

USAID/Kosovo
Operational Plan

FY 2006

June 13, 2006

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Program Performance Summary FY 2005: 1. Democratic Reform

A. Country Situation

In FY 2005, Kosovo began a momentous transition from six years of United Nations' administration and oversight to the assumption of responsibilities for most major governmental functions. In October 2005, the United Nations' Security Council announced that discussions would begin on Kosovo's political status. "Final status" for Kosovo could range from autonomy within the Serbian State to full independence. These developments present Kosovo with challenges on a huge scale. With little experience in formal governing, Kosovo lacks capacity in almost every sector. Whatever its status is determined to be, Kosovo will, in the short-to-medium-term, continue to face the same problems it has now: a weak economy, high unemployment, corruption, crime, and distrust among ethnic groups. With such low capacity, Kosovo's nascent institutions will be severely challenged to deal with these issues.

In addition to the foregoing, Kosovo must deal with the conflict that still simmers between Albanian Kosovars and other ethnicities, particularly Serbian Kosovars. USAID and UNDP-supported "early warning" reports warn that Albanian Kosovars and Serbian Kosovars remain diametrically opposed on what Kosovo's final status should be. As status discussions take up the difficult issues that exist between Serbia and Kosovo, anxiety and tensions are likely to rise. For this reason, USAID will continue support for "early warning" polling and analysis, and community dialogue related to return of ethnic minorities. In addition, USAID plans to initiate several activities in FY 2006 to break down ethnic barriers among youth, disseminate information about successful cooperation between ethnic groups, and address the psychology of fear that pervades Kosovo.

Kosovo's authorities have demonstrated consistent commitment to USAID's programs, beginning with our early interventions in economic policy and institution building, and later expanding to the energy and justice sectors as well. USAID's policy decision in FY 2002 to work directly with the new Provisional Institutions of Self-Government (PISG) institutions, as opposed to through United Nations Interim Administration Mission in Kosovo (UNMIK) institutions, is bearing fruit. The Ministers of Finance and Economy, Energy and Mining, Trade and Industry, Local Government, as well as prominent figures in the justice sector, are strong advocates for our programs; they also routinely consult USAID when developing policy positions.

B. US Assistance Priorities

USAID's priorities in democratic reform are twofold: helping civil society and government become more effective partners in achieving good governance, and creating a more open and responsive government acting according to the rule of law. The first objective focused USAID's support on developing Kosovo's independent media to become more professional in their reporting, and better positioned to be self-supporting. Similarly, USAID assistance is helping Kosovo's civil society organizations become more capable of advocating for their constituents' issues, more adept at forming coalitions, and better able to be sustainable organizations. This objective also targeted Kosovo's municipal governments in order to improve their local economic development planning, revenue collection, transparency/accountability, ability to accept returning ethnic minorities, and the legislative framework that underlies their authorities.

The second objective aims to build democratic institutions that are key to Kosovo's future as an aspirant to the European Union. The Assembly of Kosovo is a relatively new body, which, while adept at passing legislation, is less proficient at transparent law-making and oversight of the executive branch and public funds expenditures. The political parties whose members comprise the Assembly need guidance in how to effectively represent their constituencies and administer their organizations in transparent and democratic fashion. USAID's assistance is particularly critical in the justice sector, where the foundations for the rule of law are being laid down. Expert advisors help with the formation of the new Ministry of Justice, the Kosovo Judicial Council - a body responsible for administration of the judiciary - and reform of the court system.

C. Program Performance

Civil Society and Government Partnerships: USAID's assistance served to forge critical partnerships between key stakeholders across Kosovo for greater transparency and accountability - the hallmarks of

good governance. The approach calls for assistance to local government leaders to better govern through effective service delivery and in accordance with the rule of law, Kosovar independent media to become professional and financially sustainable thus helping to inform citizens and shed light on the workings of their government, and to increase the capacity of civil society organizations to be better advocates for their constituencies as an essential part of the public decision-making process.

Civil Society and Media: FY 2005 saw an increase in the number of citizens directly monitoring the work of the government. Likewise, the central and municipal governments have been more open towards the input of the citizens. The news coverage by both print and broadcast media informing people of current developments and encouraging them to become involved has increased. According to data collected by USAID, both the number of citizens participating in public hearings and the number of hearings have increased significantly.

In the areas of media and civil society, two new USAID programs were launched in the third quarter of the fiscal year. Both of these built upon the foundations laid by previous USAID programs: the establishment and development of independent media and civil society organizations. The new programs were designed to provide a final three years of support to reinforce the skills learned, and strive for increased professionalism, effectiveness, and sustainability on the part of the beneficiary organizations.

USAID's media program, "Kosovo Media Assistance Program" (KMAP) focuses on four areas: 1) Increasing the business viability of targeted media outlets; 2) Improving news content of media practitioners and broadcasters; 3) Improving the legal and regulatory framework for media; and 4) Enabling professional associations to represent media and journalists' interests effectively.

Progress toward improving the media is measured by an annual Media Sustainability Index (MSI), measured on a scale from 1 (media are unsustainable and not free) to 4 (media are completely sustainable and free), improved slightly from 2.4 in FY 2004 to 2.5 in FY 2005. The increase in the index's score is attributable to the index components such as freedom of speech, professional journalism, and the increased capacity of media associations. These developments indicate that the media sector is slowly moving towards sustainability and continued improvement to support democratic governance.

As result of USAID assistance, the two USAID-supported Kosovo-wide independent television stations, RTV 21 and Kohavision (KTV) have become serious players in the media market. RTV 21 continues to be the market leader with more than 52% of audience share. In the last two quarters of the year, KTV also experienced an increase in its audience share from 8.9% to 15% in May 2005. In a peer survey conducted with 192 journalists from broadcast and print media, KTV was rated as the most professional and independent TV station in Kosovo. Both RTV 21 and KTV are now able to cover approximately 80% of their operational costs, a significant accomplishment since their competition is a subsidized public broadcaster which also sells advertising time.

The USAID-assisted Kosovo Terrestrial Transmission Network (KTTN), which ensures the uninterrupted transmission of TV and radio programs of all eight Kosovo-wide licensed radio and TV stations, is completely independent of the government and able to cover 70% of its operational costs. As USAID support will soon end, KTTN's board recently decided to commercialize the organization. To ensure that it is run efficiently and free from political influence, USAID is providing essential legal and financial advice to the Board as it changes its governance and ownership arrangements. This will allow it to implement a business plan that not only enables KTTN to move beyond subsidies but just as important, attract outside investment to update equipment and expand its services.

A long-awaited law establishing the Independent Media Commission (IMC) was passed by the Kosovo assembly in 2005. This law benefited from citizen and stakeholder input. USAID played a key role in educating the public about the importance of the issues, and as a result the IMC law is not only well understood, but also one of the best in the region. The law levels the playing field between the private and public media, improves public media accountability, and provides safeguards for the protection of media independence. It also creates a new regulatory body and rules governing the licensing and performance of broadcast media. Implementation of the IMC law began at the end of the reporting period

and USAID will monitor its implementation through FY 2006 and beyond.

USAID support to the Association of Independent Broadcasters of Kosovo (AMPEK) and the Association of Professional Journalists of Kosovo (APJK) has enabled them to improve other aspects of the legal framework for media in Kosovo. They have been successful in convincing the Legal Office of the Prime Minister to de-criminalize libel and defamation laws and change some of the tax provisions for importing printing paper for newspapers.

USAID's assistance to civil society involves training, expert consultancies, and grants for non-governmental organizations (NGOs). Improvements have been made in the organizational and advocacy capacity of NGOs USAID has worked with; in addition, this year witnessed NGOs in new partnerships with central government, assisting with drafting policy papers in areas such as decentralization and economic development as well as initial drafts of laws. For example, the Kosovar Institute for Policy Research and Development (KIPRED) assists the government in drafting the new Election Law, and the Kosovar Research and Documentation Institute (KODI) works in all municipalities to improve communication and reporting skills of local governments. In addition, NGOs have been more sophisticated in choosing issues and advocating more effectively in their advocacy campaigns. The business community has been the most active group in advocating for its interests. The Association of Kosovo Businesses (AKB) launched an impressive campaign that promoted the consumption of local products. AKB continues its efforts to create an infrastructure and better credit conditions for growth of local businesses in Kosovo.

The Kosovo NGO Advocacy Network (AvoKo) funded by USAID, carried out a campaign promoting Kosovo Standards, bringing this issue through public debates closer to communities in 15 municipalities. The Kosovo Standards were established by the United Nations in early 2003. In 2004, the newly elected government of Kosovo declared standards implementation as its first priority. The implementation of the standards furthers human rights, access to justice, and rule of law for all Kosovars, particularly minority groups. Kosovo Government representatives stated that the AvoKo campaign helped them in the fulfillment of Standards in three priority areas: returns and reintegration of minorities, freedom of movement, and property issues.

Local Governance: USAID's Local Government Initiative (LGI) works to improve performance in four areas including the legislative framework for local governance, municipal revenues/finances, transparency/accountability, and local economic development planning. Following the November 2004 parliamentary elections, Kosovo's new government created the Ministry of Local Government Administration (MLGA). In support of this decision USAID immediately responded by providing expertise and contributing to three policy documents covering decentralization, municipal finance, and election of local officials. Two USAID resident advisors were also placed in the MLGA to assist with policy formulation and help with the drafting of the Local Government law and Local Elections law, both currently under discussion. The draft law on Local Finance is now being developed with input from USAID advisors in the MLGA and the Ministry of Finance and Economy.

Six USAID-funded "resident municipal advisors" (RMAs) work with municipalities to build capacity in local economic development planning and revenue generation. They also work with their host municipalities to increase citizen participation in the affairs of the municipalities. Public perception of local governments has been that they are inaccessible and opaque in their decision-making, but the number of public hearings has increased from seven in 2004 to 28 by October 2005 in the six USAID host municipalities. Survey results from 2005 indicate that 65% of residents polled in the RMAs' host municipalities believe their municipality is more accessible, compared with 52% in 2004.

While there have been slight improvements in the targeted municipalities in achieving transparency and accountability in budget legislation development and municipal procurement, overall financial management remains opaque, and information dissemination to the public is not satisfactory. USAID plans to redouble its efforts to improve this by providing new training and tools through the RMAs.

Improving the capacity of municipalities to collect their "own-source" revenues as required by law, the bulk

of which is from property tax, is a key area of USAID intervention. Calendar year 2004 data from the six USAID targeted municipalities show an increase in revenue collection compared with 2003. The percentage of revenues collected as a percent of revenues billed by these municipalities was 30% for 2004. This is a promising trend, but much remains to be done to improve the efficiency of municipalities when it comes to generating "own-source" revenues and realizing the promises of local self-government.

Complementing USAID work in local governance, USAID's Municipal Integration and Support Initiative (MISI) builds the capacity and accountability of local government to support the return and reintegration of minority residents. MISI works in direct partnership with municipal leaders and officials in nine municipalities, along with ethnic minority and majority communities within their borders, in setting up action plans that present tangible steps each municipality commits to undertake, within a set time frame, to demonstrate its commitment to returns and reintegration.

To date, 75% of obstacles to more effective integration described in the nine Municipality Action Plans have been addressed. As a result of this progress, they have received USAID funding for small-scale infrastructure improvement projects to implement these plans. Thirty-two such projects were identified and implemented during FY 2005, utilizing highly participatory methods. Meetings to identify and prioritize projects, and subsequent meetings to monitor implementation, directly involved municipal leaders and officials working closely with local communities.

In FY 2005 USAID executed an expansion of MISI to include an additional seven municipalities where the process of minority return and reintegration is particularly problematic. USAID is incorporating lessons learned from the first phase of MISI into the new activities, placing special emphasis on the reintegration of Serbian Kosovar residents. Because of this emphasis, and the fact that the MISI program involves inter-ethnic dialogue and cooperation, it will also be counted towards targets USAID will develop for conflict reduction/mitigation.

Democratic Institutions: Progress was made in FY 2005 in building the capacities of Kosovo's political parties and the Assembly of Kosovo in which they are represented. In the justice sector, some judicial reforms were delayed due to uncertainty about how and when transfer of judicial competencies would be initiated. Steps were taken to make Kosovo's courts more effective and transparent.

Political Processes: The Assembly of Kosovo, with only four years' experience as a legislative body, made significant progress in 2005, passing a number of laws - many necessitated by the Government's desire to meet international standards of good governance as stipulated in the Kosovo Standards document. Nonetheless, the deliberative body still lacks the capacity to provide oversight of the executive's implementation of laws and expenditure of public funds. Political parties in the Assembly also lack the capacity to effectively communicate with their constituencies, plan for and manage resources, and administer their organizations in a transparent and democratic fashion. These parties are striving to establish unique identities based upon policies and platforms as opposed to personalities. Following the parliamentary elections in 2004, there are now opposition parties, and USAID assistance has been instrumental in helping shape the opposition into a constructive force that is serving as a catalyst for good governance. As a result of USAID assistance, political parties are now starting to use polling and research data more effectively to make timely policy and strategic decisions, as well as better represent their constituents' views. The Assembly is also more proactive, launching six actions this past year to review the implementation of laws and performance of the executive branch.

In an effort to encourage greater participation by Serbian Kosovars in Kosovo's political life, USAID assisted with registering the newly formed Serbian Democratic Party of Kosovo (SDS-KiM), and helped the party organize its first National Convention at which the party statutes and platform were adopted.

This year's evaluation of key aspects of political party development for the USAID-assisted political parties measured through the Political Party Index showed an improvement in the areas of party structure, internal democracy, representation of women and youth, external communication ability and understanding and representing citizens' opinions. The overall score of the Political Party Index has improved and it is 1.7, slightly above the projected FY 2005 target of 1.3.

Building on the work with the political parties, USAID assistance to the Central Assembly committees focused on institutionalizing the use of public hearings as a tool by which decision-makers can not only inform the public of upcoming legislation, but also gather citizen input on the legislation through a standardized process of public consultation. For example, this year, 17 public hearings were held at the central level with 348 people participating. Overall, USAID targets for public hearings at local and central level were exceeded. As result of USAID training on executive oversight, Central Assembly members and party caucuses launched six actions to review the implementation of laws and performance of the executive branch, four of them being interpellations and two written requests for information. This suggests that the Assembly is beginning to more seriously undertake its executive oversight function.

Rule of Law: USAID's activities that focus on transition of the justice sector from international administration to the Provisional Institutions of Self-Government (PISG) were slowed during FY 2005 due to uncertainty about when and how the transition would be effected. As the fiscal year ended, however, plans were being finalized for the establishment of a new Kosovar Ministry of Justice (MOJ), and USAID is moving quickly to ensure that technical assistance is in place to assure as smooth a transition as possible. Much still needs to be done, though, to improve the quality of legal professionals and civil servants who will comprise the foundation of an effective justice system.

USAID's support to the Kosovo Chamber of Advocates (KCA) is advancing the professional skills of KCA members by establishing a comprehensive system for Continuing Legal Education (CLE), due to be rolled out in 2006. Under the soon-to-be promulgated Law on Advocates, CLE will become mandatory. A series of CLE courses have been organized to prepare lawyers for the landmark changes now taking place in the legal system. Thus far, 265 members, or approximately 70% of KCA membership, have attended these CLE courses.

To address a shortage of opportunities to develop practical skills in the legal profession, USAID helped create a pilot legal clinic program within the University of Pristina Law School to provide hands-on experience to law students. A parallel graduate apprenticeship or "praktikant" program has already helped to place more than 100 law graduates in courts and offices of attorneys. Half of the participants in these two programs recently took the bar exam, and out of this number 40% passed. This compares favorably to a normal pass rate of approximately 32% for the bar exam.

Two crucial pieces of legislation covering courts and prosecution were drafted this year by Kosovars with USAID assistance. USAID facilitated an inclusive, transparent process whereby various policy options were debated prior to drafting of these two laws. The result is that the current laws are fully understood by the Kosovar legal community, which has ownership in them as well. The Law on Courts is significant, creating a legal basis for an independent judiciary and the establishment of the Kosovo Judicial Council, a body responsible for administration and management of the judiciary, including court restructuring. The Law on Prosecutors complements the legal basis for a new adversarial approach initially foreseen by the Code of Criminal Procedure. An important USAID partner in the process of policy and legislative formulation was DLA Piper Rudnick Gray Cary, a US-based private international law firm which committed 4,000 hours of pro-bono work in Kosovo.

The courts, after years of neglect pre-conflict and destruction of records during the conflict, are now getting records in order. Earlier work in court archiving has helped with records. After a USAID installed audio recording equipment (a requirement called for in new Code of Criminal Procedure) as a pilot activity in 10 courts, the PISG decided purchase identical recording equipment for all remaining courts using its own budget. To use the equipment, 116 judges, court recorders and staff from the Kosovo Department of Judicial Administration were trained in audio recording systems and procedures. These individuals represent a core group of people now able to properly record and prepare transcripts on a timely basis.

A lengthy backlog of cases is hampering Kosovo's court system. In order to shift some of the caseload away from the courts, USAID has initiated a number of steps. For example, notary services used to authenticate documents are being shifted outside of the court system. Efforts are also underway to find administrative solutions to address more routine disputes such as payment of electricity bills. Policy and

legislative work on mediation was advanced, with a mediation law due to be presented to the Assembly early in 2006. In anticipation of this, USAID trained 110 court staff on the principles and practices of mediation. In addition, USAID supports alternative dispute resolution (ADR) by assisting with drafting of the legal framework that will constitute the legal basis for the arbitration of the commercial disputes.

Donor coordination for the democratic governance sector is the responsibility of UNMIK. USAID coordinates with the European Agency for Reconstruction (EAR) in its planning assistance for the new Ministry of Justice. In January 2006, USAID plans to convene an informal donor meeting with the aim of initiating a series of regular coordination gatherings. In the media and local governance sectors, and in support to the Kosovo Assembly, USAID maintains regular contact with the Organization for Security and Cooperation in Europe (OSCE).

II. Economic Reform Assistance

A. Country Situation

Kosovo's economy remains the victim of a virtual "perfect storm" of political uncertainty, social instability, and gathering anticipation and anxiety as final status negotiations draw nearer. Further constraining Kosovo's economic potential is an incomplete transition from command to free market economic principles. The cumulative effect of these factors has constrained private sector growth, leaving the public sector as the predominant force in the economy. Unemployment estimates range from 30-60% (the higher figure for young adults), the value of exports continues to comprise only 5% of imports, and systemic problems with the electricity utility plague daily electricity supply, prevent Kosovo from fully utilizing its vast lignite reserves, and serve as a brake on economic potential.

This being said, there have been positive gains in the past year. The Ministry of Finance and Economy is increasingly able to carry out its budget and tax administration mandate; privatization finally began in earnest with over 100 socially-owned enterprises being sold for over €100 million; and private investment grew at a healthy 5.3%. Deposits in local banks grew 19% in FY 2005, indicating that the financial sector is earning the trust and confidence of the people. Furthermore, there are signs that wage and price deflation - necessary to correct the distortions of the heavy international presence - is now underway.

The PISG receives high marks for committing to and supporting an ambitious economic reform agenda. However, the coming two years will bring many challenges to this commitment. The notion of Kosovo as a "victim" of political uncertainty is, indeed, firmly entrenched among the people. When this is removed, there will be enormous pressures and challenges on Kosovo's leadership to deliver prosperity. How Kosovo reacts to these pressures will have tremendous impact on its long-term development.

B. USAID Assistance Priorities

USAID considers two economic issues paramount to ensuring a smooth transition for Kosovo over the coming years. First, economic institutions require the capacity, systems, and processes to continue developing and implementing sound and transparent policies without the international oversight that currently exists. Secondly, the private sector must develop the sophistication, flexibility, and innovation needed to capitalize on increasing investor interest and become more competitive in regional and global markets.

Among the many developments of 2005, a new Ministry for Energy and Mining (MEM) was established and staffed. This provides a central focus for energy planning that has, to date, been missing. Power supply remains a major problem for Kosovo, and it has become eminently clear that all our efforts to increase foreign direct investment and local private enterprise will fail if power cannot be reliably supplied. USAID has been nominally involved in the sector for the past two years, providing technical assistance to help develop secondary legislation in key areas of energy regulation and installing a billing software package at the Kosovo Electricity Corporation (KEK). Following more analysis, USAID may decide to expand its support in FY 2006 to address two priority areas of need: technical assistance to the Energy Regulatory Office and the MEM to expand investor access, and improvement of billing and collection systems through clarification of legal issues and improvement of financial management at the

power utility, KEK.

C. Program Performance

Several of Kosovo's economic institutions have made significant gains with USAID's help. As a result of continued USAID efforts to strengthen the performance of Ministry of Finance and Economy (MFE) staff, the 2005 budget process was fully managed and effectively run by Kosovars, and in accordance with IMF recommendations and international best practice. According to the United Nations' October 2005 report, A Comprehensive Review of the Situation in Kosovo: "When the armed conflict ended in 1999, there was an almost a complete lack of economic structures and legislation. Today, such structures have been established and modern legislation exists in many essential areas. The establishment of regulators and the continuing development of the banking sector are among the achievements contributing to potential economic development. A well-functioning Ministry of Finance and Economy has -- in cooperation between international and local experts -- developed a framework for the management of a modern economy." USAID's investments have also resulted in improved tax collections (a 17% increase in 2005 as compared to the previous year).

The Banking and Payments Authority of Kosovo (BPK) continues to develop the capacity to properly guide the development of a sound banking system. As a result of USAID training and mentoring efforts, Kosovars assumed the top management position in all three of BPK's departments - banking, insurance, and pensions. These professionals are capably supervising the activities of financial intermediaries in accordance with international standards. The impact of USAID's investment in the BPK is clear and immediate: a 19% increase in bank deposits in 2005 alone. This is a critical vote of confidence in the banking sector.

The Kosovo Pension and Savings Trust (KPST), developed and implemented by USAID, continues to be the most advanced pension system in the Balkans. More than 100,000 vulnerable citizens, predominately the elderly, are receiving a monthly pension from the fund. With total fund assets exceeding €140 million (\$168 million), the program is able to implement more sophisticated pension products and contribute to the development of Kosovo's capital markets.

Kosovo's privatization program is finally moving forward and is on track to privatize or liquidate most state-owned enterprises (SOEs) by the end of 2006. While not the panacea many Kosovars expect, privatization will nevertheless free up capital and assets that can be more efficiently managed by the private sector. As a result of USAID's efforts to build a stable economic environment with private-sector-friendly institutions and laws, Kosovo is increasingly perceived as a stable place to invest. Private investment in Kosovo -- a main gauge of economic growth -- exceeded USAID's target, growing from €357 million in 2004 to €376 million in 2005.

In order to help the private sector prepare for the opportunities and challenges that status determination will bring, USAID launched the Kosovo Cluster and Business Support project (KCBS) in October 2004. KCBS project focuses on the production and marketing chain of three of Kosovo's most promising industries, with the goal of helping Kosovo's companies produce goods and services that can command better prices in regional and global markets. Facilitating this shift in the private sector is essential to helping Kosovo avoid becoming the region's "least cost" provider, and reversing downward pressures on wages and employment. Already, KCBS project has made impressive progress: Among milk producers working with USAID, monthly yields increased by 66%, and more than 300 new jobs were created at the farm level. More importantly, USAID formed three industry associations which will enable the USAID program to assist more enterprises in coming years. Working with the Ministry of Agriculture, Forestry, and Rural Development, a key regulatory obstacle to exporting Kosovo-produced livestock to the European Union was addressed. This intervention has paved the way to reinvigorate the livestock sector, which now has an opportunity to service significant unmet demand in neighboring countries. USAID's emphasis on adopting and implementing standards has improved product quality, helping Kosovo's participating enterprises access new markets, command better prices for products, and improve sales by 19% over the past year.

USAID efforts to enhance marketing skills, including support of trade fairs, publications, and capacity-

building efforts, significantly increased Kosovo's visibility in regional markets and resulted in numerous trade opportunities that will lead to further increases in sales, exports, and incomes. Significant high-impact trade opportunities for several key products, including wood flooring, decorative stone, and lamb are being nurtured.

In the energy sector, USAID concluded efforts to install and implement a software package, the Customer Care Package (CCP) at the Kosovo Energy Corporation (KEK). The CCP, which helps KEK track customers, maintain accurate and timely payment records, and identify the source of losses and theft, resulted in an overall increase in billing rates since 2002 from 55% to 70%. The CCP also provides essential data for an ongoing PISG/donor revenue collections effort. Targeted USAID support to the Energy Regulatory Office has resulted in swift passage of many key pieces of secondary legislation, including Code on Ethics and Conduct, Rule on Pricing, and Tariff Methodology.

USG economic assistance is closely coordinated with other development partners. USAID-funded advisors in privatization, banking, and finance work alongside counterparts from the EU and bilateral assistance programs. USAID leads a private-sector donor working group, which meets monthly to organize work objectives behind our common development goals. Currently, USAID, the European Agency for Reconstruction, and the World Bank are collaborating in an effort to bolster electricity payments. Visible donor coordination has given much legitimacy to this unpopular, but essential, effort.

III. Social Reform and Humanitarian Assistance

A. Country Situation

A report by Ambassador Kai Eide to the United Nations (UN) Secretary-General in October 2005 noted that "The function of the new Kosovo institutions is very uneven. There is a significant lack of experience and expertise. Building new institutions and transferring competences must therefore go hand-in-hand with a focused international support to capacity-building." While a concerted effort by donors has recently been launched to identify and address the gaps throughout the Provisional Institutions of Self-Government (PISG), it will take many years to overcome the lack of formal education and job experience that characterized the 1990s for Albanian Kosovars.

The low levels of educational and technical capacity affect all sectors in Kosovo, including the social sectors. Kosovo's health challenges continue to include low capacity in the family medicine area of primary health care. Ambassador Eide's report said "The level of medical services is low and in some cases close to the standards of developing countries." Health care professionals are low paid and often supplement their salary from work at public facilities through their own private clinics, creating a difficult situation as patients are referred away from the public health care system (supported through an employment tax) and into private clinics where only those with sufficient money can pay for services.

Incidence of HIV/AIDS so far remains minimal, with 65 identified cases (of these, five were identified in 2005). The first case was identified in 1986. With a very young population, currently low levels of intravenous drug use, and a growing number of sex workers (mainly trafficked women), it will be critical and challenging to maintain the low prevalence rates.

Other health issues include tuberculosis (TB) and reproductive health. Kosovo has one of the highest infant mortality rates in Europe at 35 deaths per 1,000 live births - a rate two to three times higher than in the neighboring countries. Despite a significant rise in the percentage of attended births over the past decade, infant mortality rates have not dropped. In some areas of Kosovo, almost half of the infant deaths occur before the baby reaches 27 days old. Careful monitoring, nutrition and prenatal care will help reduce those numbers.

B. U.S. Assistance Priorities:

Human and institutional capacity development (HICD) is a priority for USAID, and is integrated into all of USAID's programs. A discrete participant training/HICD program supplements the training, counseling, and mentoring that comprise most of USAID's technical assistance activities. USAID also assists the PISG's efforts to improve systems for planning, monitoring and testing for HIV/AIDS, prenatal care, infectious disease services, and integration of the disabled into Kosovar society.

C. Country Performance

USAID's participant training program successfully completed 19 trainings and study tours in support of all five strategic objectives in FY 2005. Over 290 PISG employees participated in these programs. In the first intervention under the HICD component of the training program, an intensive performance assessment was conducted of an auditors' association. In the economic policy reform area, what is called "almost an MBA" training was given to 60 staffers from the Ministry of Finance and Economy, Banking and Payments Authority of Kosovo and Kosovo Pension Savings Trust. This complements the daily mentoring and advising by USAID experts placed within these institutions, and provides these critical fiscal institutions with the training and incentive for trained personnel to remain in public service. USAID support to the National Albanian American Council's (NAAC) Hope Leadership program enabled 40 persons to be trained in management studies, ten of whom went on to participate in internships in Washington, D.C. USAID's support to the United Nations Children's Fund (UNICEF) contributed to the development of literacy and numeracy skills of 750 young rural women throughout 10 municipalities in Kosovo.

USAID contributed toward improvement of the quality of antenatal care in targeted primary care Family Medicine Centers (FMC) in one municipality. To date, 107 personnel (29 physicians and 78 nurses) have completed a hands-on training in antenatal care developed by the partners on the basis of international standards. As a result, high-quality antenatal care in accordance with international standards was introduced by the partnership in all nine centers with fully developed staff schedules and necessary equipment in place. Overall, 108 pregnant women benefited since the introduction of new antenatal care services in February 2005.

In concert with the UN Theme Group on AIDS, USAID initiated a study in support of a portion of the STI/HIV/AIDS Surveillance Plan which provides critical behavior and biomarker data for the first time in Kosovo and builds local capacity to design and implement key behavior and HIV prevalence studies independently in the future.

The Global Fund for AIDS, Tuberculosis and Malaria (GFATM) has approved a grant to Kosovo for up to \$3.95 million over five years in support of the National Tuberculosis Program (NTP). This grant comes as a result of substantial USAID technical assistance in proposal preparation. FY 2005 was the last year of USAID support to the Ministry of Health's (MOH) National Tuberculosis Control Program (NTP). The assistance was technical support in preparation of a TB drug resistance survey (DRS), support to clinics where pilots of Directly Observed Therapy (DOT) were carried out, and assistance in GFATM grant implementation. As result of these efforts, a National Coordination Committee for DRS has been established. One of the major obstacles in the DRS implementation was overcome through USAID training that enabled the National Reference Laboratory to obtain 100% quality assurance results by the Supra National Reference Laboratory (SRL) in Rome, Italy. DRS is planned to start in the first quarter of CY 2006 with GFTAM funds. As result of USAID support, standard World Health Organization - recommended regimens are now being implemented across Kosovo, including DOT for two of the phases of treatment in the USAID-supported pilot DOT clinics. The MOH plans to replicate the DOT clinics model as a crucial part of the new NTP Plan for the next five years (2005-2009). Thirty-six patients enrolled in DOT pilots have been treated, resulting in a 97.3% treatment success rate. USAID also helped the NTP establish the GFTAM Monitoring and Evaluation Plan, Detailed Action Plan, Procurement Plan and regulations governing setup of the GFATM Project Implementation Unit.

USAID supports initiatives for inclusion of the mentally and emotionally disabled in Kosovo. This effort entails close collaboration with the Ministry of Health and the Ministry of Labor and Social Welfare in setting up policies that will improve the status of disabled people and their families. During FY 2005, 98

family visits took place in three regions of Kosovo to inform the public of the creation of peer support groups for people with developmental disabilities. These peer support groups enable the participation of people with developmental disabilities in social and community activities. A coalition of six organizations of people with disabilities was also created as a body through which different disability groups can coordinate actions and advocate for systemic changes.

IV. Other Programs of Significance

A. Country Situation

Kosovo continues to serve as a destination and, to some degree, a transit and source location for trafficked women and girls. The Provisional Institutions of Self-Government's (PISG) Kosovo Plan of Action (KPA) to Combat Trafficking in Human Beings (2005-2007) adopted in May 2005, calls for an active partnership role of all stakeholders in preventing trafficking and caring for its victims.

Corruption is a problem in Kosovo, and serves to limit both domestic and international investment. Ambassador Kai Eide's report to the UN Secretary-General in October 2005 noted that, "Organized crime and corruption have been characterized as the biggest threats to Kosovo's stability and to the sustainability of its institutions." While some believe corruption is at a low level compared to other countries in central Europe and Eurasia, a recent focus group study does show that Kosovars now perceive corruption, not as an 'international' problem (international administrators stealing donor or public funds), but a part of daily life, particularly noting health care and education as sectors where they encounter it.

B. U.S. Assistance Priorities

USAID assistance has been focused on strengthening the ability of the Provisional Institutions of Self-Government (PISG) to combat trafficking, and assisting local Kosovar victims of trafficking. A new activity to begin in FY 2006 will concentrate on community solutions to the trafficking problem.

Fighting corruption and advancing the rule of law serve to strengthen Kosovo's democracy and economy. USAID assistance supports Kosovar institutions, especially the Ministry of Finance and Economy, to ensure that laws and regulations, and the ability to conduct transactions with the government via electronic bank transfers, limit institutional corruption. USAID's work on the establishment of the new Ministry of Justice and the Kosovo Judicial Council will seek to embed those institutions with an anti-corruption ethic. By providing ethics training for judges and staff, USAID assistance enables greater independence, integrity and transparency of the judiciary. Ethics are also emphasized in USAID's technical assistance to the media and civil society in Kosovo.

C. Country Performance

In the area of trafficking, the emphasis of USAID's assistance has been to work with an established range of local institutions, organizations and actors who, as an alliance, can lead Kosovar and international community efforts to prevent trafficking. USAID assistance contributed to the finalization of the Kosovo Plan of Action (KPA) to Combat Trafficking in Human Beings (2005-2007) which was approved in May, 2004 by the United Nations Interim Administration Mission in Kosovo (UNMIK) and the PISG. To mark the initiation of the KPA, the Kosovo Government launched a comprehensive awareness raising campaign, supported by USAID, about trafficking of local victims. Since the beginning of the USAID program, 56 trafficked victims - of which 59% were minors - from Kosovo have been assisted by USAID-supported organizations. During FY 2005, 23 new victims were referred and assisted, reflecting an increasing trend compared with 14 from last year.

USAID programs address corruption on a cross-cutting basis, integrating this into all programs. USAID programs in economic policy and institutions have worked over the past five years to limit institutional corruption, by drafting laws and regulations promoting transparency in government, and strengthening the financial systems of government so that almost 100 percent of all transactions are handled electronically by bank transfer without cash exchanging hands.

In 2005, a media association supported by USAID developed a code of ethics which all print media in Kosovo have signed. Correspondingly, a council to ensure that signers abide by the code was established. In addition, USAID has trained print and media journalists to improve their investigative reporting skills, and as a result, more stories revealing corruption and misdeeds have been seen in 2005.

USAID is assisting with the transition of an inspection and audit function, currently part of the UN administration, to the new Kosovo Judicial Council to investigate complaints resulting from misconduct or conflict of interest, and in the vetting and reappointment of judges to the courts. USAID's support to two professional associations, one representing lawyers, the other, judges, will improve the legal profession through continuing legal education, applied research, ethics training and standards for professional conduct.

FY 2006 Program**SO: 167-0120 Improved Policy and Institutional Climate for Productive Investment****Improve Economic Policy and the Business Environment**

Improve Economic Policy and the Business Environment (\$4,800,000 AEEB, \$200,796 AEEB carryover). At the Ministry of Finance and Economy (MFE), the role of USAID advisors has shifted from managing and running the institution to advising, training, and coaching Kosovar counterparts who have assumed management and oversight responsibilities. Specifically, USAID support at the Ministry will focus on ensuring that Kosovar staff in the Ministry's Budget Department are formulating and carrying out the budget in a transparent and effective manner that ensures fiscal discipline and prioritizes budgetary needs. Advisors will play a role in selecting and training staff for a macroeconomic analysis department. In the Ministry's tax administration unit, USAID's advisors will continue to assist with initiatives that identify non-registered and non-complying taxpayers, improve software for processing taxes, refine the skills of tax inspectors, and encourage municipalities to step up collection of property taxes. Beyond the Ministry, USAID will continue to help Kosovo develop a market-oriented commercial law framework by providing legal advice to the Office of Prime Minister and to the Assembly of Kosovo. At the same time, emphasis will shift to training the larger legal community and commercial court judges on the new legislation, including contract, corporate, collateral, and arbitration law. Furthermore, USAID will provide advisory services to ensure that property laws are written, properly enacted, and effectively implemented. As Kosovo increasingly depends on its energy resources for economic growth, USAID will continue to provide policy advice to the Ministry of Energy and Mines. Near the end of 2006, USAID will initiate a new, smaller activity that will consolidate the progress made to date in economic policy development, legislation, and systems to ensure the continued growth of Kosovo's economy. Principal contractors: BearingPoint (prime), The Services Group (sub), Overseas Strategic Group (sub).

Improve Private Sector Competitiveness

Improve Private Sector Competitiveness (\$3,163,000 AEEB). At the Kosovo Trust Agency (KTA), USAID privatization experts will work with KTA counterparts to complete the privatization of socially-owned enterprises (SOEs). Efforts will include identifying ways to accelerate liquidation, and helping to establish policies and procedures for moving the publicly-owned enterprises to the next phase of development, including public/private partnerships. Principal contractors: BearingPoint (prime), The Services Group (sub), Overseas Strategic Group (sub).

Strengthen The Financial Services Sector & Increase Access to Capital

Strengthen The Financial Services Sector & Increase Access to Capital (\$890,000 AEEB). USAID will continue to provide advisors to the banking and payments authority of Kosovo to further strengthen their regulatory capabilities in order to maintain sound commercial banks. In addition, USAID will provide an operations expert to the Kosovo Pension Savings Trust to improve its ability to administer the mandatory defined-contribution pension program. Principal contractors: BearingPoint (prime), The Services Group (sub), Overseas Strategic Group (sub).

FY 2007 Program**SO: 167-0120 Improved Policy and Institutional Climate for Productive Investment****Improve Economic Policy and the Business Environment**

Improve Economic Policy and the Business Environment (\$5,200,000 AEEB). As the Ministry of Finance and Economy becomes self-sufficient, USAID assistance is expected to be gradually reduced. USAID assistance will continue to promote best practices in implementing budget and treasury systems while developing the Ministry's macroeconomic analysis department. In commercial law development, assistance will emphasize implementation of laws through focused training for the commercial court, and

establishment of a certification program for commercial law judges and attorneys. Implementers: to be determined (TBD).

Improve Private Sector Competitiveness

Improve Private Sector Competitiveness (\$3,269,000 AEEB). USAID advisory support to the Kosovo Trust Agency in its privatization of socially-owned enterprises will be reduced since this effort should be almost complete. USAID may provide additional assistance to the Kosovo Trust Agency in its efforts to attract private investment to the many publicly-owned enterprises that still exist. Implementers: TBD.

Strengthen The Financial Services Sector & Increase Access to Capital

Strengthen The Financial Services Sector & Increase Access to Capital (\$950,000 AEEB). As this sector builds self-sufficiency, USAID will provide short-term consultation in specific areas of need to the Banking and Payments Authority of Kosovo and to Kosovo Pension Savings Trust in order to ensure effective supervision of commercial banks and sound administration of pension savings. Implementers: TBD.

FY 2006 Program

SO: 167-0130 Accelerated Growth of the Private Sector

Improve Private Sector Competitiveness

Improve Private Sector Competitiveness (\$6,289,000 AEEB, \$1,927,827 AEEB carryover). The USAID program will continue to increase the capacity of local enterprises to produce and manufacture products that can command a better price in domestic and global markets. This will be accomplished through improved adoption and enforcement of quality standards, strengthening marketing and management capacities, improving production and processing efficiencies, and creating market linkages. USAID advisors work to improve communication and streamline practices throughout the value chain to ensure that the benefits of higher-quality production are shared through the entire sector. In FY 2006, emphasis will be placed on key products which have shown the greatest potential to improve livelihoods. These include berry processing, wood flooring, and dairy products. USAID will focus on strengthening business support organizations through technical assistance and training to business and industry associations, as well as accounting and management training providers. More effective public-private dialogue will help align government policies, public initiatives, and private-sector investment behind a common set of goals. USAID anticipates transferring \$1.6 million to DCA (from FY 2005 carryover funds) to support provision of loans to agribusiness enterprises and increase availability of long-term loans to small and medium enterprises (SMEs) through a local bank. Such credit products will enable growing small and medium enterprises to access new equipment and technology needed to upgrade production. USAID expects its private sector growth efforts will create more than 600 new jobs in key sectors, increase exports to over 8% of imports, and continue to encourage businesses to enter the formal economy. Principal contractors: Chemonics (prime), Crimson Capital (sub), International Fertilizer Development Center (sub), The Services Group (sub).

FY 2007 Program

SO: 167-0130 Accelerated Growth of the Private Sector

Improve Private Sector Competitiveness

Improve Private Sector Competitiveness (\$6,691,000 AEEB). USAID's program will intensify activities within the livestock, construction materials, and fruits and vegetables sectors. As key opportunities for export continue to emerge, USAID will place greater emphasis on improving the capacity of supporting institutions, such as relevant vocational training institutes, standards implementation agencies, and business service providers. Targeted technical assistance to relevant Kosovo Provisional Institutions of Self-Government (PISG) will ensure that appropriate regulations and procedures are in place to support

key export opportunities. USAID will also seek to establish public/private partnerships to encourage greater adoption and extension of improved technology and practices in the agricultural sector. Through continued coordination with other donors and the PISG, USAID may launch support for an additional sector, such as information technology or mining. Principal contractors: Chemonics (prime), Crimson Capital (sub), International Fertilizer Development Center (sub), The Services Group (sub).

FY 2006 Program

SO: 167-0210 Civil Society and Government are More Effective Partners in Achieving Good Governance

Establish & Ensure Media Freedom & Freedom Of Information

Establish & Ensure Media Freedom & Freedom Of Information (\$1,830,000 AEEB, \$163,800 AEEB carryover). Following on earlier efforts to establish an independent media in Kosovo, USAID will now focus on helping targeted broadcast media achieve financial sustainability as commercial ventures. This will assure that a diversity of voices is available to audiences across Kosovo. Competition between the media will help “raise the bar” for performance of private and publicly-funded media, encouraging improved content and programming of news, public and cultural affairs, and entertainment. As part of this overall effort, USAID will assist the Kosovo Terrestrial Transmission Network (KTTN) to attract capital investment needed to upgrade and expand its services for domestic broadcasters, and to reach virtually every household in Kosovo. USAID will also provide training to journalists of both print and electronic media, and assist media associations to better represent the interests of their members and become better advocates of freedom of expression. Finally, as a trusted broker and advisor, USAID will work with the media industry to set up mechanisms for measuring audience share and circulation to improve advertising sales. Principal contractor: International Research & Exchanges Board (IREX).

Mitigate Conflict and Support Peace

Mitigate Conflict and Support Peace (\$1,000,000 AEEB, \$300,000 AEEB carryover). In the second phase of the Municipal Integration and Support Initiative (MISI), USAID will continue to engage municipalities in creating environments conducive to the return and reintegration of ethnic minorities. MISI brings together ethnic communities, village leaders, and municipal authorities to develop plans to accommodate the reintegration of minority groups, and upon their completion, funding is provided for small infrastructure projects for which the communities have expressed a need. The recently-created Ministries for Communities and Returns, and Local Government Administration, will be brought into the program through meetings, reports and site visits. Principal grantee: Mercy Corps.

Strengthen Civil Society

Strengthen Civil Society (\$1,600,000 AEEB). USAID will continue to provide training, consultancies and sub-grants to Kosovar NGOs to improve their advocacy skills, and increase their organizational efficiency. Fundraising approaches will also be emphasized, to assure better prospects for sustainability. As a result of these efforts, a core group of civil society organizations will be able to more effectively advocate for the issues of the constituencies they represent. Principal grantee: IREX.

Support Democratic Local Government & Decentralization

Support Democratic Local Government & Decentralization (\$2,550,000 AEEB). As central budgetary support to municipalities declines, the need for “own source” funding for services increases. USAID provides selected municipalities with resident advisors who work with authorities to increase property tax payment rates and improve the financial management capabilities of the municipal offices. To reinforce the advisors' efforts, an incentive fund will support municipal initiatives aimed at better revenue generation, fiscal management, citizen involvement, and improved service provision. Lessons learned

from these combined efforts will be disseminated to the rest of Kosovo's municipalities. At the central level, USAID will continue to work with the Ministry of Local Government Administration (MLGA) in drafting its platform legislation, the local government law, as well as laws on local and central elections, and municipal finance. Principal contractor: RTI International.

FY 2007 Program

SO: 167-0210 Civil Society and Government are More Effective Partners in Achieving Good Governance

Establish & Ensure Media Freedom & Freedom Of Information

Establish & Ensure Media Freedom & Freedom Of Information (\$1,600,000 AEEB). As other international sources of support and assistance are withdrawn, USAID will assist the newly-established media regulatory authority, the Independent Media Commission, to function effectively as an independent and professional body. USAID's support to the independent media sector will focus on improving the legal framework for media, increasing professionalism among journalists, and increasing the business viability of independent media. Principal contractor: International Research & IREX.

Mitigate Conflict and Support Peace

Mitigate Conflict and Support Peace (\$771,000 AEEB). MISI will continue monitoring the implementation of municipal action plans and assisting localities to measure progress on steps they committed to undertake to demonstrate their commitment to returns and reintegration of ethnic minorities. Twenty community investment projects and 15 projects targeting youth, in seven selected municipalities, will be completed. Principal grantee: Mercy Corps.

Strengthen Civil Society

Strengthen Civil Society (\$900,000 AEEB). USAID will continue assisting NGO networks and coalitions to make them more effective advocates and agents of change. In addition, USAID will assist NGO regional networking efforts and engagement in policy dialogue with decision-makers at both local and central levels of government. Principal grantee: IREX.

Support Democratic Local Government & Decentralization

Support Democratic Local Government & Decentralization (\$4,900,000 AEEB). USAID plans to undertake a follow-on program to consolidate the financial and other improvements made under the first local governance initiative. In coordination with the MLGA, USAID will work to strengthen municipalities as part of a more advanced local government reform process and planned decentralization. Implementer: to be determined.

FY 2006 Program

SO: 167-0220 More Open and Responsive Government Acting According to the Rule of Law

Promote and Support Credible Elections Processes

Promote and Support Credible Elections Processes (\$900,000 AEEB, \$600,000 AEEB carryover). USAID will initiate an activity to support the successful transition of election administration responsibilities from international to Kosovar institutions and improve the underlying legal framework for the electoral system. Principal grantee: IFES.

Strengthen Democratic Political Parties

Strengthen Democratic Political Parties (\$1,100,000 AEEB). USAID's assistance to Kosovo's political parties will continue to build the parties' capacities to better represent their constituencies. At the same time, it will focus more sharply on the role the parties play in Kosovo's Assembly. This will include more effective law making, better oversight of policy implementation by the executive branch, and improved constituency relations and representation by members of the assembly. Principal grantee: National Democratic Institute (NDI).

Strengthen the Justice Sector

Strengthen the Justice Sector (\$5,375,000 AEEB, \$516,963 AEEB carryover). At the request of the UN and Kosovo's Provisional Institutions of Self-Government (PISG), USAID will play a key role in establishing the new organizations that will administer Kosovo's evolving justice system: a Ministry of Justice and the Kosovo Judicial Council. Experienced advisors will be placed in these institutions to assist with start-up operations in critical areas such as staffing, management, budgeting, and other organizational matters. USAID assistance will extend to the court system itself, through the provision of assistance in court recording, better case-flow management, record-keeping, and archives across all courts. To alleviate the serious backlog of cases that currently exists, USAID will provide technical assistance to shift notary services and legal disputes over property and utility payments away from the mainstream courts, establish mediation services, and consolidate the courts themselves. In cooperation with the European Union, USAID will help develop a computerized information system for managing work flow in the courts. USAID will assist with the transition of an inspection and audit function, currently part of the UN administration, to the new Kosovo Judicial Council to investigate complaints resulting from misconduct or conflict of interest, and in the vetting and reappointment of judges to the courts. USAID's support to two professional associations, one representing lawyers, the other, judges, will improve the legal profession through continuing legal education, applied research, ethics training and standards for professional conduct. Assistance will be supplied to improve the criminal law and legal ethics curricula taught at the University of Pristina's Law School. Principal contractor: National Center for State Courts (NCSC); Principal Grantee: American Bar Association/Central European and Eurasian Law Initiative (ABA/CEELI).

FY 2007 Program

SO: 167-0220 More Open and Responsive Government Acting According to the Rule of Law

Promote and Support Credible Elections Processes

Promote and Support Credible Elections Processes (\$950,000 AEEB). USAID's support will continue through expected elections in 2007, improving the electoral legal framework and policies, rule-making, and procedures to administer Kosovo's new electoral system. Principal grantee: IFES.

Strengthen Democratic Political Parties

Strengthen Democratic Political Parties (\$850,000 AEEB). USAID will continue to build capacity of the central assembly, its members, committees, staff, and political party groups by providing assistance with organizational assessments, planning, policy expertise, internal management and rule making. Principal grantee: National Democratic Institute (NDI).

Strengthen the Justice Sector

Strengthen the Justice Sector (\$6,047,000 AEEB). USAID assistance will increasingly focus on assisting the Ministry of Justice and the Kosovo Judicial Council, and helping implement agreed-upon changes to the court system itself while ensuring local ownership to make the changes take root. USAID will continue assistance to the inspection and audit function of the new Kosovo Judicial Council. USAID's

support to two legal professional associations will begin to phase out as other donors are following on USAID assistance and the associations have grown substantially. Assistance to improve criminal law and legal ethics will continue, supplemented by a clinical training program at the University's law school. Principal contractor: National Center for State Courts (NCSC); Principal grantee: American Bar Association/Central European and Eurasian Law Initiative (ABA/CEELI).

FY 2006 Program

SO: 167-0410 Special Initiatives

Expand & Improve Access To Economic & Social Infrastructure

Expand & Improve Access To Economic & Social Infrastructure (\$2,500,000 AEEB). USAID assistance will address two critical factors that continue to hamper Kosovo's ability to provide power to all of its citizens: weak revenue collection and financial management of the electric utility, Kosovo Electro Energy Corporation (KEK), and the need for legal and institutional frameworks regarding public sector participation in the energy sector. By providing technical assistance and training to the Energy Regulatory Office (ERO) and the Ministry of Energy and Mines (MEM), USAID will help develop clear secondary legislation regarding investment, implement transparent authorization, tendering and licensing procedures for private sector engagement, and facilitate public participation in planning and decision making. To help improve the domestic market, USAID will work to increase coordination among the MEM, ERO, KEK, donors, and enforcement agencies to identify and implement priority actions aimed at improving revenue collection in the electricity sector. Contractors: Pierce Atwood, and to be determined (TBD).

Reduce Trafficking In Persons

Reduce Trafficking In Persons (\$611,196 AEEB carryover). Funding will be used to launch a new three-year anti-trafficking initiative with a strong emphasis on partnerships with community organizations. The main purpose of the new Partnership Against Trafficking in Human beings (PATH) project is to build local ownership and capacity to address trafficking issues in Kosovo in the long-term. This effort will encompass work with a range of recognized Kosovar governmental and non-governmental entities to support the efficient implementation of the Kosovo Plan of Action (KPA) to combat trafficking, to instigate related advocacy efforts, increase understanding of the causes that lead to trafficking, and strengthen the existing victim assistance and referral systems in Kosovo. Implementer: TBD

FY 2007 Program

SO: 167-0410 Special Initiatives

Expand & Improve Access To Economic & Social Infrastructure

Expand & Improve Access To Economic & Social Infrastructure (\$1,715,000 AEEB). USAID will continue to support the development of the legal and regulatory environment through assistance to the Energy Regulatory Office and the Ministry of Energy and Mines. Technical assistance to and training of the public utility, KEK, will build upon efforts to increase revenue collection by strengthening financial management procedures and investment planning in the company. Contractor: TBD

Reduce Trafficking In Persons

Reduce Trafficking In Persons (\$200,000 AEEB). USAID's anti-trafficking activities are scheduled to continue throughout 2007, by which time a quick response referral system will be in full operation for Kosovar victims of trafficking to seek assistance. This will be accomplished through setting up an alliance of local NGO support groups. As a part of this effort, public awareness campaigns will be targeted to the most vulnerable groups, and general campaigns will be conducted to dispel the myth that "it can't happen in this society." It is expected that, as a result of the broader activity that includes the work with the

government, Kosovo will have in place a functioning support system for victims and will make progress in stemming trafficking through early interventions. Principal implementer: TBD.

FY 2006 Program

SO: 167-0420 Cross-Cutting Programs

Increase Capacity of Higher Education to Contribute to Development

Increase Capacity of Higher Education to Contribute to Development (\$2,560,000 AEEB). USAID will continue to provide a responsive and flexible mechanism for targeted short-term training and study opportunities that complement all strategic objectives. Training programs will be targeted at fiscal reform, small and medium enterprise development, democratic reform, local governance, civil society, media, energy, and women's leadership development. Monitoring of returned participants is included to ensure that they utilize training in their respective fields. A new component, Human and Institutional Capacity Development (HICD), will be introduced to complement ongoing development assistance activities by helping USAID partner organizations integrate Performance Improvement (PI) technologies into their organizational processes. Initial emphasis for the use of HICD will be in the rule of law sector, as USAID assists with the formation of a new Ministry of Justice and a Judicial Council responsible for administering the court system in Kosovo. Principal contractor: World Learning; Principal grantee: National Albanian American Council.

Mitigate Conflict and Support Peace

Mitigate Conflict and Support Peace (\$629,000 AEEB; \$1,400,000 AEEB carryover, \$180,223 AEEB prior year recoveries). Planned assistance will address issues of critical concern throughout Kosovo, such as isolation and the psychology of fear which contributes to conflict. Assistance will focus on activities to bring youth of all ethnic groups together, create economic linkages across the ethnic divide, and support polling and analysis to increase the awareness of Kosovo's leaders about the concerns of their constituents. USAID will also support non-governmental organizations' (NGO) efforts that promote reconciliation and cooperation among ethnic groups, encourage multi-stakeholder dialogue, and media outreach. Changes in attitudes, knowledge and perceptions among targeted minority and majority communities will be monitored through periodic surveys. Principal grantees: Catholic Relief Services, United Nations Development Program; Principal contractor: Academy for Educational Development.

Program Support

Program Support (\$1,400,000 AEEB; \$388,839 AEEB carryover). In addition to supporting the operations and personnel costs of the program personnel who manage USAID's ongoing activities, funds will support evaluations, assessments and studies that will assess and document program impact, identify implementation issues, analyze and recommend options that will support Kosovo in its transition and future development.

FY 2007 Program

SO: 167-0420 Cross-Cutting Programs

Increase Capacity of Higher Education to Contribute to Development

Increase Capacity of Higher Education to Contribute to Development (\$2,383,000 AEEB). USAID will continue to support training, study tours, and technical consultations that will promote greater sustainability and effectiveness of all USAID assistance. The Human and Institutional Capacity Development (HICD) component will continue to be an integral part of this activity. Women's leadership development will continue, with training in Kosovo, the United States, and/or the region. Principal contractor: World Learning; Principal grantee: National Albanian American Council.

Mitigate Conflict and Support Peace

Mitigate Conflict and Support Peace (\$1,100,000 AEEB). Conflict prevention and mitigation activities involving community groups, youth, media, polling and analysis of opinion trends are expected to continue through FY 2007. Grantees: Catholic Relief Services; United Nations Development Program.

Program Support

Program Support (\$1,400,000 AEEB). A wide range of program and personnel support activities will continue. It is anticipated that funding will support various assessments and studies in developing the next phase of USAID's assistance to Kosovo, expected to be formulated in FY 2007.

Results Framework

167-0120 Improved Policy and Institutional Climate for Productive Investment

Program Title: Economic Policy and Institutions

- 1.2.1: Fully developed and institutionalized budget and tax systems
- 1.2.2: Improved financial regulatory systems
- 1.2.3: Improved commercial legal environment
- 1.2.4: Increased integration into regional trade
- 1.2.5: Socially Owned Enterprises (SOE) privatized

167-0130 Accelerated Growth of the Private Sector

Program Title: Private Sector Growth

- 1.3.1: Increased competitiveness of targeted business clusters
- 1.3.2: Improved business operating environment

167-0210 Civil Society and Government are More Effective Partners in Achieving Good Governance

Program Title: Accountable and Transparent Governance

- 2.1.1: Better informed citizens
- 2.1.2: Increased civil society influence on public policy decisions
- 2.1.3: Local Government is more accountable and transparent
- 2.1.4: Local Governments fulfill targeted functions more effectively

167-0220 More Open and Responsive Government Acting According to the Rule of Law

Program Title: Democratic Institutions

- 2.2.1: More representative and responsive elected bodies
- 2.2.2: Legal framework ensures checks and balances
- 2.2.3: Fair and transparent administration of justice

167-0410 Special Initiatives

Program Title: Social stabilization through special initiatives

- 4.1.1: Protection of Kosovar victims of trafficking increased
- 4.1.2: Improved capacity to address key health issues
- 4.1.3: Commercial viability of Kosovo Electric Corporation improved

167-0420 Cross-Cutting Programs

Program Title: Cross-Cutting Programs