

Project Title
Integrated Territorial Development 2 (InTerDev 2)

Country / Region:
Kosovo / Southeast Europe

Planned project execution period:
15 January 2017 – 14 January 2020

Applicant:

Name: United Nations Development Programme (UNDP)
Legal status, year of founding: International Organization, founded in 1966, operating in Kosovo since 1999
Address: Zagrebi str. 39, Prishtinë/Priština, Kosovo
Telephone number, e-mail: Phone: +381 (0) 38 249 066; E-mail: registry.ks@undp.org; Web: http://www.ks.undp.org
Authorized to sign (name and position): Alessandra Roccasalvo, Deputy Resident Representative, UNDP Kosovo
In charge of the project: Valbona Bogujevci, Programme Coordinator, UNDP Kosovo

Local Project Partner:

Name:
Legal status, year of founding:
Address:
Telephone number, e-mail:
In charge of the project:

Financing (Euro)

Project budget (total)	Requested grant ADC	Contribution in cash by the applicant	Contributions from third parties
100%	84.40%	2.56%	13.04%
EUR 1,955,000.00	EUR 1,650,000.00	EUR 50,000.00	EUR 255,000.00

1. Summary

The Integrated Territorial Development 2 project builds on the successes of the ADC-UNDP “Local-level Response for Employment Generation and Integrated Territorial Development (InTerDev)” project that has been implemented in southern Kosovo’s¹ municipalities of Dragash/Dragaš and Shtërpçë/Štrpce since 2014. This project has proven to address some of the paramount challenges citizens of not only the partner areas, but of Kosovo in general, face: high rate and long spells of unemployment, lack of decent income generation, poor public services, as well as socioeconomic exclusion of women, youth, and other vulnerable groups.

Since its beginning, InTerDev has provided over 700 local citizens with jobs and additional income flow, established 3 social enterprises that not only employ vulnerable individuals of the local societies, but also add value to agricultural and textile production in the area, upgraded 270 rural micro and small enterprises which have now on average more than doubled their income and create jobs for local communities, developed capacities of municipal representatives, private sector and the civil society in topics of economic development and agriculture, and empowered local officials with improved understanding of effective socio-economic development and inclusion, importance of human-rights based, participatory processes, and appropriately responding to citizens’ needs. A key element of the intervention, the InTerDev stimulates the potentials of local contexts and harnesses local ownership and leadership over the project’s services. An external midterm evaluation of InTerDev confirmed the project’s successful approach and fruitful results, as well as the fact that the project managed to reach considerably higher number of people than originally planned, and recommended the expansion of the project both in the two original partner municipalities, as well as in other parts of Kosovo.

The excellent example of the close cooperation with partner municipalities is worth mentioning, where they claimed full ownership and leadership of project implementation, monitoring, and results dissemination. By doing so, they demonstrated to be very inclusive in approach by bringing to the process all relevant stakeholders in their municipalities. Local Action Groups have played a crucial role in the positive outcome of the current phase of InTerDev. The municipal partners have strengthened their capacities and understanding of the local economic development and the role they should play in public service delivery.

The InTerDev 2 will continue to utilize tested methodologies and will expand its services to a new municipality of Viti/Vitina in the south-east of Kosovo. With the overall objective that income generation and job creation for women and men is improved in the municipalities of Dragash/Dragaš, Shtërpçë/Štrpce, and Viti/Vitina, the project’s purpose is to enhance municipal public service provision in rural development and, in a gender equitable manner, expand economic activity of local micro and small businesses. It is expected that as a result of project’s three core pillars of activities, 1) municipal officials have enhanced capacities in provision of services in rural development; 2) local micro and small enterprises and farmers have been supported to upgrade their businesses; and 3) bottom-up approaches and local-level concertation for employment generation in the form of Territorial Employment Pacts operate at the municipal level.

¹ For UNDP, references to Kosovo shall be understood to be in the context of Security Council Resolution 1244 (1999)

Working closely with a variety of public, private sector, and non-governmental sector partners on the local level (such as the Local Action Groups, local Employment Offices, Vocational Training Centres, the Local Development Fund, and the private sector companies in the area), the InTerDev 2 will continue to serve citizens who are at risk of socioeconomic exclusion: local smallholder farmers, micro business initiatives, long-term unemployed and low-skilled or unskilled residents, women, youth, non-majority communities, as well as people with disabilities. As such, the project in its three years will serve over 700 additional residents and will reach over 3,800 indirect beneficiaries.

List of Acronyms:

ADA	Austrian Development Agency
ADC	Austrian Development Cooperation
AFT	Aid for Trade project (UNDP)
AGRO	Agricultural Growth and Rural Opportunities (USAID)
ALMP2	Active Labour Market Programmes 2 project (UNDP)
ARDP	Agriculture and Rural Development Program (MAFRD)
AWP	Annual Work Plan
BSC	Business Support Centre of Shtërpçë/Štrpce
COSIRA	Competitiveness of the Private Sector in Rural Areas in Kosovo project (GIZ)
CSOs	Civil Society Organizations
EO	Employment Office
EU	European Union
GIZ	German Corporation for International Cooperation
ILO	International Labour Organisation
InTerDev	Local-level Response for Employment Generation and Integrated Territorial Development project (ADC-UNDP)
IRDS	Integrated Regional Development in the Municipality of Suharekë/Suva Reka (ADC-CARE)
LAG	Local Action Group
LDF	Local Development Fund
LED	Local Economic Development
MAFRD	Kosovo Ministry of Agriculture, Forestry and Rural Development
MDC	Municipal Development Centre of Suharekë/Suva Reka
MDP	Municipal Development Plan
MESP	Kosovo Ministry of Environment and Spatial Planning
MLGA	Kosovo Ministry of Local Government Administration
MLSW	Kosovo Ministry of Labour and Social Welfare
SDGs	Sustainable Development Goals
SE	Social Enterprise
SMEs	Small and Medium-sized Enterprises
TEP	Territorial Employment Pact
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VTC	Vocational Training Centre

2. Background / context

2.1. Analysis of the relevant national and sectoral policies

Inclusive and sustainable growth in Kosovo cannot be attained without local administrations, entrepreneurs, farmers, and local communities deploying their energies and resources in a coordinated way. Instead of simply juxtaposing national and sectoral strategies coming from the central level, more efforts should be made to ensure that local stakeholders are networking together to overcome specific development challenges in their territory, that there is limited depreciation of the local human capital pool, and that growth patterns are more inclusive. For people living in a certain territory, improvements in their quality of life are both cause and effect of an increase in territorial competitiveness and an enhancement in their access to and sustainable utilisation of local resources. By law, all municipalities in Kosovo are mandated to design and implement Municipal Development Plans (MDPs) which should identify the competitive advantages of the territory and steer local socioeconomic development. An important step in approval of the MDPs is the mandatory procedure of Strategic Environmental Assessment by the Ministry of Environment and Spatial Planning (MESP).

In 2016, in addition to the signing of the Stabilization and Association Agreement with the EU, Kosovo adopted the National Development Strategy 2016-2021 that sets forth a number of priorities aiming to address key obstacles to development of Kosovo. Employment and business development are two of the elemental pillars of the strategy. The project will contribute to its objectives no. 8 “Further enhancement of customer-focused service delivery for businesses and the public” through assisting municipalities to strengthen their public service delivery and no. 31 “Agriculture infrastructure at the service of agro-business”, through development of agricultural activities, strengthening of relevant value chains, as well as support to the development of irrigation systems. However, environmental protection and climate change are not mainstreamed well into the Strategy, and it is not mentioned specifically how to cope with these challenges.

Development of marketable skills and activation of working age population outside the labour force, in particular long-term unemployed and youth and women, and increase of competitiveness and productivity of micro and small business initiatives are at the heart of this project, as they are of a number of strategies within the Kosovo context, such as the Europe 2020 strategy for jobs and growth, or the Kosovo Ministry of Labour and Social Welfare sectorial strategy 2016-2020, emphasizing the importance of local-level employment generation through better linkages with rural and regional policies.

Kosovo has recently adopted the new Law on Gender Equality No. 05-L/020, setting forward general and specific measures in order to accelerate the realization of actual equality between women and men in areas where inequities exist, undoubtedly including provisions on gender equality and parity in the labour market. The Agency for Gender Equality under the framework of the Office of the Prime Minister has adopted the Kosovo Gender Equality Program and institutional structures both centrally and locally are mandated to implement and monitor the program. At the local level, municipal gender equality focal points are either working as civil servant staff or are appointed this function. However, human and financial recourse limitations continues to be a challenge when it comes to implementing the programme across all sectors in public service delivery. Currently, the Kosovo institutions are developing the new Strategy on Domestic and Gender-based Violence 2016-2020 pending endorsement at the parliament.

According to the Ministry of Agriculture, Forestry and Rural Development (MAFRD) law on advisory services for agriculture and rural development (nr. 04/L-074), extension of advisory services for agriculture and rural development is organized at central and local levels, and shall be public and private. At the central level, experts engaged in MAFRD shall be responsible for policy development, strategic drafting, preparing annual work plans and coordinate and monitor the advisory service delivery at local level by local and international organizations. At local level, according to the law, each municipality should operate an information centre on the provision of advisory services for agricultural and rural development. Each municipality shall have counsellors on agricultural and rural development to provide advisory services. However, the effectivity and level of delivery of these services on the local level remains limited.

Moreover, the MAFRD each year delivers an Agriculture and Rural Development Program (ARDP) with the aim to increase competitiveness of Kosovar agriculture, promote import substitution, generate new work places and increase employment in rural areas. Under the ARDP framework, farmers are provided support in selected sectors, with the view of approximation with EU rules, standards, policies and practices, support economic and social development by pursuing sustainable and comprehensive growth through farm development, and address challenges related to climate change through the use of renewable energy. The InTerDev 2 project aims to help smallholder farmers and other micro rural business initiatives to grow and become eligible for such grant schemes or subsidies in order to grow even further.

The Strategy on Local Self-government 2016-2026 of the Ministry of Local Government Administration (MLGA) will be a guideline for all processes that are aimed towards development and advancement of local self-government in Kosovo. The Strategy on Local Self-Government foresees five objectives: 1) Strengthening the role of municipalities, as key actors in local economic development; 2) Good governance and municipal efficiency; 3) Institutional and professional capacity building, as a dynamic process; 4) Increased partnerships between municipalities, businesses and NGOs to ensure social cohesion and active citizenship, and 5) Promotion of the use of natural, cultural and social heritage, as a tool for economic and social development.

As evidenced also by the external midterm evaluation of the InTerDev project phase one, its interventions are aligned with the United Nations Development Programme (UNDP) and Austrian Development Agency (ADA) mandate and congruent with their strategic frameworks. The project's objective is clearly in line with the priorities of the Austrian Development Cooperation in Kosovo in its cooperation to rural/economic development on the one hand and the promotion of local institutional capacities on the other, as per the Kosovo Country Strategy 2013-2020. The project is also in line with the Three-Year Programme on Austrian Development Policy 2016-2018, and its private sector and development focus theme as well as crosscutting elements of gender equality and environmental sustainability and protection. The project objectives and its intervention logic is embedded in the overarching objectives and the strategic approaches of both ADA and UNDP, built on the learning of previous successful interventions undertaken by both organizations.

ADA Quality Criteria for Private Sector Development have been taken into consideration in the design of this project. The mid-term evaluation of the InTerDev phase one also confirmed that although the project had not been explicitly designed with these Quality Criteria in mind, the ten questions contained in this guideline were implicitly considered and have been amenable addressed during the implementation of the planned intervention.

Furthermore, the project directly contributes to the new UN Common Development Plan for Kosovo 2016-2020, in particular its Priority Area 2: Social Inclusion, and its associated outcomes Outcome 2.1: Education & employment policies and programmes enable greater access to decent employment opportunities for youth and women, and Outcome 2.2: Women in Kosovo increasingly enjoy their economic rights.

With the launch of the global Sustainable Development agenda 2016-2030 and the adoption of the Sustainable Development Goals (SDGs), the intervention has sustainable development in its core. The project directly promotes:

- SDG1: End poverty in all its forms everywhere - through income generation and socioeconomic empowerment of women and men at risk of social and economic exclusion.
- SDG5: Achieve gender equality and empower all women and girls - via specific measures to empower women through skills development, access to employment opportunities, strengthened participation in public processes.
- SDG8: Promote inclusive and sustainable economic growth, employment and decent work for all - a key element of the project, creating decent and targeted skills development, employment, and productivity enhancement opportunities.
- SDG10: Reduce inequality within and among countries - via closing the income gap as well as skills and opportunity gaps among the municipal communities, particularly with regards to women and men representation and rural vs. urban communities.
- SDG16: Promote just, peaceful and inclusive societies - through improved public service delivery and streamlining of participatory approaches of local governments vis-à-vis local population, civil society, or the private sector, as well as inter-ethnic dialogue and peaceful cohabitation on the local level.

2.2. Characteristics of the intervention environment

Kosovo's Law on Local Self-Government (Nr. 2008/03-L-040) sets forth municipal competences, including for inter-municipal cooperation, public service delivery, local environmental protection, land use and development, and promotion and protection of human rights. In general, municipalities continue to have limited capacities and resources to plan, organize and deliver public services. Main challenges include the lack of involvement of the private sector and civil society in the provision of public services, budgetary constraints, absorption capacities, weak professional expertise at the municipal level, as well as a lack of central-level support in the decentralization of specific competencies in certain fields. Inclusive decision-making, as well as administrative and budgeting processes are often hampered by a lack of data management and planning capacities.

Each municipality in Kosovo is required by law to have a municipal development plan. In this regard, all the three partner municipalities - Dragash/Dragaš, Shtërpçë/Štrpce, and Viti/Vitina - have comprehensive documents. The 2013-2023 Municipal Development Plan for Dragash/Dragaš, developed with support of UNDP², puts central emphasis on preserving natural and cultural heritage of the region and ensuring sustainable economic growth. In

² Through the "Sustainable Land Use Management and Conservation of Biodiversity in Dragash/š Municipality" project

this respect, job generation is a key priority, with focus on agriculture and the service sector consisting of mainly tourism. On top of developing local infrastructure and improving and expanding public services, the plan considers the establishment and strengthening of inter-municipal and international cooperation as one of the key priorities. High unemployment rates and low labour force participation, especially among women, make Dragash/Dragaš one of the poorest municipalities in Kosovo and determine its development focus on employment of youth and women, including through entrepreneurship, while being attentive to ethnic and cultural differences.

Strategic priorities of Shtërpçë/Štrpce are of a similar nature, including preservation of cultural and environmental richness and their use for sports, cultural activities, and tourism. Economic development is foreseen through investments in small and medium-sized enterprises (SMEs) and support of industrial areas of Taraia and Berg. Development of raspberry production and other agricultural products are of central importance for the municipality which plans to expand primary raspberry production from current 80ha (of which around 12ha have been planted through the InTerDev phase one) to 300 ha in the next coming years.

The municipal development plan of Viti/Vitina 2010-2020+ was prepared in the context of Kosovo-wide spatial planning analysis in 2010. It classifies Viti/Vitina (along with Shtërpçë/Štrpce) in the category of Bridges of Kosovo. These are areas that should focus on services, trade, agriculture, tourism, and light industry. In the case of Viti/Vitina, it is recommended to take advantage of its fertile land and position close to the border with FYR of Macedonia and also to the primary road and the highway under construction connecting Prishtinë/Priština and Skopje. This could bring investments and also allow local entrepreneurs to access export markets more easily. In terms of challenges and risks, the plan mentions preventative measures against floods and erosion, which are both closely connected to agricultural practices.

The Sharr Mountains, a Southern-Balkans range, runs through a part of the territory of Dragash/Dragaš and Shtërpçë/Štrpce, while municipality of Viti/Vitina is adjacent to the mountain range. Moreover, the Sharri National Park, a first national park in Kosovo, is extending over parts of the territories of Dragash/Dragaš, Suharekë/Suva Reka, Prizren, Kaçanik/Kacanik and Shtërpçë/Štrpce, and, therefore, local development should be linked to the sustainable use of natural resources, thus preventing negative impact on the environment.

According to the latest estimates³, the municipality of Viti/Vitina is the most populated among the three with 47,774 inhabitants, while Dragash/Dragaš has 34,364 inhabitants, and 6,873 people live in Shtërpçë/Štrpce. The ethnic composition of Viti/Vitina is almost uniformly Albanian with 99.3%, with the biggest minority being Serbs with 0.2%, other ethnic groups are represented by maximum few dozens of persons. In Dragash/Dragaš, 60% of inhabitants identify themselves as Albanians, 26% as Gorani, and 12% as Bosniak. Shtërpçë/Štrpce has, according to the official data, 54% of Albanian inhabitants and 45% Serbs. However, the Serbian community reportedly boycotted the last Population Census in 2011 and is not properly accounted for in the estimate. As per the municipal office for communities and returns, Serbs are the majority community on the municipal level with about 9,100 Serbs out of the total 13,630 residents.

³ Kosovo population in 2014, Kosovo Agency of Statistics, June 2015

According to the Kosovo Mosaic⁴ 2015 data, very much in line with elsewhere in Kosovo, the majority of people in these municipalities consider unemployment their biggest problem, with 62.0% in Dragash/Dragaš, 52.5% in Viti/Vitina and 33.1% in Shtërpçë/Štrpce. Correspondingly, the lack of economic growth and poverty are considered the second and third most concerning issues, respectively.

Citizens of these municipalities tend to be satisfied with their municipal administration well above the Kosovo average with 77.0% in Viti, 74.8% in Shtërpçë/Štrpce, and even 90.6% in Dragash/Dragaš of population satisfaction levels. In the case of the latter two, this is likely to reflect the impact of the first phase of InTerDev project, as in 2012 the satisfaction with municipal administration in Shtërpçë/Štrpce and Dragash/Dragaš was 78.5% and 77.6% respectively, while the overall Kosovo-wide average was 4.6% percentage points higher in 2012 than in 2015 (67.0% vs. 62.4%).

2.3. Harmonization

The project will continue to leverage synergies and streamline harmonization with other projects in the area as well as on the Kosovo-wide level. The UNDP project “Active Labour Market Programmes 2” implements active employment measures throughout Kosovo (at this point until 2018) and, as the case with the InTerDev 1, represents an important complement to the implementation of the various Territorial Employment Pact (TEP) service lines. Moreover, the provision of employment opportunities for vulnerable members of the communities in the three partner municipalities under the local TEPs is and will be done utilizing adopted operational guidelines developed between the ALMP and the Ministry of Labour and Social Welfare. The ALMP project works on strengthening capacities of public employment service counsellors to provide integrated employment services as well as performance evaluation and profiling mechanisms that aims at enhancing the quality of service provision for the most vulnerable communities, a complementary effort at the local level.

The “Aid for Trade” (AFT) project of UNDP fosters sustainable and inclusive economic growth through promotion of trade and enhancement of Kosovo’s competitiveness. The AFT project supports relevant Kosovo institutions with technical assistance and policy recommendations such as various information systems and platforms for more evidence-based policy making, papers on evaluation of the impact of policies, competitiveness reports, reports on potential export markets and more. Partners and beneficiaries of the InTerDev 2 will have access to the various analytical work the AFT project produces, such as the Guide for Cultivation of Raspberries, various sector profiles and value chains analyses, export guides, or quality standards and management systems guides.

The UNDP-ILO regional programme “Promoting Inclusive Labour Market Solutions in the Western Balkans”, funded by the Austrian Development Cooperation, facilitates inclusion of vulnerable groups and minorities into the world of work, by providing a combination of well-aligned employment and social welfare services, tailor-made to the specific individual needs of unemployed. Moreover, the project aims to identify good practices of effective solutions to these issues and facilitate the scaling up and replication in other countries in the region. The InTerDev 2 will leverage improved labour market governance and individual case-management approach of employment offices, introduction of new services and en-

⁴ A research product developed jointly by MLGA, UNDP and United States Agency for International Development (USAID) providing perception of citizens on the quality of public services and service delivery performance of local authorities.

hancing the existing ones for providing job search and mediation (e-services, on-line tutorials for better outreach, job-search and job mediation, career development skills, raising awareness on workers' rights), as well as social mentorship when providing services to youth, people with disabilities, and women. On the other hand, the InTerDev 2 will serve as a best practice model for the development and delivery of Territorial Employment Pacts not only in Kosovo, but other countries in the Western Balkans region.

The project will keep synergizing with the Helvetas Swiss Intercooperation "Skills For Rural Employment - S4RE" project, now in its second phase. This project operates in all three partner municipalities, Dragash/Dragaš, Shtërpçë/Štrpce, and Viti/Vitina, and focuses on providing youth with access to adequate employment-related information and skills, improving producers' skills, linking them better to markets and selected supply chains, and assisting businesses to increase their competitiveness through tailored, quality and affordable trainings. Previously, the InTerDev 1 project collaborated with S4RE in complementary delivery of trainings and agricultural inputs to farmers and producers in Dragash/Dragaš and Shtërpçë/Štrpce and will carry on to explore such opportunities, in particular under the municipal TEPs.

The GIZ in Kosovo is implementing a project "Competitiveness of the Private Sector in Rural Areas in Kosovo (COSiRA)" which provides technical assistance, skill transfers and capacity development measures to stakeholders by developing a regional marketing and branding concept. The GIZ project is concentrated on three pilot regions, one of which is the Sharr/Šar Area with the municipalities of Prizren, Dragash/Dragaš and Shtërpçë/Štrpce. GIZ's COSiRA will provide technical assistance on regional marketing and branding of the Sharr/Šar area, and marketing of regional products. As such, the InTerDev 2 project will harmonize its activities with this GIZ project, in particular under the value chains development and the envisaged support for further development of regional branding for the partner area.

Through the 2015-2020 Agricultural Growth and Rural Opportunities (AGRO) Program, present in all municipalities in Kosovo, USAID focuses on increasing agricultural productivity, marketability, and responsiveness to markets, enhancing the sustainability and competitiveness of targeted Kosovar agribusinesses in domestic and export markets. This programme provides technical support throughout agricultural value chains having potential to generate sustainable incomes to producers, ensuring that markets are developed and that processors and packers are able to reliably and cost effectively contract production from Kosovo's producers. The programme also provides grants up to 100,000 USD, which growing smallholder farmers and business initiatives can become eligible for through the support of InTerDev's services.

Shtërpçë/Štrpce Municipality, as a municipality with a Serb community majority, is a recipient of the USAID Advancing Kosovo Together Program, improving economic opportunities in target municipalities, including agriculture, and increasing the efficiency and capacity of target municipal administrations to respond to the needs of all their citizens. This programme is scheduled to end in April 2017.

Furthermore, the project will benefit from the current UNDP project "Strengthening Climate Change Agenda in Kosovo", funded by ADC, which supports public awareness of climate change adaptation and mitigation measures in the areas relating to agriculture, forestry, air and water. The focus is on demonstration projects such as water savings tips in agriculture and forestry protection. The projects are tailored to local needs using their existing capacities, social structures and knowledge. Women's participation is encouraged and targeted, by building on their roles and strengths in the areas of agriculture, forestry, air and water.

Similarly to InTerDev's first phase, at the local level, the project will work together with the Local Action Groups with members representing relevant municipal departments, private sector and CSOs. In this way and under the lead of municipal structures, the project will ensure harmonisation with other interventions in the target areas. In addition, the UNDP programme and management team actively participates in coordination meetings at central level, ensuring information sharing and aid effectiveness through collaboration with institutions, international and local organisations, and donors working in the economic and rural development in Kosovo.

3. Intervention Design

3.1. Target group, beneficiaries and local partners

Extending the service lines of the InTerDev 1, the project will continue to target individuals at risk of economic and social exclusion in the selected municipalities (Dragash/Dragaš, Shtërpçë/Štrpce, and Viti/Vitina), in particular smallholder, family-based farmers and other small and micro production units that are largely underserved by the current provision of services in support to business and market access. Youth, women, and non-majority communities⁵ will benefit from employment opportunities, as well as provision of prospects for self-employment and entrepreneurship. Beneficiaries will include associations of farmers, local businesses, agricultural associations, civil society organizations, local authorities, individual entrepreneurs, and prospective enterprises in the field of agriculture, food processing, and other value chains with established potential in the area.

The project will actively promote socioeconomic inclusion and empowerment of women who tend to be discriminated against, stemming from traditional cultural views and perceptions which often limit labour mobility of women (particularly young women). The recently conducted analysis on 'Making the Labour Market Work for Women and Youth' (UNDP Kosovo Human Development Report 2016) highlights a few major obstacles that women face in having equal access to services and participation in the labour market. Such issues include the traditional division of gender roles, overrepresentation of women in vulnerable employment, inadequate care services and the legislative framework. Differences in these perceptions over the need for and benefits of access to job opportunities for women, women's property rights, inclusion of young girls and women in local participatory processes are very significant among various ethnic groups, but also among urban and rural areas, and the project will take these elements into account.

The project is premised on the fundamentals of effective public services delivery by enhancing organizational leadership, social response and behavioural mechanisms, institutional systems and business processes, and infrastructure, as a holistic approach to responding to needs and demands of the public for effective and efficient municipal services. The municipal structures in the 3 partner municipalities are one group of primary project beneficiaries. Selected staff of the respective departments of economic and rural development of the Municipalities of Dragash/Dragaš, Shtërpçë/Štrpce, and Viti/Vitina shall benefit from specialized capacity development support in order to improve their public service delivery at the local level and further reinforce pro-activeness and initiative taking, as well as understanding of importance of inclusive approaches and a need for a dialogue, and

⁵ Non-majority communities on the Kosovo level, i.e. K-Serbs, Gorani, Bosniaks, Roma, Ashkali, and Egyptians.

stronger responsiveness to the needs of local communities and their role in addressing them.

The second project component with its LDF grant scheme and support to value chains development, business development support, development of quality standards and enhancement of regional branding focuses on rural microenterprises, particularly smallholder, household-based farms and production units, small and medium enterprises, but also individuals that aim at launching a business in specific value chains that have competitive and sustainable potential. The project will utilize value chains and value chains implementation plans for Dragash/Dragaš (milk and meat, textile and clothes, fruits, vegetables and cereals, herbs, bees, and forest fruits) and Shtërpçë/Štrpce (tourism, beekeeping, forest fruits, medicinal/aromatic herbs, mushrooms and cultivation) that provide specific recommendations for strengthening of the respective value chains in the territory.

The Local Development Fund (LDF) will keep operating in the Municipalities of Dragash/Dragaš and Shtërpçë/Štrpce, and will extend its services to the Municipality of Viti/Vitina. The LDF will apply its existing mechanisms of granting, utilizing lessons learned from the three conducted grant rounds under the InTerDev 1. Moreover, the project will assist LDF to further strengthen its management and monitoring capacities. With the three rounds of grant provision between 2014 and 2016 having reached 57 grantees, the LDF scheme will aim to deliver additional 45 grants during the project's second phase, targeting a minimum of 45 direct beneficiaries and over 245 indirect beneficiaries, ensuring provision of equal opportunities for women and men. Smallholder farmers, family-based farms and production units, and individuals at risk of economic and social exclusion will be targeted by the LDF grant scheme. Refinement of the application and selection criteria, including those that encourage participation of women as direct beneficiaries, as well as the considerations of potential environmental impact of the proposals, that are in place from the first phase of the project will be done as necessary upon consultations among the UNDP, LDF and ADA.

The implementation of the third component of this project is structured around the model of local partnership and concertation which is at the basis of Territorial Employment Pacts (TEPs). The TEPs provide a number of service lines that target smallholder farmers and family-based production units, social enterprises integrating vulnerable members of the local community into socioeconomic life, and youth and women who have no to little skills and face difficulties in entering the labour market. UNDP has prior experience in targeting specifically young people, women, and ethnic minorities through the profiling system developed for the Territorial Employment Pacts in the Municipalities of Fushë Kosovë/Kosovo Polje and Obiliq/ć, as well as the TEPs in Dragash/Dragaš and Shtërpçë/Štrpce under the InTerDev 1. The TEP of a similar size in each municipality will reach up to 200 direct women and men beneficiaries, with the three TEPs serving up to 600 residents (around 35-40 percent of which will be women) and reaching over 3,300 indirect beneficiaries over the three-year period.

The project's approach builds on the established and trusted partnership with and between the municipalities of Dragash/Dragaš and Shtërpçë/Štrpce from the InTerDev 1 and brings aboard the Municipality of Viti/Vitina as a place with potential for socioeconomic and rural development. UNDP partners up with Viti/Vitina through its other interventions such as the Support to Anti-Corruption Efforts in Kosovo project and the Active Labour Market Programmes 2. By the same token to the previous transfer of knowledge and expertise from the Suharekë/Suva Reka municipality and its Municipal Development Centre (MDC), launched under the ADC/CARE project "Integrated Regional Development in the Municipality of Suharekë/Suva Reka (IRDS) in the sector of agriculture", towards the municipali-

ties of Dragash/Dragaš and Shtërpçë/Štrpce, these two municipalities will serve as a model and disseminator of know-how for the municipality of Viti/Vitina, in particular with regards to the participatory and inclusive approaches of public service delivery and the Territorial Employment Pacts.

Existing Local Action Groups (LAGs) in municipalities have been and will be key partners in the development of the Territorial Employment Pacts and in the monitoring of implementation of project activities. While in the past the LAGs had limited opportunities to design and channel concrete interventions in support of rural development, the mid-term evaluation of the first phase of the project evidenced that, through the InTerDev project, municipalities have strengthened their cooperation with other social actors such as civil society organisations and businesses, whereby the Local Action Groups have played a key role on this as they are convening different stakeholders to deliver on practical TEP actions. The LAGs have ultimate ownership of the intervention on the local level and are involved in the design, delivery, and monitoring of the actions across the project's components. Members are the representatives of the municipal government (by sector), representatives of the business sector, and representatives of civil society, including minority groups. The benefit of the cooperation with these structures is that it strengthens their role as a platform to facilitate a better communication between different stakeholders relevant to local development and this project in particular, as well as enables minority representatives through the civil society organisations to directly engage in the decision making in regard to local development in their communities.

Furthermore, the municipality of Shtërpçë/Štrpce has a Business Service Centre (BSC). During the inception phase and the design of the Territorial Employment Pact for the Municipality, the project will engage with the Business Service Centre and with the existing local action group in order to define the possible cooperation with BSC.

One Municipal Project Support Officer will be located in each of the three partner municipalities and will work closely together with the Project Manager. This approach has been evidenced as one of the key success factors in the effective and efficient implementation of the phase one and will be continued in this project. The officers will ensure day-to-day coordination of the various project components among the municipalities and with the project stakeholders on the ground.

A positive role that municipality Employment Offices of the Ministry of Labour and Social Welfare play in identifying and selecting beneficiaries of the various actions of the project with regards to skills development and local employment generation, as well as the actual training delivery by the Vocational Training Centres was noted not only by the InTerDev 1, but also other projects such as the Active Labour Market Programmes 1 & 2, or the TEPs in the municipalities of Fushë Kosovë/Kosovo Polje and Obiliq/ć. These entities will continue to be crucial partners to the intervention.

The support delivered to local rural small and micro enterprises will be enhanced through a continued partnership with the Local Development Fund (LDF) which had been established in Suharekë/Suva Reka by the IRDS project to facilitate access to finance to farms and rural businesses. Financial resources will be made available to the LDF to issue additional grant calls for all three partner municipalities.

Lastly, the local private sector will be a partner in delivery of active labour market measures under the TEPs, as well as in the development of respective value chains in the territory, and the project will collaborate with local level CSOs in fostering social entrepreneurship

with the view of providing income generation and work integration opportunities for vulnerable members of the local communities.

3.2. Problem analysis and analysis of local potentials

Located in southern part Kosovo, the Dragash/Dragaš, Shtërpcë/Štrpce, and Viti/Vitina municipalities present many similarities, both in terms of challenges and local potentials, with agriculture and small business and trade operations being the primary economic activities in the area (with tourism present in Shtërpcë/Štrpce due to the location of the Brezovica ski resort). Their resource potential is concentrated around natural resources, agriculture and organic farming, and biodiversity, which fall squarely at the centre of any sustainable development opportunities. Sustainable development is a lasting economic improvement of livelihoods that does not jeopardise social cohesion or environmental stability in the long run. To achieve it, three components (economic, social, and environmental) all need to be addressed and kept in balance. Given the high unemployment and low labour force participation rates in Kosovo, the primary necessity in the municipalities of Dragash/Dragaš, Shtërpcë/Štrpce, and Viti/Vitina is to create jobs or self-employment opportunities for local people with the view of income generation and improved productivity. By accenting the focus on most vulnerable groups and promoting entrepreneurship, creating a synergy between environmental protection and poverty reduction, this project aims to advance such balanced development.

The primary concern with livelihoods is not a coincidence. High unemployment and low participation⁶ in the job market remains one of the most paralysing barriers towards developing Kosovo's economy, and are commonplace to the partner municipalities to the project. Despite some elements of economic potential, these municipalities face similar challenges, especially with regard to the high levels of unemployment, growing demographic pressure on the labour market, persistence of low-competitiveness farm production, growing income disparities between urban and rural areas, limited services for business development, as well as scattered local initiatives with lower than expected overall development impact. Services are not provided at adequate standards and do not yet fully cover territory and population needs. As such, major interventions continue to be required to promote rural development and a much needed improvement in the quality of services delivered to citizens and businesses.

Kosovo's labour market is generally characterised by very low labour force participation rates, particularly of women⁷ and youth, combined with high levels of discouragement. To make the matters worse, widespread gender discrimination related to traditional views and perceptions is present, often limiting socioeconomic empowerment of women and their access to training and learning opportunities. Moreover, this is paired with a high likelihood of people being engaged in vulnerable employment, as unpaid family workers in rural enterprises, mostly relegated in the meanders of informality. With Kosovo having one of the youngest populations in Europe, youth in Kosovo were almost twice as likely to be unemployed compared to adults. Among those aged 15-24 years and in the labour force, 57.7% were unemployed. Correspondingly, unemployment is higher among young women (67.2%) than young men (54.2%). The current economic growth pattern creates jobs for less than

⁶ Unemployment rate is at 32.9% (31.8% for men, 36.6% for women), labour force participation rate is at 37.6% (56.7% for men, 18.1% for women). Data is not disaggregated on municipal level. Source: Labour Force Survey 2015 (June 2016, Kosovo Agency of Statistics).

⁷ Trend of inactivity rate for women: 78.9% (2013), 78.6% (2014), 81.9% (2015). Source: *ibid*.

30% of labour market entrants, thus creation of opportunities for skills development and income generation, especially for women and youth are, therefore, ever important.

While the municipality of Viti/Vitina is almost uniformly composed of members of the Albanian community, the municipalities of Dragash/Dragaš and Shtërpcë/Štrpce see the coexistence of two or more Kosovar communities (Albanian, Gorani, Bosniak in Dragash/Dragaš and Serbian, Albanian in Shtërpcë/Štrpce). While the dynamics of coexistence are different, they remain challenging in both cases. Although cohabitation between the Albanian/Gorani-Bosniak communities and Serbian/Albanian communities is in place in the (respective) municipal elective organs and relevant mechanisms guarantee a fair representation of minorities, human settlements are often de facto still separated along ethnic lines. Economic activities and local economic and rural development represent good entry-points to bridge social and cultural divisions that are still widespread also due to language differences and the presence of some Serbia-sponsored “parallel structures”, especially related to social services (particularly in health and education). Local governments need of course to be reinforced in terms of capacities to deal with local development in a multicultural approach.

In view of the current migratory trends within Europe, job creation and income generation acts as a “pull factor” for not choosing to leave Kosovo. Job provides more than just income. It translates into opportunities for better access to healthcare and education, improved nutrition, more resilient housing, and more. In the case of Kosovo, increasing employment can help to reduce the temptation to migrate, either by legal or illegal means.

Although there is clear evidence of increased understanding and commitment to socioeconomic development and inclusion of vulnerable communities from the municipalities’ side thanks to the elements of the TEP and other interventions of the InTerDev 1, technical, human and financial capacities of local governments remain underdeveloped to initiate alone and support local development under the framework of local and inclusive sustainable development. The post-conflict reestablishment of local businesses is still essential, especially in the remote villages, but requires incentives for investment, capacity development, and sustained technical and financial support.

Previous assessments, value chains analyses, as well as the results achieved under the InTerDev phase one have indicated that development potentials exist, in particular through the production of honey, vegetables, berries and other forest fruits, medicinal and aromatic herbs, milk and meat, textile, as well as in the tourism. On the other hand, people, especially the most disadvantaged ones and women in particular, have great difficulties in accessing economic circuits and regular markets, business services and credit. Moreover, municipalities are not taking sufficient advantage of cross-border cooperation opportunities, despite the enormous potential, based on trade and triangular management of the Sharr/Šar Mountains protected area, whose territory includes Albania, FYR of Macedonia and Kosovo. Thus, local governments’ capacities still require further enhancement to understand and prioritize actions under the existing municipal development plans that are in line with and driven by the specific needs and demands in their territory, particularly in a multicultural context.

The region is also seen as offering some entry-points to develop more sustainable and competitive industries with export potentials. To this end, the Regional Development Strategy for the South and for the East, as well as the respective Municipal Development Plans have identified agriculture, food processing and tourism as priority sectors, particularly in the rural areas of the region. Food processing and tourism are also among the sectors prioritized and identified by the Ministry of Trade and Industry as having high potential for growth and employment generation.

The challenges and opportunities outlined above, as well as the evidence of activities of InTerDev 1, justify the continuous development of formal or informal association of producers, organized around value chains, as well as of a network of entities providing business development services, strategically positioned to guarantee delivery of multiple services, in a comprehensive manner, to farmers and entrepreneurs in value chains that have potential and could support the valorisation of territorial resources. Moreover, branding on the local and regional level, as well as improvement of primary production, added-value production, and collection systems of agricultural produce (such as berries or herbs) have high potential in the area.

3.3. Strategic Approach & Methodology

The project combines several methodological approaches, building on the implementation process, achieved results, and lessons learned of the InTerDev phase 1, as well as of other previous successful interventions of UNDP and ADA. Overall, the project will continue to harness a strong participatory approach and adaptation to local context in engaging with the communities and beneficiaries, a tactic that was evidenced by the mid-term evaluation as a strong asset and contributing to the successful delivery of project's services. The intervention is going to benefit from crucial partnerships with the Local Action Group in each of the partner municipalities, as well as other local-level actors in the territory, such as the Local Development Fund in Suharekë/Suva Reka and municipal Employment Offices. Capacity development is part of all project components, both in explicit terms through specialized trainings and other tailored measures, and in implicit terms through the participatory approach of the Territorial Employment Pacts which have been the main tool that is contributing to a cultural change within the municipalities in the way they view how they should be planning and delivering social services to the most vulnerable, basing decisions on active listening and participatory processes. Activities where traditional barriers would hamper active participation of women will be adjusted accordingly in order to allow women to fully benefit. Measures of positive discrimination to reach women groups solely will be applied accordingly, in particular in the LDF grant scheme and the actions under the municipal Territorial Employment Pacts.

In line with the UN Eight Point Agenda's (SC 1325) point 6 (Ensure gender-responsive recovery) and in line with the UNDP Gender Equality Strategy Implementation, the project will ensure equal opportunities to men and women jobseekers and will encourage young disadvantaged women to undergo training and enhance their skills, hence increasing their employment opportunities. The project is implemented in compliance with the Gender Equality Law in Kosovo No 05-L/020 and the Gender Equality Program.

The Output 1 - capacity development component of the project will employ different methodology of capacity development than the one used in InTerDev phase one. The mid-term evaluation reported that, despite high quality and developed with the municipalities through needs-oriented consultations, the trainings to municipal officials have not had the desired impact in transferring skills and knowledge to the workplace. This can also be attributed to the evident training fatigue in the municipalities and the short term nature of the delivery of the training sessions. As such, this component will utilize elements of systems-oriented design thinking towards delivering integrated and efficient rural development services to citizens, as well as business process reengineering to improve responsiveness of municipal service lines and business processes for fast-tracked rural development.

Moreover, the project will apply targeted, specialized training and learning, and mentoring and coaching interventions will be developed for the municipality officials (including officials

for gender equality), tailoring the needs-based and specialized elements strengthening public service delivery. Furthermore, the project will support municipalities to develop inter-municipal cooperation initiatives and mutual learning. The municipalities of Dragash/Dragaš and Shtërpçë/Štrpce will serve as disseminators of knowledge and best practices towards Viti/Vitina, similarly as the Suharekë/Suva Reka municipality did vis-à-vis Dragash/Dragaš and Shtërpçë/Štrpce under the first phase of the project.

The Local Development Fund and business development support and value chains development services make up for Output 2. It focuses on microenterprises (particularly household-based operations including smallholder farmers), small and medium enterprises, but also individuals that would like to start a business in specific value chains that have competitive and sustainable potential. The entrepreneurs that work in the various assessed value chains (through the Aid for Trade or InTerDev phase one projects) are the immediate target audience for the second project component.

Entrepreneurs will benefit from business development and branding enhancement services, organized around the value chains. Moreover, specific interventions to strengthen the respective value chains will be delivered, stemming from the recommendations of the value chains analyses and implementation plans in place. Additionally, the project will conduct analyses to identify and assess new value chains that could be included in the scope of the project, particularly within (but not limited to) the Municipality of Viti/Vitina.

The Local Development Fund (LDF) will resume its grant scheme, applying its existing mechanisms of grant-giving and incorporating various lessons learned from the three conducted grant rounds under InTerDev 1 with regards to the application and selection criteria, as well as elements of the evaluation process. The project will collaborate with LDF to further strengthen its management and monitoring capacity. Alike as before, the LDF will operate a grant fund of 400,000 EUR and will target to deliver up to 45 grants during the project's implementation period.

Given the heavy timeline of the grant application, selection, and delivery, based on the lessons learned from the first phase, there shall be one call for proposals per year. Evaluation of the grant scheme will be conducted by an externally-hired evaluation committee composed of local experts in agriculture, business development and marketing, and finance, coming from universities, institutions, or the private sector. This committee will consequently recommend the best proposals, to be reviewed by the UNDP Programme team prior to submission for final approval by ADA. The costs of LDF staff and operations, as well as the evaluation costs are covered by the project as detailed in the project budget. The project will continue to include individuals at risk of economic and social exclusion and those who have potential to grow further also with the view of becoming eligible for other forms of grant or subvention support (from EU, Ministry of Agriculture, Forestry and Rural Development and other players) as beneficiaries. Options will be explored for extending the services to grantees who were supported in the previous calls and who show clear potential for sustainable expansion, so that these initiatives would grow further, creating additional income and jobs for the community.

Territorial Employment Pacts (TEPs), the core of Output 3, are results of “negotiated planning” where different actors at the local and national level assume complementary and inter-connected roles and responsibilities in view of local economic and rural development and employment generation objectives. The fundamental strength of the TEPs lies in the fact that the design, as well as the delivery and monitoring of the numerous elements of the Pacts are done in a participatory and inclusive manner, leveraging the potential within the local context of each territory. The Local Action Groups play a leading role in the implemen-

tation of TEPs and are formed of relevant representatives of municipality structures (including the official for gender equality), private sector and CSOs.

TEPs do not create anything new or complex in terms of structures. TEPs strengthen the local coordination of ongoing activities, programmes, private sector investments, and interventions that have a human and economic development orientation. It applies an “employment lens” to the ongoing initiatives in order to bring into focus employment generation and transition to formalization.

Traditionally, instruments for local economic development and promotion of local enterprises only deal with activities that are market-oriented. They tend to overlook economic activities that normally happen in a context of survival economy, but are extremely important for the community. If policy makers would impose a market-oriented approach to all the economic activities of very marginalized areas, this would often come at high financial and social (and environmental) costs. The TEP model, rather innovatively, draws attention to this dimension. In principle, the TEP approach is similar with other models of local socio-economic development. However, it targets slightly different groups of people - the poorest and the most vulnerable are part of the scheme that is carefully designed to match their capacities and needs through close involvement of the public employment services, the civil society, business community and the whole local governance system. Another key element is that it is a locally-led initiative, instead of externally or centrally-led one.

TEPs respond to a real and diffused local need, by iterating its activities between two groups, the micro/small enterprises and the economy of proximity, where the needs for employment and formalization are particularly prominent. This is particularly true in the agricultural sector, but also in agro-processing, handicraft, and small trade. TEP service lines are normally combined so that rural activities can move from survival farming to business farming, often still keeping the family dimension, but stimulating associations of producers and cluster development. For instance, a typical TEP intervention can deliver some skill training for quality improvement or increase in production, combined with access to finance for expanding minimal infrastructure (a mix of grant and loan facilities), and stimuli to enter into associations of common interest for the promotion of branding, certification, packaging services, purchasing of inputs, etc. The TEP design phase will assess the potential and methods for promotion of organic agriculture. As the TEP will be designed alongside the inception phase, its findings can feed in to all relevant components of the project.

In Kosovo, besides Dragash/Dragaš and Shtërpçë/Štrpce under InTerDev phase one, the Municipalities of Fushë Kosovë/Kosovo Polje and Obiliq/ć have implemented TEPs, and a TEP for the municipality of Gjakova/Djakovica will be designed under the UNDP-ILO regional programme “Promoting Inclusive Labour Market Solutions in the Western Balkans”, funded by the Austrian Development Cooperation.

For the forthcoming phase, with the support of an external consultant, each of the 3 partner municipalities will prepare a 20-24 month TEP. The assessment will be carried out in close cooperation with respective LAGs and all relevant stakeholders from the private sector, public sector, civil society and community leaders will make their inputs to the design of the pact. Similarly, as with the other TEPs, the exercise will be conducted in a most participatory manner which will ensure ownership of the local stakeholders and commitment towards the process. Upon the completion of the TEP design, all key stakeholders that have provided inputs to the design will be signing up for their contribution and responsibility to the implementation of the interventions. Stemming from the local context, the TEPs will comprise a certain number of actions which traditionally combine six service lines that enable job creation opportunities for women and men in key value chains with a focus on agro-

business and the transition to formalization of workers and enterprises. Service lines typically include 1) entrepreneurship and business advisory services, with a particular focus on women; 2) training incentives and skills training grants; 3) access to credit opportunities; 4) active labour market measures; 5) organization and association building, and 6) social entrepreneurship. Not all service lines may be immediately appropriate or generally suitable to the specificities of the municipal context and territorial competitiveness. The service lines are initially managed jointly by the project and the relevant municipal offices and responsibility is progressively transferred to the municipality and to be managed by them.

In the view of the above, UNDP will assess room and options for supporting the gradual consolidation and institutionalization of the TEP and LAG mechanisms as part of a public-private coordination mechanism driven by local governments and embedded in their Local Economic Development (LED) mandates, capacities and functions that the project has been supporting. Moreover, also as recommended by the mid-term evaluation of the phase one, UNDP will explore fostering of policy dialogue on LED and, therefore, the vertical integration with relevant institutional and strategic planning frameworks at higher - regional and possibly central - administrative levels, mobilizing EU pre-accession resources or other major bilateral or multilateral donors.

Decentralized cooperation networks in the framework of the UNDP ART initiative could also be instrumental in channelling additional support to selected value chains, employment and business development, through access to and exchange/capacity development on innovative technology and practice including regional and local innovation systems, youth employment and entrepreneurship development tools (incubators, technoparks, etc.), or technology transfer schemes.

The relevance of the InTerDev project's phase one was evaluated as highly satisfactory with no shortcomings. The external mid-term evaluation conducted at the end of 2015 found that the project appropriately responded to the identified problems and to the needs of the targeted beneficiaries and other key stakeholders.

3.4. Data base for analysis and design

(see annex no. 4)

For the full list of documents and data sources used for the background analysis and project design, consult annex no. 4.

The analysis relies on a series of relevant national and sectorial strategies of Kosovo institutions (elaborated on in section 2.1.), municipal development plans, labour market data, as well as the mid-term evaluation of the InTerDev phase one, project progress reports, and other lessons learned. The design utilizes findings of the value chains analyses and implementation plans conducted during InTerDev 1 in Dragash/Dragaš and Shtërpçë/Štrpce and providing recommendations for fortifying the specific value chains in the territory, as well as the Baseline Assessment for the Economic Region South undertaken by the UNDP Aid for Trade project.

The Employment Management Information System, a tool used by the Public Employment Services to use and monitor accurate gender-disaggregated data on unemployed and jobseekers, as well as training and employment providers, is a vital instrument of Employment Offices in the implementation of activities under the Territorial Employment Pacts (registering, profiling, job-matching, development of individual action plans for vulnerable groups, etc.).

The project also utilizes (where available gender-disaggregated) data from various reports provided by the Kosovo Agency of Statistics, such as the Labour Force Survey reports, the latest Kosovo population census (2011), the Agriculture Census 2014, containing municipal-level data on size of arable land, number of livestock, and more.

Furthermore, the analysis and design takes advantage of the municipal-level data related to various citizenry satisfaction levels of public service delivery and overall socioeconomic satisfaction within each municipality, explored in the Kosovo Mosaic 2015. While there are no specific indicators in provision of rural or economic development public services, other indices serve as proxies to the socioeconomic situation in the respective areas (such optimism levels of the future in the municipality, satisfaction levels with the municipal administration, or perception of unemployment of one of the major challenges on the local level).

4. Intervention logic

(see annex no. 1)

4.1. Impact

Income generation and job creation for women and men is improved in the municipalities of Dragash/Dragaš, Shtërpçë/Štrpce, and Viti/Vitina.

4.2. Outcome

Municipal public service provision in rural development is enhanced and economic activity of local micro and small businesses is expanded in a gender equitable manner.

4.3. Outputs

Output 1/Expected Result 1: Municipal officials have enhanced capacities in provision of services in rural development

Output 2/Expected Result 2: Local micro and small enterprises and farmers have been supported to upgrade their businesses

Output 3/Expected Result 3: Bottom-up approaches and local-level concertation for employment generation in the form of Territorial Employment Pacts operate at the municipal level

4.4. Inputs / Activities

Project activities will be carried out with specific considerations of gender equality and women's socioeconomic empowerment, actively promoting inclusion of women throughout the project. Non-majority communities, especially the Gorani community in the Municipality of Dragash/Dragaš, will continue to be encouraged to benefit from the various service lines of the project.

Output 1: Municipal officials have enhanced capacities in provision of services in rural development

1.1. In partnership with the municipalities, prototype systems-oriented design thinking towards integrated and efficient rural development services to ensure responsive municipal service lines and business processes for fast-tracked rural development.

It was evidenced by the mid-term evaluation of the InTerDev's first phase that the trainings delivered in 2014 and 2015 to municipal officials, as well as local private sector and civil society, were of high quality and focused on practical approaches. The trainings, however, remain to produce their desired impact in terms of translating acquired knowledge into positive behavioural change among the graduates of various training programmes. Therefore, the capacity development component of the project will be of smaller scale and different nature in comparison to the previous phase of the project.

Building on the training and learning programmes introduced in InTerDev's first phase, this component will focus on institutional improvements and mechanisms that are needed to enhance, foster and sustain stronger engagement and partnership between communities and municipal governments. This includes introducing institutionalized mechanisms for citizen engagement in designing, implementing, and evaluating not only business processes, but also the physical design of public centres/facilities to ensure their responsiveness to needs and demands of citizens.

Under this component, five new, strategic public services will be identified for business process re-engineering through an interactive survey/exercise, following which a design workshop with the active participation of municipal authorities and local stakeholders, and central authorities relevant to the particular services being improved, will review and re-engineer business processes to improve effectiveness, efficiency, quality, and inclusiveness. Parallel to this will be the introduction of possible quality standards for public services. The project will then continue to work with authorities to ensure institutionalization and implementation of the recommendations from the design workshop.

1.2. Design and deliver specialized training and learning programmes for selected municipal officials.

To complement institutional development approach in activity 1.1., the project will roll out specialized training programmes, leading to certification of qualified municipal officials and staff. These training programmes will include the following, among others, which will be identified through a systematic, inclusive capacity assessment of targeted municipal authorities and relevant municipal departments:

- Systems thinking and integrated business delivery programming. This will provide selected senior- and middle-level officials the knowledge, competency and skills to look at municipal services from an integrated perspective that is value-driven, citizen-oriented, and progressive. It will include elements of change management to drive business efficiencies, reduce bureaucracy and forge consensus in dealing with local development issues and challenges, including strong engagement and partnership with the private sector.
- Economic and rural development approaches, which will look at local economic development models in practice in various settings including in other countries, to enhance participation of women, youth, and PWDs in economic and rural development.
- Project management, focusing on results-oriented, inclusive project development and implementation that target those that are left behind in development processes.
- ICT and innovations in public services, looking at ICT applications to improve efficiencies and citizen engagement in delivery of public services based on actual practices in public and private sectors in Austria, and other countries in the region.

1.3. Operationalize needs-based coaching/mentoring and on-the-job training scheme

Stemming from the results of the capacity assessment, a highly targeted and specialized mentoring and coaching scheme will be developed in partnership with the municipal leadership in order to expand hands-on capacities of selected municipal staff that will contribute better to change in culture and long-term positive change in public service delivery. Building on the experiences of the highly successful Capacity Development Facility (CDF) in Kosovo, a roster of high-quality local governance/development mentors will be established under the project. Mentors will be matched with needs of local authorities, and will be deployed on short-term basis (e.g., 2 weeks to 2 months) to guide, coach, mentor, and support local authorities and/or their partners in introducing a particular change or addressing a particular issue, including drafting and/or formulation of local ordinances, by-laws, and project documents, among others.

1.4. Organize joint inter-municipal cooperation initiatives and best practice learning and exchange to foster cooperation and knowledge sharing in rural development among the municipalities.

Building on the expanded municipal cooperation between Dragash/Dragaš and Shtërpçë/Štrpce with the support of the project's first phase (through inter-municipal initiatives, such as agricultural knowhow exchange or promotion of local resources, and study visits), the project will facilitate further collaboration among all the partner municipalities. As such, more inter-municipal initiatives with the aim to assist economic exchange, networking, and knowledge sharing among the municipalities' public sector, private sector, and civil society will be supported. These will be defined by the municipal officials in direct consultations, supported by the project. Moreover, Dragash/Dragaš and Shtërpçë/Štrpce will serve as disseminators of knowledge and experience sharing towards the municipality of Viti/Vitina with regards to public service delivery in rural and economic development, as well as transparency, participatory approaches, and socioeconomic inclusion of vulnerable members of the society through the Territorial Employment Pacts. In this context, project will facilitate study visits and knowledge sharing events for the three municipalities.

Output 2: Local micro and small enterprises and farmers have been supported to upgrade their businesses

2.1. Provide grant funding to business initiatives in a gender sensitive manner through the Local Development Fund.

The LDF in cooperation with the project will continue to implement a rural grant scheme in the partner municipalities of Dragash/Dragaš, Shtërpçë/Štrpce, and expand to Viti/Vitina, building on the services provided to the local smallholder farmers under the first phase of InTerDev. Depending naturally on the sectors of the awarded grants, the grant scheme will allow recipients to upgrade their business initiatives through refurbished business premises (such as barns, stables, raspberry plantations, beehives, or greenhouses), purchase of equipment for collection or processing (collection of honey or milk, collection points for herbs or berries), installation of irrigation systems or other modernization elements, or purchase of agricultural inputs (livestock, feeding, seedlings, etc.). Through the three successful rounds of grant applications between 2014-2016, 57 projects were awarded a grant to upgrade their business operations, productivity, and create jobs and income. Monitoring conducted has shown that, on average, each project creates about 3 jobs and increases income for the family by average 187%.

As per previous practice, the grant applications received through open calls shall be thoroughly assessed for their viability by an independent evaluation committee comprised of

three local experts contracted by the project based on their expertise. The recommended grant applications will then be submitted for final approval to ADA, as customary. The LDF and InTerDev project will take into consideration recommendations from the committee of evaluators with regards to some technical aspects of the application and evaluation process, utilizing lessons learned for the future calls. Under this activity, the project, through external consultancy services and in cooperation with the LDF, will also provide practical training on the LDF application process to potential grantees in partner municipalities to stimulate the quality of the applications to the Fund. This training proved to have had a significant positive impact in terms of quality, as well as the quantity, of the applications to the LDF. The project shall cover for the costs of the existing LDF team, namely salaries, utilities and transport, while the current arrangement with the Municipality of Suharekë/Suva Reka when it comes to use of office space will continue to be in place.

2.2. Support local development in line with analysed value chains.

The project's phase 1 assessed in 2015-2016 a number of value chains in Shtërpçë/Štrpce (Beekeeping; Forest fruits, medicinal and aromatic plants, mushrooms and cultivation of berries; and Tourism), and provided recommendations for development of respective value chains in both Dragash/Dragaš⁸ and Shtërpçë/Štrpce. A number of proposed interventions are elaborated for both municipalities that foster the development of these value chains in the areas. For instance, the development of a detailed study for the irrigation plans in both Dragash/Dragaš and Shtërpçë/Štrpce, improvement of the quality of milk in Dragash/Dragaš, or improvement of collection of various agricultural products in both partner municipalities are among the recommended actions. Responding to the demand from the partner local governments during initial consultations in the design of the phase 2 of InTerDev, the project will support the development of various value chains along the recommended interventions elaborated on in the aforementioned analytical documents, as well as other value chains analyses in Viti/Vitina. In addition, Business-to-Business (B2B) events, internal and regional, will be organised for the beneficiary micro and small business initiatives to establish business connections, adopt good practices, and learn lessons from each other.

2.3. Support the development of regional branding and quality standards in agricultural production.

Branding of the Sharr/Šar honey, cheese, and other local products is among the proposed interventions elaborated in the aforementioned value chains analyses and implementation plan documents produced by the InTerDev project in 2015-2016. The project will support further development of regional branding, as well as inclusion of various quality standards associated with the production of such products typical for the area, in cooperation with the Kosovo Food and Veterinary Agency. Currently, the GIZ implements a project "Competitiveness of the Private Sector in Rural Areas in Kosovo (COSiRA)", providing technical assistance, skill transfers and capacity development to stakeholders by developing a regional marketing and branding concepts. This GIZ project focuses on three pilot regions, one of which is the Sharr/Šar Area with the municipalities of Prizren, Dragash/Dragaš and Shtërpçë/Štrpce. GIZ's COSiRA will provide technical assistance on regional marketing and branding of the Sharr/Šar area, and marketing of regional products. InTerDev project will harmonize its activities with this GIZ project and leverage common entry points.

⁸ Milk and Meat; Fruits; Vegetables and Cereals; Herbs; Bees; Forest Fruits; and Textile and Clothes, already analysed prior to InTerDev's start in 2014.

Output 3: Bottom-up approaches and local-level concertation for employment generation in the form of Territorial Employment Pacts operate at the municipal level

3.1. In a gender-sensitive manner, design Territorial Employment Pact in Viti/Vitina utilizing participatory approach and expand the current TEPs in Dragash/Dragaš and Shtërpcë/Štrpce.

The TEPs in Dragash/Dragaš and Shtërpcë/Štrpce implemented in the InTerDev phase 1 have proven to be a successful approach not only in income generation and job creation on the local level, but also in enhancing municipal leadership and cooperation with the private sector and civil society, capacity development, and local ownership over the intervention. In addition to the jobs created and improved productivity of the local private sector, the TEPs contribute to a change in attitude in the municipalities whereby public servants feel more accountable to citizens and understand the benefits of participatory processes and cooperation. Hence, while keeping similar elements in the various TEP service lines, the two municipal TEPs for Dragash/Dragaš and Shtërpcë/Štrpce will be expanded on a basis of a participatory assessment of what current potential exists in the two municipalities. The TEP for Viti/Vitina will be designed in the same inclusive and consultative manner, as was the case with the first TEPs in Dragash/Dragaš and Shtërpcë/Štrpce, as well as previously with Fushë Kosovë/Kosovo Pojle and Obiliq/Obilić.

Naturally, as key to the Pacts, the various interventions under the TEPs will be designed stemming from the local context, as well as the state of various value chains and sectors in the respective municipalities, focusing on the vulnerable residents of local communities and those who have potential to grow. Gender aspect as well as inclusion of youth and non-majority communities will be streamlined throughout not only the TEP, but the project in general, offering opportunities for women, young residents, and non-majority groups to socioeconomically empower themselves and increase their quality of life. The TEPs will be designed based on the context in the area, local needs and potentials identified through meetings with all relevant stakeholders from the public sector, private sector, civil society, business support centres, etc. While the TEPs will be unique to each municipality corresponding to the local specifics, the service lines of the TEPs will revolve around the activities elaborated on below.

3.2. Provide skills development opportunities and incentives for work integration of low-skilled and unskilled long-term unemployed women and men.

Unemployment in Kosovo has several key distinctive dimensions: it principally affects youth, women, as well as those with limited education and no previous work experience, including people with disabilities and minority communities. Another important characteristic is that a vast majority of registered unemployed have no working experience, which indicates the importance of the first contact with the labour market. Finally, a particular concern is the long average duration of unemployment spells, with 72.2% of all the unemployed in Kosovo having been without a job for more than 12 months. With high unemployment and inactivity rates in the partner municipalities, as elsewhere in Kosovo, active labour market measures that are being streamlined in Kosovo through the public employment services of MLSW are designed to address these challenges through training incentives, counselling, job-search assistance, access to credit and employment opportunities, in cooperation with the local employment offices, vocational training centers, and the private sector companies. The specific measures will be implemented stemming from on a gender-sensitive assessment of the demand for skills and the local markets, with the local employment office play-

ing a key role in identification and, together with the municipal LAGs, the selection of the women and men benefiting from these various active employment measures.

3.3. Deliver grants and advisory services to upgrade rural micro-enterprises.

A core component of the TEP, having upgraded over 210 rural microenterprises in honey production, milk collection, and raspberry cultivation in the municipalities of Dragash/Dragaš and Shtërpçë/Štrpce during 2014-2016. Assessed by the midterm evaluators of the first phase of InTerDev as most cost-effective, the in-kind grants and complementary consultancy and advisory services generate jobs and sustainable income not only for the nominal beneficiaries, but also for the broader community. Collected monitoring data shows that upgraded microenterprises increase income for the families on average by 84% in the case of berry farming and beekeeping and honey production, and 35% under cow breeding and milk production. Consultations with partner municipalities have shown the importance of this activity, and strong demand exists in both Dragash/Dragaš and Shtërpçë/Štrpce for continuation of upgrading of these rural microenterprises. The activity will target family-based farms and micro-businesses, selected through a competitive call for applications and evaluated on predefined criteria, based on their vulnerability through a profiling system established under the TEPs. The rural microenterprises will be upgraded through expansion of planted land, increase in livestock, purchase of inputs, as well as equipment and tools used in the particular agricultural activity, focusing on increasing productivity, generation of additional income and jobs. In addition, complementary advisory support services shall be tailored to the individual needs of the farmers and shall be provided by external expertise, stimulating development of specialized knowledge and skills, as well as fostering association building and networking. The specific types of rural microenterprises supported will be defined during the TEP design phase, but, stemming from the market potential identified by municipal representatives, will revolve around raspberry farming, honey production, and possibly goat and sheep rearing in Shtërpçë/Štrpce; cow breeding and milk production, berry farming (raspberry, blueberry, aronia), or, as suggested by the midterm evaluation report, growing of potato seedlings in Dragash/Dragaš; and sectors to be defined in Vitë/Vitina.

3.4. Facilitate establishment of social enterprises to foster sustainable employment targeting low-skilled and unskilled women and men.

Social enterprises bring about work inclusion and income generation for the most vulnerable members of local communities, as well as personal transformations and citizen empowerment. Three social enterprises are now operational in Dragash/Dragaš and Shtërpçë/Štrpce, bringing added value to the agricultural production in the area through processing and packaging, as well as producing knitted clothing items and other textile. Based on the assessment of the potential of the local markets during the TEP/TEP expansion design phase, establishment of 3 additional viable social enterprises focusing on work integration of vulnerable women and men will be promoted. Similarly, as before, the identified NGOs will receive a start-up grant and technical assistance and their mission will be creation of employment for the marginalized individuals through added-value production or provision of services to the public and private sectors (maintenance, cleaning, delivery services, etc.) in the respective municipalities as per the outcome of the local assessment during the TEP or TEP expansion design phase. Moreover, further support to the existing SEs where necessary will be provided by the project, as clear demand is coming from the partners in the municipalities to support the existing SEs to grow further. As other interventions under the TEPs, this intervention will be designed in a participatory manner through

consultations with the municipal LAGs, the local civil society, the private sector and public sector institutions who are considered to be the potential clients and recipient of services.

3.5. Support the development of local organic agriculture with associated standards.

Given the geographical position of the partner municipalities in or in the vicinity of the Sharr/Šar National Park, an area with high biodiversity, rich in natural resources, and with low environmental pollution, there is strong potential for generating decent and sustainable green jobs in balance with biodiversity conservation and sustainable natural resources management. Building on the activities of the project in 2016 in creating environmentally-conscious jobs for women in harvesting and post-harvest processing of locally growing berries and herbs, the project will support smallholder farmers in the area to develop agriculture along the principles of organic farming in line with the Kosovo Law No. 04/L-085 on Organic Farming from 2012, harmonized with EU Directives. It was documented in various instances, also under the LDF grants, that the local population is interested in such organic-like production, but needs technical and material support in applying such organic principles, and understanding the process from production to certification and labelling, along with its requirements. Kosovo-wide, 160 ha of land is currently converted to organic agriculture (medicinal plants and herbs, mainly chamomile), and 45 drying and collection centers operate throughout Kosovo, collecting wild fruits, herbs and mushrooms. In addition, the approved certification body in Kosovo, “Albinspekt”, also recognized by EU, provides organic certification in Kosovo.

In cooperation with the unit for organic agriculture within the Department of Agriculture Policies and Markets of the Ministry of Agriculture, Forestry and Rural Development⁹, the project will seek to prepare farmers in the partner municipalities for such production through in-kind grants to upgrade their farms/small businesses in line with the principles and quality standards of organic agriculture, as well as specialized training and advisory services and options to get certified, and enable the farmers to be included in local and international value chains focusing on organic production. For instance, Shtërpçë/Štrpçe municipality has identified processing and packaging of herbs (bio production) as having high potential to generate sustainable income, with a number of international firms, principally from Austria and Germany, already having and seeking more suppliers of such products in Kosovo, such as Sonnentor from northern Austria. As such, Sonnentor and other private businesses can further directly support the local producers in their further development and fulfilment of criteria for certification as bio-product and export of the products to the EU.

4.5. Indicators

Indicators used to monitor progress of the project are embedded in the logical framework (annex no. 1). Some indicators (such as the indicator P1: Citizen satisfaction level with the municipal rural service provision) will set baselines and targets during the inception phase through a survey. The inception period and the design of the individual municipal TEPs will feed into the refinement of indicators and its targets and will be subject to approval of the donor together with the inception report and the project document. Where applicable, indicators are disaggregated by gender and by non-majority community membership.

4.6. Risk Assessment

⁹ The MAFRD also provides subventions to organic farmers.

Description of the risk	Likelihood	Possible impact	Prevention and/or mitigation measures
<p>The local elections planned for 2017 may result in a change in municipal leadership, possibly impacting the level of commitment of municipal mayors and other key officials to the project, as well as change in the level of capacities of municipal officers.</p>	<p>Medium</p>	<p>Medium</p>	<p>In case municipal elections result in a change of leadership, UNDP will establish cooperation with the new administration, carrying over the institutional memory of the project and promoting the successes and benefits of the project's services to the citizens.</p>
<p>The project may face low quality of applications for the LDF grants, leading to sub-standard proposals and/or inadequate distribution of the grants among the target municipalities.</p>	<p>Low</p>	<p>Medium</p>	<p>The project will organize training sessions offered in the municipalities focusing on the LDF grant scheme application process, as well as additional info sessions to better disseminate the information about the LDF scheme.</p>
<p><i>Viti/Vitina specific:</i> The LAG may not commit sufficiently in the design and implementation of the municipal TEP, resulting in the sense of ownership over the process and level of commitment being at a lower level than desired.</p>	<p>Medium</p>	<p>High</p>	<p>The project will foster direct cooperation with and inclusion of the municipal leadership from the very start of the TEP design phase, stimulating local buy-in over the TEP and addressing the socio-economic challenges stemming from the local context. In addition, meetings will be organised between the LAG leads of Dragash/Dragaš, Shtërpçë/Štrpce, and Viti/Vitina to share best practices, results, and the bene-</p>

			fits the project brings.
Local elections planned for 2017 result in changes in municipal representation in the LAGs, consequently decreasing the commitment and ownership of the LAGs over the TEPs.	Medium	Medium	In case the municipal representatives and the composition of municipal LAGs change as a result of the local elections, the project will strive for a smooth transfer of ownership of the project over to the new representatives of the LAG. Other members of the LAG will carry on the buy-in towards the project.
Municipal authorities lack knowledge of or do not put value on sustainable natural resource management	Medium	High	The project will promote organic agriculture, emphasize the national policy that ban the use of GMOs, respect the approved list of allowed pesticides, and foster participation of local population in securing protected areas.
Limited number of private companies is interested to partner in implementing active labour market programmes	Low	Medium	UNDP has been implementing active labour market programmes for more than 10 years and has a network of 3000+ private partner companies. The number of potential beneficiaries of these almps under InTerDev 2 is within the absorption capacity of the private sector, hence the risk is improbable

The project will keep risk and issue logs open and updated for the purposes of monitoring external factors that (may) influence the implementation process. The progress reports submitted on a regular basis to ADA contain an update on the risks monitored.

Preconditions for the project's implementation are that:

- Partner municipalities are interested in facilitating socioeconomic development, strengthening job creation and income generation in the local territories.
- Municipalities are interested in enhancing their service delivery to local communities.
- Municipalities have relevant delegated competencies by law.

Documentation of the fulfilment of these preconditions are to be included in the project's inception report.

5. Monitoring and Evaluation

5.1. Monitoring, steering and dissemination of information

The project will be monitored by assessing progress against the qualitative and quantitative indicators outlined in the Logical Framework. The indicators will be further refined during the inception stage of the project as necessary. As suggested by the mid-term evaluation report of the InTerDev 1, the project refined its indicators to better capture the transformations on the outcome and impact levels, in particular with regards to income generation and growth of supported business initiatives. The project will continue to collect data on job creation, income generation, and women and non-majority community inclusion through its monitoring mechanisms, and will also continue monitoring the impact of activities of the first phase of InTerDev to capture changes achieved and their sustainability down the line.

The project's monitoring system consistently uses gender-disaggregated data for most of its activities in order to assess how many women and men are being reached. Gender sensitive indicators, as well as non-majority community sensitive indicators were formulated in the result chain, and reports will continue to tackle gender and non-majority community related aspects when explaining the progress of the project.

Within the annual cycle:

- An Issue Log shall be activated in Atlas (the project management software used globally by UNDP) and regularly updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis submitted, a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation. Changes to the project intervention logic are subject to approval by ADA.
- A project Lessons-learned log shall be activated and regularly updated to ensure ongoing learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project.
- A Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events.
- Periodic Monitoring through site visits: UNDP Inclusive Growth and Sustainable Development Programme staff in charge with quality assurance will conduct periodical visits to

project sites based on the agreed schedule in the project's Annual Work Plan to assess project progress first hand. This monitoring will take into consideration advantages and challenges experienced through the implementation period, potential environmental impacts of the project's activities, and capture lessons to use for the remaining of project period. Other members of the Project Board may also join these visits.

Inception report:

Implementation of the project will commence with a project inception period of 4 months, following without any delays the end of the InTerDev phase 1. An inception report will be submitted no later than 15th May 2017. This initial phase is going to explore scenarios that will most effectively contribute to the expected results and the overall objective of the project, including the participatory and tailored design of the three municipal Territorial Employment Pacts. Hence, it will propose activities tailored into more detail through the inception report. The inception report shall also capture gender aspects and propose measures to increase participation of women in project interventions.

Furthermore, in case changes to the intervention logic or indicators are proposed as a result of the inception phase, they will be submitted to ADA for review and approval along with the inception report in the form of a revised project document, including its annexes.

Annual reports:

A semi-annual and an annual technical and financial project report will be submitted to ADA via the Austrian Coordination Office for Technical Cooperation in Prishtinë/Priština within two months after the end of the respective reporting period, i.e. by August 31st and February 28th at the latest. The reports will include narrative and financial reports¹⁰ and describe the progress of the project and the use of the grant including a numerical breakdown. These two reports will be prepared by the Project Manager and verified and submitted by UNDP and also shared with the Project Board.

Annual Project Review:

Based on the above annual technical report, an annual project review shall be conducted during the fourth quarter of the year or soon after to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

Final Report:

At the latest within four months after completion of the project, the final report and the detailed final financial statements will be submitted to the Austrian Development Agency.

UNDP Programme staff together with the project team shall continuously assess the implementation of the project activities to ensure they are in line with the work plans agreed and at the quality standard required. UNDP shall continuously monitor and assess the project's contribution to equal access in the labour market and income generation opportunities for women and men.

¹⁰ As the financial year is closed by end of March, final financial report can be made available only by April of the following financial year.

The final report at project completion will evaluate the project, commenting on whether objectives and expected results have been met, outputs produced as planned, and provide other findings, lessons or recommendations to assess its success and make a recommendation on whether the initiative should be repeated incorporating the lessons learned.

5.2. Assessment and Evaluations

An external mid-term evaluation will be conducted to assess the progress of the project towards the expected results and recommend possible adjustments for the remaining period of the project's implementation. Moreover, a final review will be commissioned at the end of the project.

The evaluations will be prepared in line with UNDP's policies and procedures, assessing among other segments, the promotion of gender equality and women's socio-economic empowerment, and environmental considerations. The Terms of Reference for both the mid-term evaluation and for the final review will be submitted to ADA for approval prior to commencement of the two evaluation exercises.

6. Implementation

6.1. Preparation of implementation

The first four months of the project will be used as an inception phase during which the intervention logic will be tailored in terms of the specifics of activities and quantitative indicator levels. During this period, the project will explore scenarios that will most effectively contribute to the expected results and the overall objective of the project and it will propose any specifications of activities or alterations.

The inception phase will be conducted through consultancy services with support of the project staff and UNDP programme staff, with an inception report along with proposed modifications to the intervention logic and monitoring framework as a product of the phase.

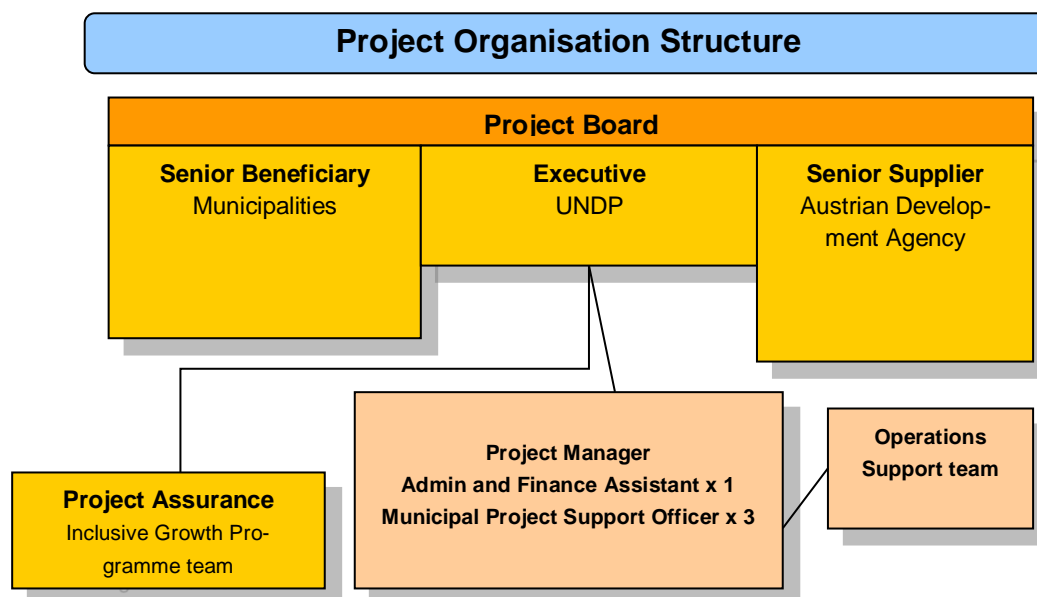
The outcome of the inception period will echo the need and demand of the groups and individuals foreseen to be targeted by the project and therefore will ensure a well-targeted, demand-driven support. The design of each of the municipal Territorial Employment Pact (TEP) will be also conducted in this period in all partner municipalities to the project and will be attached to the inception report.

6.2. Organizational structure, processes and management capacities

The project will be executed directly by UNDP applying UNDP's rules and procedures for project management and a results-based management approach. UNDP uses IPSAS standards for management of finances and follows internationally-recognized procurement standards. Specific project activities may be implemented by municipalities or by non-governmental organizations; in such cases designated funds will be channelled to the recipients using signed legal agreements among recipients and UNDP.

The main decision making body for the project will be the **Project Board**, which will consist of representatives of the main relevant stakeholders as well as provide strategic guidance and oversight of project activities.

The day-to-day management will be the responsibility of the Project Team, supported by the UNDP Inclusive Growth Programme staff.



The Project Board is the group responsible for making consensus-based decisions for the project when guidance is required, including approval of project revisions. The project board (PB) meets twice per year. The PB's key roles will be as follows:

- (a) **Executive role** representing the project ownership to chair the group. The role will be performed by the UNDP Resident Representative or his/her designate.
- (b) **Senior Supplier** role to provide guidance regarding the technical feasibility of the project. This role will be conducted by the Representative of the Coordination Office for Technical Cooperation of the Austrian Embassy
- (c) **Senior Beneficiary** role to ensure the realization of project benefits from the perspective of project beneficiaries. It will be held by the partner municipalities.
- (d) **Project Assurance** role will support the Project Board by carrying out objective and independent project oversight and monitoring functions. During the running of the project, this role will ensure that the appropriate project management milestones are managed and completed, and will be performed by UNDP Inclusive Growth Programme Team.

The PB approves project work plans and authorises any deviation from agreed work plans beyond stage tolerances. It is the authority that signs off the completion of each stage as well as authorises the start of the next stage of project implementation. It ensures that required resources are committed, and arbitrates on any conflicts within the Project or negotiates a solution to any problems between the Project and external bodies.

The PB is ultimately responsible for assurance that the Project remains on course to deliver the desired outcome of the required quality to meet the Project's objectives defined in the Project.

Where appropriate, the project will engage external technical expertise in order to deliver specific activities and results.

Throughout the project, regular communication on project progress and project results will be undertaken, following the ADC Visibility Guidelines¹¹ in order to highlight and raise awareness of public funds allocated for development cooperation.

6.3. Time schedule

For the time schedule, see annex no. 2. The Annual Work Plan (AWP) for each year of the project will be developed at the start of the respective period in line with the project documentation and the logical framework, and will be presented to the Project Board for review and approval.

6.4. Necessary means and costs

(See annexes no. 3a and 3b)

The total budget of the project is 1,955,000.00 EUR, out of which, similarly as to the InTerDev phase one, 400,000.00 EUR is dedicated to the LDF for grants. UNDP mobilized municipalities (Dragash/Dragaš and Shtërpçë/Štrpce) to contribute financially to InTerDev 1 and municipal co-financing will be increased in this phase, with 180,000.00 EUR coming from the three municipalities over the three-year period, while UNDP will contribute with 50,000.00 EUR. Moreover, UNDP mobilizes resources from the Kosovo Ministry of Labour and Social Welfare for the implementation of active labour market measures in Kosovo, and the project will receive a contribution of 75,000.00 from MLSW.

The budget follows the same logic and structure as the one of InTerDev 1, with a reduced capacity development component (Output 1), as suggested by the midterm evaluation, and increased Territorial Employment Pacts part (Output 3) to cover for a TEP development and delivery for three municipalities. While the necessary costs for effective implementation of the project are elaborated in the Annex 3. Budget, the project will hire a Municipal Project Support Officer for (as well as from, and sitting within) the new partner municipality of Viti/Vitina, as this approach has proven to be a major success element of the project under the phase one, evidenced by the midterm evaluation. Thus, the project team will be composed of a Project Manager, Project Administration and Finance Assistant, and 3 Municipal Project Support Officers. The project will also continue to cover the salaries of 2 staff of the Local Development Fund (Secretary and Finance Assistant).

11

http://www.entwicklung.at/fileadmin/user_upload/Dokumente/Sichtbarkeitsrichtlinie/EN_Visibility_Guidelines.pdf

Annexes:

Annex No. 1) Logframe Matrix

Annex No. 2) Time schedule

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

Annex No. 3b) Detailed project budget

Annex No. 4) List of reference documents

Annex No. 5) Environmental integration checklist

Annex No. 6) Gender self-assessment

Annex No. 7) Social standards assessment