to undertake vulnerability and adaptation assessments

1.4 Increase of the capacity for socio-economic assessment of future climate change impacts in selected sectors

1.4.1 Selection of priority sectors for the climate change scenario modeling

1.4.2 Training the sectoral experts in making socio-economic assessments

1.5 Development of the capacities to integrate climate risks and opportunities in the development policies, strategies and plans

1.5.1 Selection of priority sectors to be integrated in the development policies, strategies and plans

1.5.2 Training the experts on the prioritized sectors for identification and prioritization of climate risks and opportunities

1.5.3 Training high level central governmental administration in climate risks and opportunities for the integration of climate risks and opportunities in development policies

1.5.4 Training technical experts in Ministries (for example Ministry of Finance) for the integration of climate risks and opportunities in sectoral strategies and plans

1.6 Establishment of the Kosovo Climate Change Committee

1.6.1 Administrative decision; assistance in drafting the concept and responsibilities needed for the establishment

1.6.2 Taking part in the first three years of the working group meetings of the committee

1.6.3 Formulation of indicators to monitor the integration of climate change risks and opportunities in development policies, strategies and plans

Expected result 2. Development of the Low emission climate resilient strategy and action plans

2.1 Development of the framework low emission climate resilient strategy (with co-financing from UNDP)

2.1.1 Hiring senior consultants for ensuring the inclusion of the national level LECRDS in the sectoral strategy development

2.1.2 Determining future GHG emission trends under the baseline scenario (without implementation of additional mitigation measures) and under the LED scenario

2.1.3 Identification of GHG emission mitigation opportunities in key sectors and formulating concrete NAMAs

2.2 Baseline assessments of the potential to reduce sectoral GHG emissions and sectoral adaptation potential

2.2.1 Hiring senior consultants for the evaluation of the existing data for the baseline assessment, formulation of additional data requirements, collection of data and formulation of needs for additional baseline assessments

2.2.2 Development/ formulation of sectoral baseline studies for assessing the adaptation potential for the formulation of sectoral strategies and action plans

2.3 Development of sectoral strategies and action plans

2.3.1 Hiring senior consultants for assisting the formulation and coordination of the sectoral strategies and action plans, facilitation and guidance of the working groups, identification of additional national expertise needed,

2.3.2 Based on the framework strategies identify list of priority NAMAs and Adaptation actions, and develop in to more detailed actions (NAMAs comprises of a set of concrete projects, programmes and policies that shifts a sector/technology in a country onto a low-carbon development trajectory. Specific requirements to the strategy development should be considered, such as methodology used; national priorities and needs; poverty eradication, green jobs, and gender issues).

3. Promotion of sustainable energy policies and programs and enhancement of public awareness concerning energy efficiency in municipalities

3.1 Training of municipal officers and design of energy saving projects

3.1.1 Training of municipal officers in energy efficiency (in charge of land use planning and construction permits, in charge of public procurement; also other municipal offices such as gender advisor and officials in charge of community outreach, awareness raising)

3.1.2 Training of NGO's, including Women NGO's, in energy efficiency

3.1.3 Development and maintenance of the energy efficiency pool of partner companies, leading producers and distributors of energy efficiency products and technology

3.2 Support to municipal energy efficiency projects

3.2.1 Assistance for the development of energy efficiency project proposals and identification of energy efficiency projects on local level

3.2.2 Assistance in the selection of projects

3.2.3 Supervision and monitoring of the project implementation

3.3 Communication strategy

3.3.1 Formulation of communication strategy

3.3.2 Replicating the modalities of the energy efficiency awareness raising campaign undertaken in local level in 2013 (media, education at schools etc)

3.3.2 Printing educational materials for the promotion of energy efficiency

3.3.3 Publishing information via print and www for public and stakeholders

3.3.4. Establishment of LECRDS homepage hosted by Ministry of Environment and Spatial Planning

3.3.5 Organizing roundtables, workshops and other events for each output

3.3.6 Translating the materials in Albanian and/or Serbian and English

4. Implementation

4.1. Methodology

Component 1 of the project will apply the following methodologies:

The project will commence with a three month inception phase when local government authorities will be contacted and the project details will be introduced to them. This phase will allow for developing stakeholder ownership from their side, as REC will try to "embed" the project in the local environment, meaning the integration with ongoing local activities utilising synergies, while maintaining the core of the concept and the modelling, scenario development the same in all of the four countries.

In case of the electricity sector scenarios will be primarily based on using the models developed by a subcontractor, the European Electricity Market Model which simulates the operation of a European electricity wholesale market in a stylized manner as well as the Danube Region Gas model. These models allow the assessment of the cost-efficient decarbonisation options in a more holistic manner, where cost and benefits are measured considering the price impacts between actors and within the whole region. With the scenarios further important factors, such as the issue of timing of the applied policy instruments will also be assessed. For the implementation of the project further development of the electricity model is needed regarding renewable capacity options. Alternatively purchase of the needed modelling data regarding renewables was considered but it was proven as a more expensive option.

In the residential building sector component, the project will apply a bottom up methodology to derive aggregate heating and cooling energy saving potentials of the building stock. The already established building typology of the TABULA project will be used and developed in case of Serbia and a similar

typology will be developed for Montenegro. Once the matrix is developed, an energy use assessment will be carried out for each types based on the technical documentation of real example buildings using with the methodology of the energy certification and/or energy audit. On the basis of building types (each with its representative primary energy needed to cover heating and cooling demand, its CO₂ consequences), the impact of retrofits on primary energy demand for heating and cooling and CO₂ emissions are estimated. This, together with the associated costs of two alternative retrofit packages, retrofit scenarios can be constructed that would provide information for the policy makers on the aggregate cost of alternative retrofit programs (timing of retrofits, focus on building types), in other words provide guidance on NAMAs. Scenarios are developed with an energy use projection model. In case the country has an overall national energy saving target, the role of residential buildings can be assessed. Local experts and government officials will be involved in all stages of the project and they will provide the locally relevant information to the modelling work. Their role is key in identifying and agreeing with the two retrofit packages as locally appropriate. This identification is the key element of the project and crucial for policy makers.

Component 2 of the project will apply the following methodologies:

In the last decade, UNDP proved to be a reliable partner to governments in supporting their transition to green/low emission and climate resilient development. In the region of Europe and CIS, UNDP supported LEDES development in Kazakhstan, Moldova and Turkmenistan, under development is a strategy in Uzbekistan and LEDES were initiated in Bosnia and Herzegovina and Croatia.

UNDP has developed a number of tools and guidelines, such as for instance “How to Guide on Low-emission development strategies and Nationally Appropriate Mitigation Actions”, “Preparing low-emission climate resilient strategies”; “Charting a new low-carbon root to development”; “Blending Climate finance through National Climate Funds”; “Catalyzing climate finance”, etc⁶.

In the inception phase the project will make an assessment of the context in which it will operate. The starting point will be the functional review of the relevant ministries, existing inter-ministerial coordination mechanisms and assess what could be the obstacles for delivering the project objectives. Similar exercise will be undertaken with the municipalities. This phase will serve as an introduction of detailed interventions to the partners and contribute to their full participation in the process.

The outcome of the inception phase will result with clear staff and budget structure.

Participation of MESP, other line ministries, and municipalities is envisioned to ensure the national and local ownership of the processes and a smooth continuation of implementation after the end of the project. Kosovo Climate Change Committee as an inter-ministerial high level officials group and technical working groups on mitigation and adaptation will be established at the initial stage of the project to ensure ownership of the project. Additionally, in the project implementation a special focus will be paid in regards the equal participation of women in the governmental and municipal administration and Women NGO's. Gender officer will be included in the training under the output 3 (training of municipal officers) to enable the mobilization of Women NGO's.

4.2. Time schedule

(See annex no. 2)

⁶ http://www.undp.org/content/undp/en/home/librarypage/environment-energy/low_emission_climateresilientdevelopment.html

4.3. Necessary means and costs

(See annexes no. 3 and 3a)

Component 1:

Two research teams, including local experts as well as local support for organising meetings will be established for the project. REC will provide and engage the expert and research teams and run the general management of the project, while REC Country offices will provide the local support.

REC is willing to provide certain percentage of the project costs in cash in the forms of workdays offered from the project implementation. In addition REC is offering a waiver to office and equipment rental costs, in particular for the offices used by experts and other project staff on a daily rate of 60 EUR/desk/day.

Component 2:

UNPD will contribute to the project by providing two international experts for the low emission development and adaptation components, respectively (60.000 USD) for the implementation of Component 2, and an ongoing technical support from the regional UNDP office in Bratislava.

The operational currency for UNDP is USD, which is used also for financial reporting. However UNDP can provide the financial reports also in EUR as per specific donor requirement.

4.4. Organizational structure and processes

Component 1 will be managed by REC in a structured framework to manage the project from its beginning to the end in line with long standing practices of the organisation. REC uses project cycle management method together with logical framework matrix to design, implement monitor, control and evaluate projects. During the implementation of the project REC will use and apply applicable internal administrative and project management rules and procedures. The project will be managed and supervised by senior experts in REC with the collaboration of in house experts and support staff both at its headquarter and in country offices. In addition to the in house expertise of the REC one international expert is foreseen to contribute to the project along with several local experts in connection to the building sector component of the project. Local experts will be identified and contracted with the help of REC Country Offices and engaged for specific tasks on an ad-hoc basis. Lead ministries responsible for energy, buildings and climate policy will be engaged from the inception phase of the project and will be kept informed about project development as well as asked to provide feedbacks on several locally relevant elements of the research, for example local policy options, retrofit package identification in the case of building sector.

The project will be subject to the internal and external auditing procedures provided for in the financial regulations, rules of REC. The costs of such an audit, including the internal costs of REC with respect to such an audit, will be charged to the project budget. REC will provide the donor with a copy of the auditors' report.

REC will report in every year regarding the project to ADA.

Concerning **Component 2** a Steering Committee will be established for overseeing and taking strategic decisions. There will be representatives of key stakeholders (MESP; Ministry of Agriculture, Forestry and Rural Development; Ministry of Economic Development; Ministry of Infrastructure; Ministry for European Integration; University of Prishtina; representatives of Civil Society; Private Sector) and UNDP Kosovo.

Quality assurance for Component 2 will be provided by UNDP. The UNDP Programme Analyst appointed for this project will perform day-to-day quality assurance, supervised by the UNDP Senior Management. The Programme Analyst will report to the UNDP Senior Management and to the Project

Board at their request, or when a project issue arises. The project assurance role is to ensure that the project implementation meets and complies with UN operations and regulation standards, and that international best practice standards are applied during project implementation.

Reporting on the component 2 will be done according to UNDP Kosovo practice, by project management providing to REC a mid-term report (Q2), and annual report (Q4). REC will submit joint reports to ADA and include the UNDP reports as Annexes. Reports will be provided to the Steering Committee, which convenes biannually, to monitor the project's progress and address project issues as necessary.

The project team on the component 2 will be comprised of a qualified Project Manager, key experts, and support team. In addition, in accordance with the implementation requirements, individuals/groups/companies and partners will be contracted to provide technical support to the implementation process. The Project Manager will report directly to UNDP Kosovo Environment and Energy Programme Analyst and to the Steering Committee.

Component 2 will seek coordination with all existing relevant development. This is crucial to ensure there is no duplication of efforts taking place and that resources are leveraged to the maximum extent possible.

Component 2 will be subject to the internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP Kosovo. Should an Audit Report of the Board of Auditors of UNDP to its governing body contain observations relevant to the project's financial contributions, such information shall be made available to donors. UNDP Kosovo will prepare an unaudited financial statement of receipts, disbursements and fund balance with respect to the project and forward a copy to the donor at project closure. In the event that donor requests a financial statement audit to be performed by external auditors, the costs of such an audit, including the internal costs of UNDP Kosovo with respect to such an audit, will be charged to the project budget. UNDP Kosovo will provide the donor with a copy of the auditors' report.

4.5. Accompanying measures

Regarding **Component 1** REC is initiating contacts with lead ministries of the target countries responsible for energy, energy efficiency and low emission development already. REC along with seeking ownership of the products of the project, offers cooperation to the ministries to harmonize the project with their current and planned activities. The project design allows for such approach. During implementation phase of the project several consultations are planned with local decision makers and experts in order to have local priorities and challenges taken into account when project reports are prepared.

Concerning **Component 2** capacity building of MESP, line ministries, and municipalities to implement the low emission climate resilient development strategy is envisioned to ensure smooth continuation of implementation of the strategy after the end of the project. Kosovo Climate Change Committee as an inter-ministerial high level officials group and technical working groups on mitigation and adaptation will be established at the initial stage of the project to ensure ownership of the project.

5. Assumptions

5.1. External factors

Component 1 is building on the policy development trend that countries are planning to prepare low emission strategies. The political will to prepare such strategies is present in the target countries. The project aims to make development of LEDs significantly easier for governments, providing roughly 70% of the background preparatory work for the development of such strategies. The studies prepared by the project are constituting the most difficult part of development of such strategies. Furthermore, the results of the project are potentially useful for sectoral policy development, especially in the building sector to a wider extent than LEDs development and NAMA identification. Efforts will be made by REC to synchronise activities under the SLED project with the ECRAN and LOCSEE projects, which provide additional capacity building and awareness raising regarding the importance and use of LEDs as well stakeholder consultations on the general framework of low carbon policy development.

Another factor, in the building sector component of the project, which has a key role, is data availability. During the scoping process for project preparation it became evident that in Albania the necessary building sector data for scenario development is not sufficient. Substitution of statistical data with large scale sample survey is beyond the boundaries of the project, but attempts will be made to fund raise separately for such project component and then extend the building sector scenarios to these countries as well.

Component 2:

As a result of issues related to its status, Kosovo is still not recognized by United Nation Institutions. Consequently, it is not eligible to be party to international Conventions and it can participate in negotiations only as an observer. However, compliance with international laws, including Multi-National Environment Agreements remains extremely important in the Kosovar domestic strategy and international relations.

The Kosovo Parliament has adopted a number of important laws to approximate with the acquis communautaire and the legislation of Kosovo is to a large extent already EU-compatible.

Although Kosovo has not participated in or signed the Kyoto Protocol yet, it has the responsibility to respond to the requirements of the Protocol as one of the signatories of the Energy Community Treaty. The Energy Community treaty puts clear reduction targets for the energy use while it demand increase the share of renewable energies.

5.2. Assessment of risks and the need for modifications

Component 1:

Data availability, local expertise and local political acceptance of the project results are the three key factors which can present risk to Component 1 of the project.

For political acceptance, the project team will make extra effort to build local ownership by national government over the project results and connect the project with local processes and needs utilising synergies. A three month long inception phase will be used to map and analyse political acceptance related issues within lead ministries relevant for the countries.

Data availability in the building sector is a known challenge and the project design is addressing this by paying special assessment to the issue. On the basis of the data availability the two best

performing countries will be chosen for detailed scenario development. Initial assessment indicates that these countries are likely to be Serbia and Montenegro or F.Y.R. Macedonia.

Local expertise is essential in the building sector part of the project to provide information on the composition of the building stock, development of the typology of the building stock and assessment of cost options for retrofit of specific building types. Local experts are thus selected in cooperation of international experts and local country office in order to find the best candidates for specific tasks.

Component 2:

As to the risks in regards the component 2, there can be expected to be a slowdown in institutional response and activity in Kosovo due to the upcoming local and national and national elections in 2013. Specific Kosovo circumstances, and data availability are already identified as one or the risks, and will be addressed accordingly during the project implementation.

6. Monitoring and Evaluation

6.1. Monitoring, information system, indicators

(See annex no. 4)

ADA will be provided with annual reports regarding the progress of the project.

For **Component 1** the analytic deliverables and the time of their completeness are easily monitored in quantitative terms. Qualitatively the analytic deliverables will be assessed by interviews with local stakeholders. Meeting type deliverables will have indicators related to participation and qualitatively by questionnaire filled by the participants of each meetings. Project management staff of REC will be responsible to collect the indicators and the data which will provide the basis for performance evaluation.

The monitoring of the **Component 2** is being done by both quantitative and qualitative indicators. Qualitative self-assessment data is collected from each training cycle. Central indicators for the results number 1 and 2 are the prepared policy documents and the monitoring of their integration in the central level policy making. All activities of the component are monitored in quantitative terms, whether by e.g. the number of participants, affected municipalities or the existence of a specific assessment or strategy drafted within the component. Project Manager is responsible for the collection of the indicators.

6.2. Evaluations

A common external evaluation will be commissioned at the end of the project by REC and UNDP Kosovo. The evaluation will be prepared in line with REC and UNPD Kosovo internal processes as well as ADA's Guidelines for Project and Programme Evaluation.

The evaluator will be internationally hired.

7. Sustainability issues⁷

(Max. 2 pages)

7.1. Political support

For **Component 1** in all four of the target countries IPA funding is available for supporting the preparation of low emission development strategies. Project results will make the preparation of such strategies feasible. Support of lead ministries for the development of low emission development strategies is already committed towards the EU. The inception phase of Component 1 aims to involve national lead ministries in the project, harmonizing the project with ongoing local activities as well as synchronising the project with other initiatives which aim to mobilise support for low carbon development policies.

Component 2:

As mentioned earlier in the document, the project is selected from the priorities in the National Environmental Strategy and National Environmental Action Plan for the period 2011-2015. The intervention is also identified as priority for Kosovo's EU approximation process.

Endorsement from the MESP for the development of the low emission climate resilient strategy was obtained in December 2012. In their turn, the results of this project (the sectoral strategies and action plans) contribute to the formulation of the following the National Environmental Strategy and the National Environmental Action plan.

7.2. Appropriate technology

Component 1:

From the project results the manual on residential sector energy efficiency study is the only one which requires special attention in order to make it accessible to the target groups for developing further scenario based analysis. The manual will be prepared for experts on the field in appropriate detail that any country could replicate the scenario development process.

Local experts will be involved in identification of the technology mix for intervention measures in the case of residential building sector retrofit scenario development which are locally appropriate. Since there will be two scenarios with different ambition levels they allow to explore the full set of intervention options. The technology selection will be supervised by international experts well aware of most up to date options and cost efficiency will be also taken into consideration.

Component 2:

Kosovo Environmental Protection Agency (KEPA) will be sufficiently trained to produce independently annual inventory of Greenhouse Gases (GHG), and the climate monitoring and reporting system will be strengthened.

7.3. Environmental impact/ environmental protection

(See annex no. 5)

⁷ See guideline on „Quality Assurance for Interventions of the Austrian Development Cooperation“

7.4. Socio-cultural aspects

The preparation and implementation of climate change policies requires cross-sectoral cooperation, but administrative culture doesn't encourage cross-sectoral approaches in implementation of the legislation or strategies.

The establishment of interministerial and multistakeholder working groups targets this challenge.

7.5. Gender equality

(See annex no. 6)

7.6. Development of institutional and management capacities

Component 1:

The REC has been performing activities related to energy efficiency and renewables since mid '90. These activities firstly were combined with climate change related projects and were mainly assessment studies on EE and RES developed under the UNFCCC's Kyoto Protocol Flexible Mechanisms. During these years the REC has cooperated with national and local governments, businesses, financial institutions, housing associations, networks and other important players. The REC has been active in sustainable energy and gathered wide knowledge and experience. Most important projects REC implemented in the region were:

- The **Renewable Energy and Energy Efficiency Partnership (REEEP)** Secretariat for CEE, Western Balkan and Turkey between 2004 and 2008. The overall goal of the Secretariat was to contribute to the penetration of renewable energy sources and to the improvement of energy efficiency in Central and Eastern Europe and beyond.
- **Regions for Sustainable Change** project, a partnership of 12 organizations from 8 countries led by REC that aimed to promote a shift to a low emission economy through development of suitable methodological means.
- **INTENSE** - From Estonia till Croatia: Intelligent Energy Saving Measures for Municipal housing in Central and Eastern European countries - Intelligent Energy - Europe (2008-2011)
The main objective of the project was to influence building developments at legislative, technical, planning, consumer behavior level.
- The **USE Efficiency** project (2009 - 2012) aimed to create a common stream for energy efficiency systems in university buildings. Covers energy audits of University buildings, training courses for students.
- **TRAINREBUILD** - Training for Rebuilding Europe (2009-2012) addressing the interaction between the whole retrofit buildings value chain to accelerate the implementation of EU legislation concerning buildings at EU Member States level.
- The **Europe-China Clean Energy Centre (EC2)** project (2010-2015) aims to increase the capacity, knowledge and awareness on low emission technologies/options in China and promote the cooperation between China and EC
- **Low Carbon Strategies in SEE** (from 2012 ongoing) aiming at developing the capacity of the SEE countries to shape low carbon strategies in line with the requirements of their current or expected EU membership, through a network of sharing information, methodologies, experience and good practices.

REC has extensive experience in the administrative, financial, and technical management of large,

multi-country projects, including experience exchange, capacity-building, and awareness-raising activities in the field of environmental protection and sustainable development.

REC maintains a staff of experts in the fields of climate change, low-carbon economy, environmental policy, and sustainable development. The RECs climate change programme supports authorities in the development and implementation of climate change adaptation/mitigation policies.

The project helps to deepen the knowledge of REC experts on the local situation and potentials for low emission development in target countries.

Component 2:

In the last decade, UNDP has proved to be a reliable partner to the governments in supporting their transition to green/low emission and climate resilient development. In the region of Europe and CIS, UNDP supported LECRDS development in Kazakhstan, Moldova and Turkmenistan, under development is a strategy in Uzbekistan and LECRDS were initiated in Bosnia and Herzegovina and Croatia.

The project aims to strengthen the institutions that are vested with the responsibility to implement and enforce the legislative framework in regards climate change. This project targets the development of institutional capacities in identifying the barriers and opportunities posed by climate change in development and in prioritization of actions for implementation both on central and municipal levels.

7.7. Economic viability

No follow-up costs will arise from Component 1 and Component 2 of the project.

Annexes:

Annex No. 1) Logframe Matrix

Annex No. 2) Time schedule

Annex No. 3) Summary project budget (project budget relevant for accounting) and detailed project budget

Annex No. 4) Monitoringplan

Annex No. 5) Gender questionnaire

Annex No. 6) List of abbreviations

Annex No. 7) Presentation of Component I