

CONT Delegation visit

14-17 June 2011

Kosovo



Former Yugoslav Republic of Macedonia



KOSOVO

This document aims to provide background information to **the Committee on Budgetary Control Delegation to Kosovo and FYROM**, due to take place on **14-17 June 2011**. The factual information below deals with various subjects related to Kosovo as regards basic data, political structure overview, an overview of the economy and relations with the European Union.

2. BACKGROUND INFORMATION ON KOSOVO

2.1 Basic data on Kosovo¹



General topographic map²

Total land area:	10,887 sq km
Population:	2 126 708 (estimate 2010)
People:	Albanians (88%), Serbs (6%), Bosniaks (3%), Roma (2%), Turks (1%)
Capital:	Pristina (600 000)
Main languages:	Albanian, Serbian, Bosniak and Turkish
Religions:	Islam, Serbian Orthodoxy, Roman Catholicism
Currency:	Euro
Natural resources:	coal, lead, zinc, chromium, silver, nickel, magnesium, kaolin, chrome

¹ <http://rks-gov.net/en-US/Republika/Kosova/Pages/default.aspx>; <http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/europe/kosovo>;

² http://pl.wikipedia.org/w/index.php?title=Plik:Kosovo_kart.jpg&filetimestamp=20060910213128

2.2 Political structure - overview³

Official name	Republic of Kosovo
Form of state:	Independent democratic republic since 17 February 2008 . Kosovo is supervised by the international community following the conclusion of the political process to determine Kosovo's final status envisaged in UN Security Council Resolution 1244.
Legal system:	Constitution adopted by the Kosovo Assembly on 9 April 2008 . It came into force on June 15, 2008.
National legislature:	The Assembly of Kosovo has 120 members elected for a four-year term. The Assembly includes 20 reserved seats: ten for Kosovar Serbs and ten for non-Serb minorities
Electoral system:	universal suffrage over the age of 18 years
National elections:	Last parliamentary elections were held on December 12, 2010
Head of state:	Ms Atifete Jahjaga is elected Kosovo's first female president by parliament on April 7, 2011 for a five-year term
National government:	was formed on February 22, 2011
Main political parties:	Democratic Party of Kosovo (PDK-34 seats) led by Kosovo Prime Minister Hashim Thaci; Democratic League of Kosovo (LDK- 27 seats) led by Pristina Mayor Isa Mustafa; Movement for Self-Determination (VV- 14 seats) led by Albin Kkurti; Alliance for the Future of Kosovo (AAK-12 seats) led by Ramush Haradinaj; Alliance for a New Kosovo (AKR- 9 seats), led by Behgjet Pacolli; Independent Liberal Party (SLS- 8 seats) led by Slobadan Petrovic; Democratic League of Dardania (LDD), led by Nexhat Daci;
Prime Minister:	Mr Hashim Thaci (PDK), began his second term of office as Prime Minister on February 22, 2011
Speaker of the Assembly:	Mr Jakup Krasniqi (PDK)

³ <http://www.kryeministri-ks.net/?page=2,1>; <http://www.assembly-kosova.org/?cid=2,1>;
http://news.bbc.co.uk/2/hi/europe/country_profiles/3524092.stm; <http://www.president-ksgov.net/?page=2,1>; <http://rks-gov.net/en-US/Pages/Fillimi.aspx>; <http://rks-gov.net/en-US/Pages/InstitucioneteKosoves.aspx>;

Key ministers:	Deputy Prime Minister and Minister of Justice - Hajredin Kuçi, Deputy Prime Minister and Minister of Local Government Administration - Slobodan Petrovic Deputy Prime Minister and Minister of Trade and Industry-Mimoza Kusari-Lila Deputy Prime Minister - Edita Tahiri Deputy Prime Minister--Bujar Bukoshi Minister of European Integration--Vlora Citaku Minister of Public Administration - Mahir Yagcilar Minister of Education, Science and Technology - Ramë Buja Minister of Economic Development - Besim Beqaj Minister of Finance - Bedri Hamza Minister for the Kosovo Security Force - Agim Çeku Minister of Environment and Spatial Planning - Dardan Gashi Minister of Internal Affairs - Bajram Rexhepi Minister of Foreign Affairs - Enver Hoxhaj Minister of Labour and Social Welfare- Nenad Rasić Minister of Health - Prof. Dr. Ferid Agani Minister of Infrastructure - Fehmi Mujota Minister of Agriculture - Blerand Stavileci Minister of Culture, Youth and Sport – Memli Krasnigi Minister of Trade and Industry - Mimoza Kusari-Lila Minister of Community and Return - Radojica Tomiq
Subdivisions:	38 municipalities

Key events:⁴

1999 March- June	NATO bombing campaign against Yugoslav military and security targets in Kosovo and Yugoslavia proper
1999 May	The EU proposes the new Stabilisation and Association Process
1999 June	United Nations Security Council Resolution 1244 establishes the United Nations Interim Administration Mission in Kosovo (UNMIK)
1999 June	NATO-led KFOR enters Kosovo
2001 November	Kosovo holds general elections
2002 February	The Provisional Institutions for Self-government are established
2008 February	Kosovo declares its independence. Serbia says declaration illegal.
2008 April	Parliament adopts new constitution.
2008 December	European Union mission (Eulex) takes over police, justice and customs services from UN.
2010 December	the Democratic Party of Kosovo (PDK) wins parliamentary election.
2011 February	Mr. Hashim Thaci is re-appointed as a Prime Minister.
2011 April	Atifete Jahjaga was elected Kosovo's first female president

⁴ http://ec.europa.eu/enlargement/potential-candidates/kosovo/relation/index_en.htm;
http://news.bbc.co.uk/2/hi/europe/country_profiles/3550401.stm;

2.3. Economy overview⁵

Kosovo's economy has shown significant progress since the conflict of the 1990s; it is, however, still dependent on the international community and its financial and technical assistance.

	2005	2006	2007	2008	2009	2010
Real GDP growth (ann. % ch)	3.8	3.9	4.0	5.4	4.0	4.6
Unemployment (%)	41.4	44.9	43.6	47.5	45.4	45
Inflation (ann. % ch)	-	3.6	9.1	16.7	-4.4	4.8
Current account balance (% of GDP)	-7.4	-6.7	-8.8	-16.0	-18.6	-18.5
Government balance (% of GDP)	-3.1	2.5	7.1	-0.2	-0.8	_
Direct investment (% of GDP)	2.6	9.1	12.6	8.9	7.8	_
Export of goods and services (% of GDP)	7.0	8.9	10.4	14.1	15.6	_
Import of goods and services (% of GDP)	42.5	45.5	50.3	55.1	55.4	_

Major industries:	agriculture, mining and micro-enterprises
GDP composition by sector (2009):	agriculture 13%, industry 22%, services 65%
Agriculture products:	fruits and vegetables (potatoes, berries), wheat, corn, wine, beef
Industry:	mineral mining, energy, telecommunications, forestry, agriculture, metal processing, construction materials, base metals, leather, machinery, appliances
Exports products:	wood products, charcoal, and dried fruits; mineral products, base metals, leather products, machinery
Export partners:	Italy, Albania, the former Yugoslav Republic of Macedonia, and Greece
Imports products:	live animals and animal products, fruits and vegetables and related products, minerals, base materials, machinery, appliances and electrical equipment, textiles and related products, wood and wood products, stone, ceramic and glass products, and chemical products
Import partners:	the EU- 47%, Albania- 27%, the former Yugoslav Republic of Macedonia- 10%, Serbia, Turkey

Kosovo's citizens are the poorest in Europe. 30% of them live below the poverty line, and 13% live in extreme poverty. Most of Kosovo's population lives in rural towns outside of the capital, Pristina.

⁵ <http://www.state.gov/r/pa/ei/bgn/100931.htm>, <http://www.state.gov/r/pa/ei/bgn/100931.htm>, <http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/europe/kosovo?profile=all>; Kosovo2010 Progress Report, Commission Staff Working Document, Brussels, 9 November 2010, Com(2010)660, Progress towards meeting the economic criteria for accession: the assessment of the 2010 Progress Report and the Opinion, DG for Economic and Financial Affairs, December 2010;

Agriculture

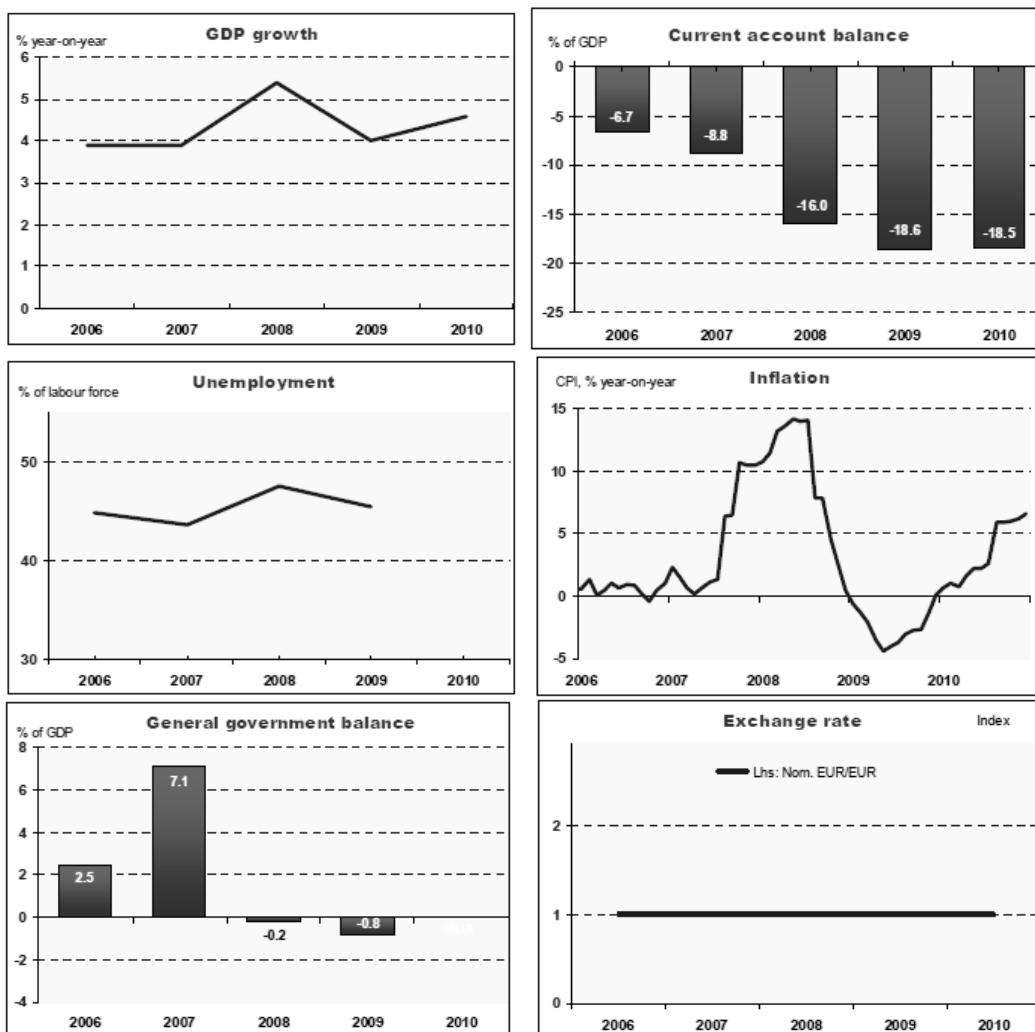
Agricultural land comprises 53% of Kosovo's total land area and forests 41%. According to data from the Food and Agriculture Organization, 741,316 acres of land are under cultivation and 444,789 acres are upland pasture. The majority of agricultural land is privately owned (80%), providing subsistence farming for individual households. Although Kosovo's agricultural sector is generally characterized by small farms, low productivity, and the absence of advisory services, agriculture contributes around 19% of Kosovo's overall GDP. Agriculture is the largest employment sector in Kosovo, providing jobs for approximately 16.5% of the population, primarily on an informal basis.

The agricultural sector also accounts for 16% of total export value and remains an important creator of national wealth, although Kosovo is still an importer of many agricultural products, which accounted for 24.4% of overall imports in 2007. Forestry in Kosovo is minimal; wood-processing and wood products (flooring and furniture) are industry contributors, although not yet in significant numbers.

Trade and Industry

Kosovo has one of the lowest export/import rates in the region. In 2009, Kosovo imported EUR 1,993 million in goods and services and exported only EUR 165.3 million, resulting in a trade deficit of approximately 42% of Kosovo's GDP. This deficit is largely financed through foreign assistance.

Main economic trends:⁶



⁶ EU Candidate and Pre-Accession Countries Economic Quarterly- DG Economic and Financial Affairs, ECFIN Unit D-1, 12 January 2011

2.4 The European Union - Kosovo relations⁷

Since 10 June 1999, Kosovo has been under United Nations administration when the United Nations Interim Administration Mission in Kosovo (UNMIK) was set up under UN Security Council Resolution 1244.

The European Union has been an integral part of the international effort to build a new future for Kosovo since then. Both its Member States and its institutions, plays a prominent role in the reconstruction and development of Kosovo. Indeed the European Union is by far the single largest donor providing assistance to Kosovo and the South Eastern European region as a whole and is at the forefront of the reconstruction effort.

The EU helps ensure the stability of Kosovo through:⁸

- EULEX rule of law mission in Kosovo (**Mr Xavier Bout de Marnhiac**)
- European Commission Liaison Office (**Mr Khaldoun Sinno**)
- Special representative in Kosovo (**Mr Fernando Gentilini**)
- Kosovo international civilian office (**Mr Peter Feith**)

The European Union Rule of Law Mission in Kosovo (EULEX), headed by Xavier Bout de Marnhiac, mentors, monitors and advises the Kosovan government. It is the largest civilian mission ever launched under the European Security and Defence Policy. The central aim is to assist and support the Kosovo authorities in the rule of law area, specifically in the police, judiciary and customs. EULEX is a technical mission which will mentor, monitor and advise whilst retaining a number of limited executive powers. The legal basis of EULEX mission is the Council Joint Action 2008/124/CFSP of 4 February 2008.

The European Commission Liaison Office (ECLO) in Kosovo opened in September 2004. It plays the pivotal role in realizing the European agenda in Kosovo with the aim to promote Kosovo's approximation to the European Union. As the EC's representation in Pristina, the liaison office ensures that a permanent political and technical dialogue is maintained in relation to all Commission competences.

The **European Union Special Representative (EUSR)** offers advice and support to the Government of Kosovo in the political process; provides overall coordination for the EU presences in Kosovo; and contributes to the development and consolidation of respect for human rights and fundamental freedoms in Kosovo. The office of the EUSR was set up by a Council Joint Action on February 4, 2008. Recently, on 6 May 2011 the Council decided to appoint Fernando Gentilini as European Union Special Representative in Kosovo until 31 July 2011.

The International Civilian Office (ICO) headed by the International Civilian Representative, Pieter Feith, assists the Kosovan government. The ICR was appointed by the International Steering Group (ISG) on 28 February 2008. The International Steering Group comprises States that support the full implementation of the Comprehensive Proposal for the Kosovo Status Settlement. The ISG charged the ICR, and through him the ICO, with the specific task of ensuring implementation by the Government of Kosovo of the Comprehensive Proposal for the Kosovo Status Settlement.

⁷ <http://www.eusrinkosovo.eu/?id=2>, <http://www.eulex-kosovo.eu/en/front/>, <http://www.ico-kos.org/ico/?id=9>, <http://www.delprn.ec.europa.eu/?cid=2,41>, www.consilium.europa.eu/showPage.aspx?id=1458&lang=en

⁸ <http://www.delprn.ec.europa.eu/?cid=2,28>, <http://www.eusrinkosovo.eu/?id=2>, <http://www.ico-kos.org/ico/?id=9>, <http://www.delprn.ec.europa.eu/?cid=2,43>

2.5 The EU financial assistance to Kosovo

Since 1 January 2007, EU pre-accession funding has been channelled through a single, unified instrument, the Instrument for Pre-accession Assistance (IPA) designed to deliver focused support to both candidate and potential candidate countries.

IPA aims to provide targeted assistance to candidates or potential candidates for membership of the EU. In order to achieve each country's objectives in the most efficient way, IPA consists of five different components:⁹

- I. Transition Assistance and Institution Building, aimed at financing institution building measures and associated investment.
- II. Cross-Border Co-operation (CBC), to support cross-border cooperation between candidate/potential candidate and with EU countries. It may also fund relevant participation in trans-national co-operation programmes (Structural Funds) and Sea Basin programmes (European Neighborhood and Partnership Instrument - ENPI).
- III. Regional Development, which finances investments and associated technical assistance in areas such as transport, environment and economic cohesion.
- IV. Human Resources Development, to strengthen human capital and help combat exclusion.
- V. Rural Development, which finances rural development-type measures and contributes to the sustainable development of rural areas. It also provides assistance to the restructuring of agriculture and its adaptation to Community standards in the areas of environmental protection, public health, animal and plant health, animal welfare as well as occupational safety.

Components I and II are open to all beneficiaries. Components III, IV and V are open to candidate countries only, and are designed to mirror Structural, Cohesion and Rural Development Funds in preparation for the management of such funds upon accession. This requires the country to have the administrative capacity and structures to take responsibility for the management of assistance. For potential candidates, like Kosovo, regional, human resources and rural development-type measures are implemented through Component I.

IPA component I entails national and multi-beneficiary projects. It comes under the responsibility of the Directorate-General for Enlargement, which is also jointly responsible for component II - cross-border cooperation with DG REGIO. DG Enlargement is also responsible for the overall co-ordination of pre-accession assistance.

The IPA programme in Kosovo is managed by the European Commission Liaison Office.

⁹ 2007 Annual IPA Report, Report From The Commission To The Council, The European Parliament And The European Economic And Social Committee, Brussels, 15.12.2008, Com(2008) 850 Final;

IPA 2007:

The first IPA Annual Programme for **Kosovo** under component I was adopted by the Commission on 28 November 2007. It is managed by the European Commission Liaison Office.

The following table provides the 2007 IPA allocations to Kosovo in million EUR by component:¹⁰

Kosovo (under UNSCR 1244/99)	2007
I. Transition Assistance and Institution Building	68.3
Of which:	
Annual Programme	62.0
Customs Programme	3.5
Tempus and Erasmus Mundus Programme	2.8
Total	68.3

The total annual allocation for Kosovo in 2007 was EUR 68.3 million under component I.

The IPA 2007 Annual Programme contained the following projects:¹¹

Priority Axis	Projects	Budget (EUR million)
Priority axis 1 Political Requirements (27 %)		
	Building the capacity of Kosovo's institutions to develop EU compatible legislation and policy	6
	Strengthening the Rule of Law	7
	Return, Reintegration and Cultural heritage in Kosovo	3.7
Priority axis 2 Socio-economic Requirements (53 %)		
	Developing an enabling economic environment for all of Kosovo's communities	11
	Reconstruction of roads and bridges	8
	Support to local government and decentralisation	12.4
	Education in Kosovo: Inter-culturalism and the Bologna Process	1.4
Priority axis 3 European Standards (10 %)		
	Meeting EU Standards in Energy Sector	3
	Meeting EU Standards in Food Safety and Veterinary Services	2
	Meeting EU Standards in Public Procurement	1.5
Reserve and GTAF (10%)		
		6
Total		62.0

In 2007, the conditions for programmes under Component II in Kosovo were not met. The funds for Component II have been included in Component I.

In addition, EUR 6.3 million are earmarked for Kosovo in the 2007 Multi-Beneficiary Programme: EUR 2.8 million in support of higher education through the Tempus and Erasmus Mundus programmes, and EUR 3.5 for the Customs and Taxation Programme.

¹⁰ 2007 Annual IPA Report, Report From The Commission To The Council, The European Parliament And The European Economic And Social Committee, Brussels, 15.12.2008, Com(2008) 850 Final;

¹¹ 2007 Annual IPA Report, Commission Staff Working Document, Technical Annexes To The Report From The Commission To The Council, The European Parliament And The European Economic And Social Committee, Brussels, 15.12.2008, Com(2008) 850 Final; COMMISSION DECISION on amending Decision C(2007)5684 of 28/11/2007 adopting an Annual Programme for Kosovo (under UNSCR 1244)1 under the IPA Transition Assistance and Institution Building Component for 2007

IPA 2008:

The allocation for the **2008** Kosovo Annual Programme part I was EUR 124.7 million under component I (including EUR 2.8 million originally allocated to component II). This allocation includes a contribution to two multi-beneficiary programmes (TEMPUS and Nuclear Safety) amounting to EUR 2.0 million. The Commission adopted this programme on 6 October 2008.

Furthermore, on 19 December 2008 the Commission adopted the 2008 Kosovo Annual Programme part II, financed by an additional allocation of EUR 60 million.

Indicative financial allocation for Kosovo per component for the year 2008 (in million €):¹²

Kosovo (under UNSCR 1244/99)	2008
I. Transition Assistance and Institution Building	184.7
Of which:	
Annual Programme	182.7
Nuclear Safety Programme	0.2
Tempus Programme	1.8
II. Cross-Border Cooperation	0
Total	184.7

One of the priorities of the programme is the fulfilment of the EU's political criteria and consolidation of Kosovo's institutional, administrative and judicial set up, including the fight against corruption, the protection of human rights and the rights of the Serbs and minorities and the promotion of civil society activities.

Under the economic criteria, support is given to develop Kosovo's economy and to improve the socio-economic environment of all communities in a sustainable way. IPA 2008 helps Kosovo to cope with the requirement to introduce and implement the European Standards in some areas including, freedom, security and justice issues, food safety, veterinary and phytosanitary and statistics.

The IPA 2008 annual programme part I contained the following projects:¹³

Priority Axis	Projects	Budget (EUR million)
Priority axis 1 Political Criteria (26%)		32.00
	Strengthening the Rule of Law	13.0
	Preserving Cultural Heritage in Kosovo	2.5
	Public Finance Administration	6.0
	Public Administration Reform (EU Integration)	4.0
	Support to Media and Civil Society	2.5
	Sustainable Return and Reintegration	4.0
Priority axis 2 Economic Criteria (56%)		69,10
	Rural Development System and Pilot Testing	4.0
	Support to Energy Efficiency and Transmission	9.5
	Support to Privatisation Process	6.0
	Support to Mines and Minerals Sector	1.0

¹² 2008 Annual Report On The Implementation Of The Instrument For Pre-Accession Assistance (Ipa), Background Document To The Report From The Commission To The Council, The European Parliament And The European Economic And Social Committee, Brussels, 23.12.2009, COM(2009)699 final

¹³ 2008 Annual Report On The Implementation Of The Instrument For Pre-Accession Assistance (Ipa), Background Document To The Report From The Commission To The Council, The European Parliament And The European Economic And Social Committee, Brussels, 23.12.2009, COM(2009)699 final

	Municipal Infrastructure	14.0
	Regional Development Structures and Instruments	6.6
	Support to Education and Employment	10.0
	Improving Environment	18.0
Priority axis 3 European Standards (8%)		10.02
	Support to Animal Identification and Registration	3.02
	Support to Civil Aviation Regulatory Office	1.0
	Support to the Statistical Office of Kosovo	1.5
	Support to Health	1.5
	Strengthening Customs and Taxation	3.0
Priority axis 4 Support Activities (10%)		11.58
	Reserve and GTAF	11.58
Total		122.70

The IPA 2008 Annual Programme part II contains the following projects:¹⁴

Priority Axis	Projects	Budget (EUR million)
Priority axis 1 Political Criteria (42%)	Upgrade of Infrastructure in the Rule of Law Sector	25
Priority axis 2 Economic Criteria (58%)	Infrastructure Project Facility – Kosovo Window	25
	Contribution to the World Bank's Trust Funds for Kosovo	10
Total		60

Two **multi-beneficiary** projects, supporting the whole Western Balkans' regions are financed from the IPA geographical envelopes, including Kosovo:

- TEMPUS – EUR 1.8 million to ensure that Mitrovica and Pristina universities in Kosovo and the teachers and students are fully included in partnership and studies with and/or in European universities.
- Nuclear Safety – EUR 0.2 million for Kosovo to participate in regional activities of nuclear safety and radiation protection.

In addition to IPA, the 2007-2010 **European Instrument for Democracy and Human Rights (EIDHR)** programme (managed by DG AIDCO) includes an annual allocation of EUR 0.9 million for Kosovo in 2007, 2008 and 2009. The programme should result in responding to the human rights challenges identified in the 'Political Requirements' section of the MIPD. The programme should be implemented through grant schemes to civil society organisations.

In addition to IPA programme in 2008, a pilot action on **cultural heritage** in war affected areas of the Western Balkans is foreseen with sub-projects in Kosovo and Bosnia and Herzegovina, both coordinated by DG ELARG Regional Programmes' unit. The allocation for Kosovo is EUR 1.5 million.

Similar to 2007, in 2008 the conditions for programmes under Component II in Kosovo were not met. The funds for Component II have thus been transferred to Component I.

¹⁴ Commission Staff Working Document Background Document To The Report From The Commission To The Council, The European Parliament And The European Economic And Social Committee 2008 Annual Report On The Implementation Of The Instrument For Pre-Accession Assistance (Ipa) {Com(2009)699 Final; Brussels, 23.12.2009; http://www.delprn.ec.europa.eu/repository/docs/IPA_2008_commission_decision_en.pdf?phpMyAdmin=3hARhVdkA7DVPtCZnAzRx3UHHV9

IPA 2009:¹⁵

The IPA 2009 Annual Programme for Kosovo was adopted by the Commission on 31 July 2009. It focuses on the objectives identified in the Multi-annual Indicative Planning Document (MIPD) 2009-2011, which reflect the key priorities of the Enlargement Strategy, the European Partnership and Kosovo's Medium-Term Expenditure Framework (MTEF).

Indicative financial allocation for Kosovo per component for the year 2009 (in million €):¹⁶

Kosovo (under UNSCR 1244/99)	2009
I. Transition Assistance and Institution Building	106.1
Of which:	
Annual Programme	103.6
Nuclear Safety Programme	0.3
Tempus Programme	2.2
II. Cross-Border Cooperation	0
Total	106.1

The total annual allocation for Kosovo under the IPA programme in 2009 was EUR 106.1 million. This was divided into EUR103.6 million for the annual programme and another EUR 2.5 million in contributions for two multi-beneficiary programmes (TEMPUS & Nuclear Safety). The IPA Annual Programme contains 13 projects, of which 12 are grouped under three strategic priority axes and one under a fourth covering support activities.

The IPA 2009 Annual Programme contained the following projects:¹⁷

Priority Axis	Projects	Budget (EUR million)
Priority axis 1 Political Criteria (41%)		42.675
	Strengthening the rule of law	12.05
	Strengthening the human resources and the institutional capacity of the Kosovo local public administration	6.5
	Support to communities	3.125
	Support to the cultural sector	3.0
	Support to the media sector	4.0
	Support to culture, youth and sport	14.0
Priority axis 2 Economic Criteria (30%)		30.8
	Trade and regional development	7.8
	Support to employment and education	10.3
	Improvement of IT system in the taxation administration	5.0
	Further support to the agriculture sector	7.7
Priority axis 3 European Standards(19%)		19.8
	Support to the environment sector	4.8
	Support to transport and energy	15.0
Priority axis 4 Support Activities		10.325
	Support measures and technical assistance facility	10.325
Total		103.6

¹⁵ http://www.delprn.ec.europa.eu/repository/docs/ipa2009_web_commission_decision-financing_proposal_en.pdf

¹⁶ COMMISSION DECISION of 2009 on Annual Programme for Kosovo (under UNSCR 1244/99)1 under the IPA Transition Assistance and Institution Building Component for 2009

¹⁷ COMMISSION DECISION of 2009 on Annual Programme for Kosovo (under UNSCR 1244/99)1 under the IPA Transition Assistance and Institution Building Component for 2009;

As in previous years, the conditions for programmes under Component II in Kosovo were not met for the 2009 programming exercise. The funds for Component II were therefore transferred to Component I.

Projects under the 2009 IPA Multi-Beneficiary Programme complementing this programme.

Two multi-beneficiary projects, supporting the entire Western Balkans' region including Kosovo, are financed from the IPA geographical envelopes:

- TEMPUS – **EUR 2.2 million** to ensure that Mitrovica and Pristina universities fully included in partnerships and studies with and/or in European universities.
- Nuclear safety – **EUR 0.3 million** for Kosovo to participate in regional activities relating to nuclear safety and radiation protection.

IPA 2010:

This Annual Programme puts greater emphasis on the political criteria and European standards. It is designed to have the flexibility necessary to respond to Kosovo's priority needs in 2011 and 2012, particularly for strengthening the EU's leadership role and presence in Kosovo.

Indicative financial allocation for Kosovo per component for the year 2010 (in million €):¹⁸

Kosovo (under UNSCR 1244/99)	2010
I. Transition Assistance and Institution Building	66.1
Of which:	
Annual Programme	63.9
Nuclear Safety Programme	0
Tempus Programme	2.2
II. Cross-Border Cooperation	1.2
Total	67.3

The IPA 2010 Annual Programme contained the following projects:¹⁹

Priority Axis	Projects	Budget (EUR million)
Priority axis 1 Political Criteria (39%)		24.8
	Strengthening the rule of law	12.3
	Governance	2.0
	Public administration reform	5.5
	Communities and education	5.0
Priority axis 2 Economic Criteria (33%)		21.0
	Public finance	1.5
	Regional economic development	17.5
	Agriculture and rural development	2.0
Priority axis 3 European Standards (19%)		12.0
	Veterinary and food safety	1.5
	Energy sector reform	2.0
	Environment	8.5
Priority axis 4 Support Activities (9%)		6.1
	General technical assistance and 'Kosovo Communication' follow-up facility	6.1
Total		63.9

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

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

¹⁸ Commission decision of 2010 adopting an Annual Programme for Kosovo* under the IPA Transition Assistance and Institution Building Component for 2010, Brussels, 17 December 2010, C(2010) 9402,

¹⁹ COMMISSION DECISION Of 2010 Adopting An Annual Programme For Kosovo* Under The IPA Transition Assistance And Institution Building Component For 2010, Brussels, 17 December 2010, C(2010) 9402

IPA 2011-2013:²⁰

To increase the impact of IPA assistance and to give greater focus to achievable results, the Commission has decided to concentrate its efforts on targeted sectors. A sector approach should facilitate cooperation among donors and beneficiaries, where possible under the lead of the authorities, eliminating duplication of efforts and leading to greater efficiency and effectiveness.

To achieve the priorities selected for support in the programming period 2011-2013, the Commission will focus its assistance primarily on the following sectors:

1. Justice and Home Affairs (focus on visa liberalisation and the judiciary)
2. Private sector Development (focus on trade and business environment)
3. Public Administration Reform (focus on the functional review)

The current Multi-annual Indicative Financial Framework 2011-2013 allocates a further EUR 212.4 million to Kosovo under the direct management of the Commission's Liaison Office in Pristina.

IPA support for the period covered by this MIPD will be targeted at the rule of law; economy; trade and industry, and public administration reform, as follows:

Indicative Financial Allocation per sector (EUR million)			
2011-2013	Period 2007-2010	Period 2011-2013	
Sector 1: Justice and Home Affairs	78.50 (18.46 %)	61.09	30%
Sector 2: Private sector Development	192.93 (45.38 %)	97.75	48%
Sector 3: Public Administration Reform	106.22 (24.98 %)	20.35	10%
Sector 4: Other	47.55 (11.18 %)	24.42	12%
Total	425.20	203.61	100%

The financial assistance will be implemented through the relevant IPA components as follows:²¹

Component	2011	2012	2013
I. Transition Assistance and Institution Building	65.83	67.07	70.71
I. Cross-Border Cooperation	2.87	2.93	2.99
Total	68.70	70.00	73.70

²⁰ Instrument for Pre-Accession Assistance (IPA) Multi-annual Indicative Planning Document (MIPD) 2011-2013 for Kosovo, Draft 27 January 2011

²¹ Instrument for Pre-Accession Assistance (IPA) Multi-annual Indicative Planning Document (MIPD) 2011-2013 for Kosovo, Draft 27 January 2011

The financial allocation for Kosovo for the period 2007-2013 in million EUR is as follows: ²²

Component	2007	2008	2009	2010	2011	2012	2013
I. Transition Assistance and Institution Building	68.3	184.7	106.1	66.1	65.828	67.07	70.71
II. Cross-Border Cooperation	0.0	0.0	0.0	1.2	2.872	2.93	2.99
Total	68.3	184.7	106.1	67.3	68.7	70.0	73.7

Overview of IPA programmes implemented in Kosovo as of 2 May 2011:

	Allocated	Contracted	Paid	% contracted	% distributed
2007	62.000.000	61.899.498	42.190.826	100%	68%
2008 I	122.700.000	112.234.580	59.962.845	91%	49%
2008 II	60.000.000	37.734.300	23.685.580	63%	39%
2009	103.600.000	59.287.417	24.053.732	54%	23%
2010	63.900.000	7.167.655	2.500.000	11%	4%

²²

http://euicc-ks.com/en/eu_and_kosovo/eu_assistance

EUROPA-PARLAMENTET
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DIRECTORATE-GENERAL FOR COMMITTEES AND DELEGATIONS
- COMMITTEE ON BUDGETARY CONTROL -



Fact-finding delegation of the Budgetary Control Committee to Kosovo, 22-25 June 2008

Feedback note



Pristina

Please find the programme and the list of participants in Annex 1.

For the executive summary and recommendations please refer to pages 9 and 10.

The CONT delegation had three main agenda items:

1. Take stock of the use of EU funds by the European Commission and the EAR (European Agency for Reconstruction) in relation to UNMIK (United Nations' Mission in Kosovo) and to assess the EU's contribution to the development of the country;
2. Acquire a better understanding of differences and synergies between funds implemented;
3. Take stock of the current situation since the declaration of independence and the entry into force of the Kosovan Constitution.

Preparatory meeting of the delegation visit to Kosovo (on 11 June 2008)

Prior to the visit participants had a briefing with Mr Philippe ULLMANN, Head of Unit at OLAF, responsible for internal-external investigations (EU bodies) as well as with Ms Genoveva RUIZ CALAVERA, Head of Unit 'Kosovo issues' at DG Enlargement as well as Mr Rony SABAH, Head of the Task Force 'Phasing out EAR' also at DG Enlargement.

Participants arrived in Pristina on the afternoon (or evening) of Sunday 22 June and the official programme started on Monday morning.

Monday 23.06.2008

Briefing by Adriano MARTINS, Director of the European Reconstruction Agency (EAR) and Freek JANMAAT, Policy Officer at the EC Liaison Office (ECLO)



Adriano Martins, Director of EAR

The discussions:

On the one hand, Kosovo faces a very difficult political and economical situation reflected by widespread corruption, high levels of unemployment (estimates range between 40% and 60%) linked to a very young population and the lack of domestic and international investment, in SMEs in particular. On the other hand, the Kosovo Budget had a surplus of EUR 400 million in 2007 which seems to show a lack of absorption capacity.

In the period 2000-2006, approximately 1800 contracts were signed and EU assistance to Kosovo of 1.1 billion euros was managed by the EAR with tangible results such as: 18,000 houses reconstructed, drinking water supply restored to over 800,000 people, 450 km of roads and 17 bridges were rebuilt.

While the management of EU funds through the EAR has been frequently praised, assistance through the UN is often considered as inefficient and almost impossible to monitor, due to a lack of commitment from the UN to report and control the spending of these funds. The lack of visibility of EU financing for UN operations was also deplored.

The EULEX mission faces difficulties linked to being deployed to Kosovo in the absence of a clear mandate from the UN Security Council. The take over by the EULEX mission of the UNMIK buildings and other facilities has also been delayed. The transfer of responsibility for managing the CARDS programme from the EAR to the ECLO is under way, however, the programming of the IPA 2007, which according to the mandate should have been carried out by the Commission, was fully prepared by the EAR and programming of the IPA 2008 was still partly prepared by the EAR.



Freek Janmaat, Policy Officer at ECLO

Tenders for the IPA 2007 were also prepared by the Agency. Participants were interested to note that some graffiti on the streets of Pristina showed that the future

EULEX mission (renamed 'EUMIK') is unpopular with the local population. However, it seems that this unpopularity is not shared by a great majority.

Conclusions and follow-up:



Cont Delegation

The delegation had very positive feedback regarding the achievements of the CARDS programme and the implementing mechanism via the EAR which was - contrary to other programmes - judged as highly appropriate, efficient and unbureaucratic in comparison to standard EC procedures, thanks to the Agency's specific structure and mandate.

The risk of losing expertise from the EAR (due to less attractive employment conditions of the Commission) was stressed. The Financial and Administrative Framework Agreement (FAFA) between the EC and the UN does not seem to work satisfactorily in Kosovo.

Meeting with Mr Ramë MANAJ, Deputy Prime Minister



Ramë Manaj, Deputy Prime Minister

41 laws have recently been adopted by the Kosovo Assembly (34 of which come directly from the Ahtissari Plan). The overall aim of Kosovo is EU integration. In this context, the taking over of UNMIK by the EULEX mission (in the fields of security and judiciary) is welcomed by the Kosovan authorities.

The new government has set four main priorities for the period 2008-2011 (economic growth, successful implementation of the Status Settlement, good governance (rule of law) and social stability including initiatives for the alleviation of poverty). It was stressed that the authorities have committed themselves to the creation of a business-friendly environment (with a good legal framework) to facilitate foreign investment in Kosovo.

In this regard, the transformation of the Kosovo Trust Agency (a UNMIK agency) into the Kosovo Privatisation Agency and the pursuit of privatisations (a second mobile telecoms operator - a Slovenian company - was recently licensed and began operations) and the recent adoption of laws on concessions to foreign investors and regarding publicly owned enterprises show this commitment.



However, serious problems, inadequately addressed so far, persist and impede Kosovo from economically catching up and attracting more direct foreign investments (DFIs), one of the most critical problem area being the energy (and in particular the electricity) sector. The need for substantial investment in the agricultural sector and for a complete overhaul of the education system as well as the importance of creating open and transparent public procurement rules was also underlined.

Meeting with the Kosovo Assembly Committee for Budget and Finance (Committee chairman: Mr Gani KOCI)



Giani Koci, Committee Chairman

Kosovan MPs deplored the fact that the committee had only very limited powers and capacities for the control over the Kosovo Consolidated Budget and in particular donations and also that there was no communication between the Office of the Auditor General and the committee.

In this context, it has not been possible for the delegation to meet with the Auditor General as, at that time, the Office staff were on strike seeking higher salaries. A positive development, however, is that the Auditor General has now to report to the committee and the Assembly of Kosovo.

External donations were judged inefficient because of a lack of coordination between donors and local communities resulting in the development priorities not being clearly established and hence in reduced ownership. Moreover the share of technical assistance was considered too high in the overall support provided.



There was a general agreement that donations should be given to priorities established by the Kosovo government, but at that stage the committee had not received any list of priorities to be presented at the Donors' conference which would take place on 11 July 2008, nor had it had the opportunity to see the 41 newly passed laws stemming from the Ahtissari Plan. Kosovan Members expressed a wish for the future EULEX mission to be much more cooperative and transparent regarding donations than UNMIK. Nevertheless, they underlined some scepticism towards EULEX and attributed it to a lack of information to the citizens. The law on public procurement was judged cumbersome and not functioning well even though it had been announced as the most advanced piece of legislation. Finally, suspicion and doubts surrounded privatisations.

Visit to a Vocational Education Training Centre in Pristina

This Centre, which has only been operational since January 2008 trains jobseekers in the following sectors: Industrial Electronics and IT, Business Administration and Construction. This project, like all the other ones visited by the delegation, was managed by the EAR. The delegation had the feeling that the centre was not yet functioning at its full capacity.



Visit to the Bylmeti dairy



The dairy is a privately owned enterprise processing milk, yogurt and cheese. The project provided a loan of EUR 500 000 to Bylmeti Dairy for the construction of a new building and the installation of processing equipment. The programme (EUR 11 500 000) provided support to the agro-processing sector through the Agro-Business Development Unit (ABU) in the form of credits and technical assistance.

Meeting with Mr Renzo DAVIDDI, Head of the European Commission Liaison Office (ECLO) in the presence of Mr Adriano MARTINS, Director of the European Reconstruction Agency (EAR)

The discussions:

These discussions focused on the question of suitability for the provision of more budgetary support to Kosovo and on the considerable budgetary surplus in the Kosovo Consolidated Budget for several years (in 2007 more than EUR 400 million). In this respect, it was stressed that the EU has provided some micro-financial assistance (around EUR 100 million).



This was explained by an inability by the Kosovan authorities to adequately support and co-finance projects. The non-respect of public procurement rules was also considered by the Auditor General as a major problem and a main source of corruption but regrettably her recommendations were not appropriately addressed by the authorities. Concerning the Donors' conference for Kosovo on 11 July 2008 certain donors donated funds to a multi-donor trust fund administered by the World Bank, but this does not concern assistance received from the EU.

Conclusions and follow-up:

Despite the officially declared complementarities between the EU Special Representative (Mr Pieter Feidt) the EU Preparatory Team (for the future EULEX mission) and ECLO, the delegation felt that there might be some overlapping between the responsibilities of these EU authorities.

The sustainability of the currently quiet situation without the presence of KFOR troops was also put into question because the situation is still unstable particularly in the Northern (Serb majority) part of the country. The delegation also felt that the full picture concerning EU assistance in Kosovo was not evident and therefore expressed its concerns. At a second debriefing with Mr Daviddi on the Wednesday morning of the visit, a certain number of questions were put to him in order to clarify for the delegation the exact state of implementation for IPA (as compared to CARDS for the corresponding period) and to reassure the delegation that there is sufficient expertise in the EC Liaison Office in order to efficiently manage the programme.

Tuesday 24.06.2008

Meeting with Mr Roberto MAGNI, Chief of Financial Investigation Unit (FIU), Italian Guardia di Finanza and Mr Tamás MARKUS, Director of the Financial Intelligence Centre (FIC)



Tamás Markus and Roberto Magni

The structure and working methods of the Financial Investigation Unit (FIU) and of the Financial Intelligence Centre (FIC) were discussed. The latter is part of the UNMIK pillar structure (Police and Justice pillar) and mainly involved in the detection of fraud (such as money laundering) is more an intelligence service (analysing, screening bank accounts, etc.) while FIU is currently operated by the Guardia di Finanza and is involved in administrative and criminal investigations.

It emerged during the discussions that corruption is widespread in Kosovo (from local level up to cases involving UNMIK officials).

Global Budget support seems therefore unreasonable given also the lack of visibility for the EU if funds are channelled through the Kosovo Consolidated Budget. Indeed, the authorities (ministries, municipalities, police and public prosecutors, etc.) face an endemic lack of training and capacity to administer the budget correctly as regards respecting public procurement rules and combating corruption. Special attention should therefore be placed on capacity building in order to increase local expertise through specific training activities.



Even more worryingly, there is a total lack of accountability and follow-up and UNMIK as well as certain public prosecutors very often discontinue the cases brought up by the FIU and funding is rarely if ever cut as a result of FIU investigations. Some have argued that if the pace of financing was reduced and the funds went directly to single projects this would probably facilitate the monitoring and control of these funds. As substantial EU funding has been provided it is crucial that the Commission is involved in the investigations on how EU funds have been managed. Therefore in 2003 the "Investigative Task Force" (ITF) was established as a coordination platform for the investigations conducted by OLAF, OIOS (UN Office of Internal Oversight Services) and the FIU. The main objective of the ITF is to identify fraud and corruption involving any institution or entity performing activities that are funded entirely or partly from the Kosovo Consolidated Budget. However, ITF will end its mandate at the end of August 2008 and no other organisation has yet been foreseen to take over their tasks. The follow-up of their findings is also unsure. An important message to be sent to Kosovo is that the EULEX mission will be different to the UNMIK management with an approach more focused on monitoring, mentoring and advising. In this context, the FIU and FIC are still to stay at least until 2013-2015.

Meeting with Ms Eridana ÇANO, Senior Advisor to the Kosovo Anti Corruption Agency (KACA)



Eridana ÇANO

The discussions:

The Agency was created in July 2006, and has been operational since February 2007 to fulfil the tasks given to it by the Law against Corruption (2004). These tasks include the drafting, monitoring and implementing Kosovo's anti-corruption strategy. In this context, the implementation of the recent law on conflict of interest and the control of gifts given to public office holders are among their main activities. The EU is supporting the KACA with EUR 1 million.

Amongst the many weaknesses and difficulties the KACA is facing, the following might be mentioned:

- i. Due to a very limited budget (despite a 50% increase for 2008) the Agency is understaffed (35 people) resulting in a large volume of information and declarations of assets from high-level politicians and state officials being left untreated;
- ii. Staff are employed on low salaries which is demotivating;
- iii. A highly unsatisfactory cooperation with the Public Prosecution Office. Most of the information the Agency delivered has been ignored;

- iv. A very low level of awareness and a lack of information to citizens about the existence of KACA and its importance for fighting corruption;
- v. A lack of clear political will to fight corruption; a Law on Declaration of Assets was approved by the Kosovo Assembly, but has not yet been implemented, with the result that the declarations of assets are not yet published and the KACA has no possibility to check the validity of these declarations. Moreover, the number of officials who are obliged to declare their assets remains low;
- vi. A lack of ownership by civil society to avoid simple window-dressing.

The KACA has repeatedly had to defend its independence against political pressure. The Agency is expected to produce a new comprehensive Anti-corruption Strategy. A new Action Plan will cover sectoral plans to fight corruption within the public administration as well as in civil society. For the application of disciplinary sanctions, the system relies strongly on the cooperation of the public institutions. So far public institutions have been reluctant to apply sanctions. Moreover, the biggest challenge seems to be with the proper implementation of existing law.



Conclusions:

It is the delegation's view, that more resources and support are necessary to the Anti-Corruption Agency in order to enable it carry out its tasks properly and to improve the situation in particular in the following two areas:

- in the fight against high-level corruption; and
- in further raising public-awareness;

Finally, it was suggested that funding of political parties/campaigns should be regulated and the KACA might be given the responsibility for controlling it and the law on corruption should be amended so as to reinforce the Agency's specific role in preliminary investigations.

Visit to three projects:

i) NGO 'Avenija' employing 48 women



ii) Sisica/sushice kindergarten



iii) Greenhouse in Lipjan/Lipljan



The three projects visited were financed under the Community Stabilisation Programme (CSP), (respective CSP contributions for which were: EUR 4 400, 32 056 and 2 620). The CSP is dedicated to contributing to addressing the pressing needs of ethnic minorities to help them to generate income and improve their living conditions.

Project visit to the Society of Certified Accountants and Auditors in Kosovo (SCAAK)



This specialised technical assistance project (EUR 1 500 000), started in March 2007, was presented by Ms Ardiana BUNJAKU (Executive Director) and Mr Liam COUGHLAN, Project Team Leader. Following the presentations, the question why such an important amount of EU support did not appear in the annual report of SCAAK was raised and discussed in detail.

Ardiana Bunjaku and Liam Coughlan

Meeting with Mr Lamberto ZANNIER, the Special Representative of the UN Secretary-General (UN SRSG) and Mr Paul AGDA, Head of Pillar IV of UNMIK



Mr Zannier had been nominated just a few days before the visit (on 20.06.2008). Kosovo is in a politically complex, evolving situation: UNMIK is in the process of reconfiguration and the EULEX mission should be formally recognised in the near future.

Paul Agda and Lamberto Zannier

Mr Zannier stressed the need to adopt a flexible approach towards the phasing-out of UNMIK and the phasing-in of EULEX, in particular in the area of customs. On the question of mismanagement and corruption among UNMIK staff, he was of the opinion that the internal organisation was less affected, problems occurred more in cases when UNMIK was operating with subcontractors. In his view, NGOs fighting against corruption are considered as more efficient than the Anti-Corruption Agency. He stressed some reasons for the unpopularity of UNMIK such as the energy shortage and the difference in local and UNMIK salaries. Possible solutions suggested in order to increase the efficiency of external assistance to Kosovo were i) a slower pace for donations ii) a better rationalisation of them and iii) more aid to projects than budget aid.



Meeting with Mr Ahmet SHALA, Minister of Economy and Finance

The main reason for unpopularity and failure of UNMIK in Kosovo is that the UN is not able to manage a country. It was considered that the management of the country by UNMIK was synonymous with too much bureaucracy, a short-term vision, a lack of flexibility, therefore a clear timeline, precise terms of reference and a long-term vision were considered as crucial for the success of the forthcoming EULEX mission.



Ahmet Shala, Minister of Economy and Finance

It should aim at advising, monitoring, mentoring the Kosovo authorities. The greatest support is needed in the justice/courts system and in the implementation of laws, therefore EULEX was very welcome to reinforce this link. It was pointed out that too high a rate of studies and other technical assistance within the overall external assistance was carried out and too little concrete money went to the economical development of the country.



Despite the substantial technical and financial assistance provided to Kosovo, the poverty rate has grown in the past years from 45 to 47% (of the total population, with 15% being extremely poor). Therefore the reputation and the image of the EU are clearly at stake in Kosovo. The non-functioning of the Auditor General's Office as well as very high unemployment figures and the energy shortage were deplored. It was

suggested that Auditor General's Office prepares a specific audit on the sound use of EU funds and the Kosovan government sends a national management declaration to the EU. Mr Shala accepted this idea. The need for a law on the financing of the political parties was again raised. The important role further privatisations and easier loans to SMEs (with the help of the EIB/EIF) could play in the economic development of the country was also stressed as well as the potential of a very young population (average age: 24,8 years) provided that enough investment was made in the areas of education and vocational training. Ms Shala advocated more budget support (as the best option) and, as a second best option, support to projects and less technical assistance (although recognising the importance of the latter in some areas such, as the justice system or for the future Ministry of Foreign Affairs). He emphasised the development priorities of Kosovo for the next 3 years (2009-2011), priorities around which the government intended to present Kosovo's needs for external assistance at the Donors' conference. The financing gap identified was EUR 1.4 billion for the next 3 years.

Dinner with representatives of the business community and civil society

Following the meeting with the Minister of Economy and Finance, the delegation hosted a dinner with a number of representatives of NGOs and of the business community as well as with officials from EAR and ECLO. Participants had the opportunity to discuss the various activities and viewpoints of the different organisations.



Wednesday 25.06.2008

Meeting with Mr. Fletcher BURTON, Deputy International Civilian Representative/EU Special Representative (ICR/EUSR); Mr. Neithart HOEFER-WISSING, Policy Unit; Mr. Severin STROHAL, Political Advisor; Mr. Andrea BATTISTA, Community Affairs Unit



The aims of the International Civilian Office (ICO) are to ensure full implementation of Kosovo's Status Settlement and to support Kosovo's European integration by advising Kosovo's government and community leaders. The way forward for Kosovo from the current and unsustainable status quo is a supervised independence. This supervision of independence is to be carried out by the ICO. Another

aspect of their work is implementation of laws. Their vision is to enhance the ownership of Kosovo authorities when managing their own affairs. The area of the rule of law was again stressed as the weakest point. The fight against corruption is considered to be extremely difficult given the very low salaries, a minimal risk of being caught and the negligible punishment even if caught. Their budget is EUR 18 million (until end March 2009) and the staff is 100 (international and local) set to increase to 200 by the end of 2008.

Debriefing (Q&A) with Mr Renzo DAVIDDI, Head of EC Liaison Office (ECLO), Kjartan BJÖRNSSON, Head of Operations and Mr Renaud HENOUMONT, Head of Contracts and Finance

The IPA programming process, the annual programme for Kosovo in 2008 and the project implementation and forecast were presented and discussed, as well as the state of play in the transfer of CARDS from EAR to ECLO and staffing issues. The overall budget for IPA 2007 is EUR 68 million and for IPA 2008: EUR 124.7 million. The ECLO's forecast is that by the end of 2008 50% of IPA 2007 and by the end of 2009, 50% of IPA 2008 should be committed.



Commission's building in Pristina

Concerning IPA 2007 EUR 10 million were committed and signed by the end of June 2008. Around 5% of IPA 2007 is earmarked for the energy sector (EUR 3 million as compared to nearly EUR 400 million previously spent on this sector) which seems to show a certain discontinuity in the priority choices. However, this figure is to double for IPA 2008 to almost 10%. The existence of a EUR 400 million surplus in the Kosovo Consolidated Budget was (partly) explained by the ECLO staff by the requirements of the international community (by the International Monetary Fund and World Bank) imposing high amount of cash reserve (against possible shocks and because of the high volatility of budget outcomes) on the budget. Corruption in the electricity company KEK and a general lack of transparency were also mentioned.

Conclusions:

Concerning the state of implementation of IPA (Instrument for Pre-Accession Assistance) it remains to be seen how soon the ECLO will be up and running in order to fully take over from the EAR. Indeed, concerning the contracting capacity of the ECLO for IPA 2007 in June 2008 was considered to be lagging behind the EAR contracting capacity one year earlier for CARDS 2006. Although ECLO was arguing with forecast figures for December 2008 and with commitments, however, the delegation could not get a clear picture of the number and volume of contracts signed by the ECLO by June 2008 (in the list of committed sums the ECLO did not specify the contracts really signed, and included a number of projects, which are managed by the headquarters in Brussels, such as the TAIEX).

Furthermore, the comparison of staffing structures of both the Agency and the ECLO, raised serious doubts about the managerial and technical capacity of the ECLO in handling the steep increase in funds to be programmed, tendered, contracted and managed in 2008/2009. Indeed, the ECLO staff is much less experienced (due to the obligation under the Statute to work with young lower grade contract agents instead of highly qualified temporary agents), and the promised transfer of AD level staff from the EAR office to the ECLO resulted only in a maximum of three out of 15 temporary agents.

Press conference



Finally, the delegation held a well-attended press conference at the premises of the ECLO.

EXECUTIVE SUMMARY AND RECOMMENDATIONS

The delegation could see a "calm, but unstable" political situation in Kosovo, an evaluation repeated in all political meetings. While there was a broad agreement on the need for KFOR to stay in Kosovo, the presence of UNMIK was judged far less positive. The mandate and the style for the EULEX mission needs to change significantly when it takes over. The multitude of international organisations present in Kosovo seems to make it difficult for the various actors to clearly distinguish between their specific responsibilities, and the web of EU structures in Kosovo does not alleviate this situation.

Kosovo faces many economic developmental challenges. It has the highest unemployment in the region, highest poverty, and the weakest economic growth performance. It is worrying that despite the substantial technical and financial assistance (EUR 1.814 billion between 1999 and 2006) provided to Kosovo, the poverty rate has grown in the past years from 45% to 47% and the EU's visibility and influence in the region seem very little. The reputation and the image of the EU are clearly at stake in Kosovo therefore the EU's visibility should reflect the share of its contribution to Kosovo's reforms.

There is a lack of transparency concerning the use of EU tax payers contributions and a number of alleged cases of fraud:

- i) the electricity company KEK, the major beneficiary of the EUR 400 million EU support to the energy sector;
- ii) the requests for international arrest warrants concerning UN staff members;
- iii) the financing of Pristina International Airport.

The audit environment is weak. Indeed, the staff of the General Auditor's Office went on strike at the time of the visit and therefore they could not exercise their duties properly. Moreover, there was no communication between the responsible committee in the Assembly and the General Auditor. These problems identified by the delegation did not seem to allow for a sound financial management. On the contrary, they seem to indicate that the current situation in Kosovo might not allow a major increase of funds unless the management of these funds becomes more transparent. For this reason, efforts to prevent errors or mismanagement need to be enhanced. The financial management system and related systems need to be strengthened to improve the quality of controls and to guarantee the proper implementation of the funds. It is recommended that the Kosovan government deliver a national management declaration to the EU on the sound management of EU funds based on a specific audit to be prepared by the Auditor General's Office. The need for a law on the financing of the political parties was again raised. Due consideration should be given to whether it is better to provide budget aid or project aid to the country. The rules on public procurement must be clarified and respected.

Another means to improve this situation would be that Kosovan authorities be given the possibility to assume more responsibility for the financial management of the country hence increasing ownership. Moreover, high priority and more resources should be given to the Anti-Corruption Agency and the General Auditor's Office.

Given the high level of surplus in the annual budget of Kosovo this seems to show a certain lack of absorption capacity by the current structures. Therefore the Commission needs to ensure that EU funds are only channelled into well-functioning systems. In this context, it would be necessary to investigate whether the reduction of funding could help to achieve more efficiency and thus better results.

The Commission is increasingly giving EU funds to be managed by UN bodies while, in parallel, decreasing rather than expanding its own management capacities. The lack of control of EU tax payers' money handled by international organisations, in particular the UN in Kosovo (UN's unwillingness to cooperate on questions of transparency and financial control with EU representatives), is a cause for serious concern. Indeed, UN bodies are not efficiently managing funds and it is difficult to trace the money spent through them, while the management through our EU Agency was frequently praised. In this context, the delegation failed to understand the Commission's apparent determination to reduce EU capacities, spoiling a nine years investment in know-how, equipment and procedures giving excellent results through the European Agency for Reconstruction.

In order to express these concerns and comments a letter from Mr Bösch, leader of the delegation, to Commissioner Rehn was sent in view of the Donors' Conference on 11.07.2008.

OLLI REHN
MEMBER OF THE EUROPEAN COMMISSION

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Brussels, 5.9.2008
D(2008)272

Dear Mr Bösch, *Dean Harberst,*

Thank you for your letter following the Budgetary Control Committee's mission to Kosovo.

Let me first reassure you that the Commission attaches great importance to the issues you raise. I trust that my answers will help your Committee put into perspective developments in Kosovo. I attach great importance to the Committee's support for the EU's efforts to improve the situation of the people of Kosovo, and of those of the region on a whole.

The political situation in Kosovo

I agree that the reconfiguration of the international presence in Kosovo, and of the respective responsibilities of different actors in the field need to be clear. Things are moving in the right direction. The UN Secretary General Ban Ki-Moon presented to the Security Council on 20 June his proposal for streamlining UNMIK and facilitating the deployment of the EU's rule of law mission. Discussions with the UN on the arrangements are under way. Reports by the EULEX Head of Mission General de Kermabon indicate that the full deployment of the EU's mission should be completed by late autumn. The residual presence of UNMIK will be available to facilitate Kosovo's regional integration while Kosovo's own authorities will be fully responsible for political and economic management. These new arrangements should hopefully favour greater accountability in the future.

As regards the socio-economic situation, I share your concerns as regards corruption and the high level of unemployment, which the Commission systematically highlights in its annual progress reports. We cannot, however, take it as a reason for inaction. The fight against corruption, improving rule of law and boosting Kosovo's socio-economic development are the main targets of the EU's activities in Kosovo. The deployment of the EULEX mission, together with EC support under IPA, directly aim at developing and strengthening the authorities' capacity to combat corruption more effectively.

Mr Herbert Bösch MEP
Chairman of the EP Committee on Budgetary Control
European Parliament
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Specific points concerning the Donors' Conference

As we discussed in Strasbourg, the Kosovo Donors' Conference was convened on 11 July to help Kosovo address its most pressing socio-economic needs, especially the high level of unemployment, and to encourage investment. All EU Member States participated at the conference and the European Parliament was represented by Mr Joost Lagendijk MEP, rapporteur for Kosovo.

Of a total of €1,236 million pledged by the donor community, the Commission pledged €508 million, subject to sufficient appropriations voted by the budgetary authority and sound financial management from Kosovo authorities. I was extremely clear with PM Thaci, privately as well as publicly, that the EU's pledge had to be seen as conditional upon Kosovo's authorities' ability to deliver on commitments.

At the conference, Prime Minister Thaci confirmed the commitment of his government to work towards the development of a multi-ethnic society based on the rule of law. Mr Thaci stated his government's commitment to stability, good governance, coordination and sound macro-financial management. He emphasised his awareness of the responsibility of Kosovo's government as concerns the management of the substantial resources made available. I intend to monitor very closely the implementation of these commitments.

The EU financial assistance pledged to Kosovo will be provided in two distinct ways, namely 1) direct budget support through macro-financial assistance, and 2) project assistance through IPA. For each delivery mechanism, strong conditionality applies - the respect of which will be closely monitored - together with control systems:

- Budget support is subject to strict conditions and is disbursed only when the relevant requirements are met. The recent Public Expenditure Financial Accountability (PEFA) analysis concluded that the level of fiduciary risk is sufficiently low for external partners to consider budget support for Kosovo.
- EU project assistance under the IPA programme is implemented under deconcentrated centralised management, which means that the full project cycle, including tendering contracting and payments, takes place under the responsibility of the Commission's Liaison Office (ECLO) in Pristina. There is no involvement from third parties, be they local or other authorities, except as beneficiaries. The interests of EU tax payers are thus safeguarded. The deconcentrated centralised management mode is also a guarantee that the Commission gives all necessary political guidance for the programming of EU funds.

I fully share your positive assessment of the work conducted by the European Agency for Reconstruction over the last nine years. However, the change of circumstances in the region - the move from reconstruction to pre-accession - demanded a new approach to both the scope and the way financial assistance is delivered. With an increased focus on institution and capacity building, the new Instrument for Pre-Accession allows implementation of financial assistance go hand in hand with the political process.

IPA programming takes place under the overall responsibility and with the direct involvement of the unit responsible for Kosovo Issues within DG ELARG. As a transitional measure, the EAR assisted in the preparation of the IPA 2007 programme as the ECLO was not fully

operational at the time. However, the programming of IPA 2008 took place with the direct participation of the ECLO. Preparations for the 2009 programme have already started. Tendering of IPA 2007 is the exclusive responsibility of the ECLO.

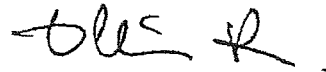
As regards your concerns on the lack of control and visibility of EU funds channelled through international organisations, let me clarify that the Commission only entrusts international organisations and UN agencies with financial management when this is considered the most effective means of implementation. In such cases, the Commission assures itself that the institution concerned has the capability for sound financial management.

In Kosovo, the EC contribution to UNMIK aimed at funding the administrative expenditure of its Pillar IV¹ has never exceeded 10% of the financing needs of UNMIK as a whole. The political visibility of this funding is uncontested, with UNMIK Pillar IV commonly referred to as the "EU pillar". However, UNMIK Pillar IV suffered from a difference in perception of its role. Despite being an integral part of UNMIK's chain of command, the UN viewed it as an external actor. Taking into account the overall successful completion of the Pillar IV's mandate and the new situation on the ground, the Commission decided to terminate the contribution agreement for funding UNMIK Pillar IV's administrative expenditures in March this year, with liquidation effective as from October 2008.

I have taken good note of your concerns on possible misuse of the money, stemming from the particular situation in Kosovo. You will find in annex a more detailed analysis.

I hope this will help alleviate the Committee's concerns and remain at your disposal for any further clarifications that may be useful.

Yours sincerely,



¹ Council Regulation (EC) No 1080/2000 of 22 May 2000. (OJ L122 of 24.05.2000, p.27)

Comments on the points raised in the letter of the Chairman of the Committee on
Budgetary Control, Mr Herbert Bösch

With regard to the specific concerns raised, the Commission would like to bring the following elements to the attention of the Committee:

(a) Corruption continues to affect the Western Balkans, including Kosovo. However, the deployment of the EULEX mission in Kosovo together with EC support under IPA will help develop and strengthen the authorities' capacity to combat it more effectively.

(b) The Donors' Conference highlighted the difficulties related to the budget surplus and capital under spending. The World Bank identified the single year outlook and capacity constraints as the two main causes. However, the conference was also informed that Kosovo is addressing the problem and has been able to double the spending in the first six months of 2008 compared to the same period last year. Donors are to provide assistance to help further improve local capital spending capacity. Increased IFI involvement should also help remedy this problem.

(c) The problems related to the governance of public utilities in Kosovo (financed mainly from own resources from the revenues in the Kosovo consolidated budget) have been an issue of concern to the European Commission.

For this reason, the Commission has:

- Supported the efforts of the Kosovo Trust Agency under the EU's financed UNMIK Pillar IV to improve capacity building and corporate governance development of Public Owned Enterprises (POEs) through incorporation. Incorporation gives POEs clear legal status by turning them into Joint Stock Companies under the Law on Business Organisations in Kosovo. It also aims to improve corporate governance, financial transparency, accounting procedures, and the efficiency of the POEs.

Pristina International Airport and Post and Telecommunications of Kosovo were incorporated in June 2005. In January 2006, assisted by a project from the European Agency for Reconstruction (EAR), the KTA completed the incorporation of the Kosovo Energy Corporation (KEK), UNMIK Railways, and the district heating enterprises Termokos and Gjakove. The incorporation of water, waste, and irrigation enterprises was completed by the end of 2007 thus finalizing the incorporation of all major POEs in Kosovo.

- Provided substantial funding to UNMIK's Financial Investigation Unit (€4.8 million, 2002-2007), which has been run by the Guardia di Finanza within (UNMIK) pillar I, responsible for the rule of the law. The unit has conducted investigations into both KEK and Pristina airport. This unit has worked closely together with OLAF and with the UN Office of Internal Oversight (OIOS).

As far as EU funding in the public utilities of Kosovo is concerned, some €402 million was invested in the energy sector in Kosovo under the CARDS programme. This was directly managed by the European Agency for Reconstruction (EAR) with the exception of €48 million for energy imports granted to UNMIK. The funds managed by the EAR have been fully accounted for.

The EAR initiated the OLAF investigation into the mismanagement and corruption which involved an international member of staff of UNMIK Pillar IV and which eventually led to a successful prosecution. However, it is important to note that this fraud did not relate to EU funding.

UNMIK has undertaken annual audits of KEK. However, its financial governance still needs improvement. For this reason, the Commission has decided that KEK should not benefit from any IPA funding. There have been no EU-funded investments at Pristina Airport, except for a small early study (€ 35.000, in 1999).

The Commission has not been associated with the audits and does not have any details on the arrest warrants concerning the UN staff members that are mentioned in the letter. Nonetheless we shall discuss with OLAF steps which they recommend.

(d) The Commission only entrusts international organisations and UN agencies with financial management when this is considered the most effective means of implementation. In such cases, the Commission assures itself that the institution concerned has the capability for sound financial management (e.g. Terms and conditions for UN agencies are stipulated in the Financial and Administrative Framework Agreement concluded between the EC and the UN). I would refer to Commissioner Ferrero-Waldner's letter of 10 July in this respect.

(e) The EC contribution to UNMIK aimed at funding the administrative expenditure of its Pillar IV² has never exceeded 10% of the financing needs of UNMIK as a whole. The political visibility of this funding is uncontested. However, UNMIK Pillar IV suffered from a difference in perception of its role. Despite being an integral part of UNMIK's chain of command, the UN viewed it as an external actor. Taking into account the overall successful completion of the Pillar IV's mandate and the new situation on the ground, the Commission decided to terminate the contribution agreement for funding UNMIK Pillar IV's administrative expenditures in March this year, with liquidation effective as from October 2008.

IPA state of implementation

In his speech at the Donors' Conference, Commissioner Rehn paid special tribute to the outstanding work of the European Agency for Reconstruction in Kosovo over the last nine years. However, the change of circumstances in the region demanded a new approach to both the scope and the way financial assistance is delivered.

IPA programming takes place under the overall responsibility and with the direct involvement of the unit responsible for Kosovo Issues within DG ELARG. The EAR assisted in the preparation of the IPA 2007 programme as the ECLO was not fully operational at the time. However, the programming of IPA 2008 took place with the direct participation of the ECLO. Preparations for the 2009 programme have already started. Tendering of IPA 2007 is the exclusive responsibility of the ECLO.

² Council Regulation (EC) No 1080/2000 of 22 May 2000. (OJ L122 of 24.05.2000, p.27)

The ECLO structure follows the Commission's rules on staffing in its Delegations. The EAR benefited from some important derogations to these rules, notably as concerns the possibility to recruit temporary agents (with much higher levels of remuneration than those foreseen by the Staff Regulations for contract agents) and the possibility to adjust at short notice the staffing levels in proportion to its work load. Unlike the EAR, the Commission's Delegations have less flexibility since their staff allocations are subject to an overall ceiling set by the budgetary authority. This applies to the Commission's Delegations throughout the world, and is not specific to Kosovo.

ECLO staff benefit from very experienced guidance. The Head of the ECLO held positions of responsibility in two Commission Delegations. The Head of Operations has acquired considerable operational experience in the Delegation in Bosnia. The Head of Finance and Contracts is an experienced auditor. ECLO also benefit from experienced staff from the former Delegation in Bulgaria. The ECLO operational and finance sections currently have nine contract agents and 29 local agents respectively, of whom 24 local agents were recruited directly from the EAR. By 1 January, three contract agents will join the ECLO from the EAR. The 27 staff from the EAR will provide continuity and experience to sectors and projects on which they were previously working within a very familiar procedural framework.

In defining the ECLO organisational chart, we had taken due account to the number of staff and the quality of the resources needed. However, in view of the important political responsibilities and the additional financial resources entrusted for Kosovo, we will continue to pay particular attention in 2009 to the strengthening of the staffing of this office.

The contracting of CARDS 2006 and that of IPA 2007 cannot be compared. CARDS 2006 was the final year of a well established programme. Since the signature of the CARDS Financing Agreement to June 2008, the EAR had 24 months to tender and contract the programme. The Financing Agreement for IPA 2007 was only signed by UNMIK in February 2008, and consequently the ECLO has had only 3-4 months to start procurement. Furthermore, one must bear in mind that the ECLO must comply with timelines set by the budgetary procedures which apply to procurement in the context of EU external actions.

One further comment

The Commission will only involve UN bodies in the management of its programmes in Kosovo where and when this is duly justified by the nature of the action concerned. At present there are nine ongoing CARDS contracts and one grant agreement with the UNDP under IPA 2007, which were programmed by the EAR. The ECLO has not included any UN-related project under IPA 2008, and intend to continue this policy for 2009 to the extent possible.

Follow-up oral questions to Commissioner Rehn
after the 2007 Discharge hearing (2/12/08)

1. Update on attack of ICO office in Pristina. Frequency of such incidents?
How does the Commission guarantee the security of its staff?

- Update on attack of ICO office in Pristina

In the early evening of 14 November 2008, a small explosive device was thrown at the building of the International Civilian Office in Pristina, causing damage but no injuries. The incident followed rising tension in Kosovo further to efforts led by the EUSR/ICR to convince the Kosovo government not to object to special temporary arrangements to apply in Serb majority areas in Kosovo, which would facilitate EULEX deployment throughout Kosovo. On 19 November, the Kosovo police arrested three employees of the German external intelligence agency, who were subsequently released on 28 November. Investigations are still ongoing.

- Frequency of such incidents

The above has been the first and only such incident to date against an EU related mission. There is no indication that the frequency of such incidents will increase.

- How does the Commission guarantee the security of its staff

The European Commission Liaison Office (ECLO) building in Pristina has just undergone significant refurbishing. This included the installation of specific security features adapted to the risks.

All ECLO staff is regularly updated on the overall security situation and security advisory messages are sent to all staff in the event of a potentially dangerous situation. All residences of international staff are security checked and equipped with panic buttons. A motorised patrol guard is operational.

2. Winding up of the Investigative Task Force. What does the Commission intend to do to ensure continuity of its activities?

The Investigation Task Force (ITF) was set up in 2003. It consisted of the UN's Office of Internal Oversight Services (OIOS), OLAF and the Financial Investigation Unit¹ (FIU). The ITF had the authority to initiate, conduct and coordinate administrative investigations to identify fraud and corruption involving UNMIK, the Kosovo Provisional Institutions of Self-Government (PISG), independent bodies and offices set up by the PISG, Publicly Owned Enterprises (POEs) and other entities operating under the general authority of the Kosovo Trust Agency, and any other institution or entity performing activities that were funded in whole or part from the Kosovo Consolidated Budget. The ITF reported exclusively to the UN Secretary General's Special Representative (SRSG) in Kosovo.

The ITF submitted its final report on 9 June 2008 to the SRSG, following a joint decision by the three composite parties, which considered that the political and judicial situation had profoundly changed following the adoption of the constitution of Kosovo (which came into force on 15 June), and that the ITF mandate had been fulfilled. In total, the ITF treated 50 files, of which 11 were the subject of legal prosecution and were referred to the SRSG for forwarding to the legal authorities in Kosovo. One additional file has been forwarded to OLAF; DG Enlargement has asked OLAF for details.

It is important to note that the functions previously fulfilled by ITF continue to be assured. The OIOS still supervises operations by the UN, OLAF continues to ensure the protection of the financial interests of the EU in Kosovo, and the FIU continues to operate within the framework of EULEX.

The EULEX mission started operations on 9 December 2008. It will focus on fighting organised crime and will combine an executive capacity centred on an Organised Crime Executive Unit supported by additional units within the mission, which include a Financial Investigation Unit (FIU), and a non-executive role to monitor, mentor and advise the Kosovo authorities. The EULEX Organised Crime Executive Unit is composed of two teams of 30 persons each and will be dealing with serious organised crime cases with an international element in the alleged criminal offence. The FIU has been transferred from UNMIK to EULEX to continue dealing with financial irregularities linked to the Kosovo Consolidated Budget. The EULEX executive role will also entail the follow-up prosecution and trial of serious organised crime cases by a dedicated team of EULEX international prosecutors and judges.

In addition, the EU will continue financing the Auditor General through its contribution to the International Civilian Office in Kosovo.

¹ The Commission funded the Financial Investigation Unit (FIU) operations to the tune of €4.8 million between 2002 and 2007 through a contract between the EAR and UNMIK.

3. Volume of EC financing to the KEK public utility? Cases of fraud involving EU funds? Commission action (recoveries)? Power plant still doesn't function properly, what will the Commission do in the energy sector, continue to support financially the current plant or promote a new one?

- Volume of EC financing to the KEK public utility

The Kosovo Energy Corporation KEK is one of the Publicly Owned Enterprises (POEs) that was managed under the auspices of the Kosovo Trust Agency (KTA), a component of Pillar IV of the UN's Mission in Kosovo (UNMIK).

When the international community arrived in Kosovo in June 1999, it found that that the electricity system and equipment in Kosovo was very old and had been practically abandoned for over 10 years. This chronic underinvestment resulted in a precarious system which involved high maintenance and operational costs. This was aggravated by a lack of qualified personnel in the public utility as the Kosovo Serb management and qualified experts left Kosovo after the conflict. To avoid a humanitarian tragedy in view of the harsh winters in Kosovo and to support UNMIK civil administration, the international community was called to assist in ensuring a minimum level of energy supply to the population.

This is why, between 1999 and 2006, the EU provided €402 million to the energy sector in Kosovo. Out of this amount, €372.6 million was contracted by the EAR for projects related to KEK notably to pay imports of electricity during the first years after the conflict, while the most urgent rehabilitation needs in the generation plants, the transmission and distribution system as well as in the lignite mines were tackled via EAR, some EU Member States and USA bilateral assistance and contributions from the UN Trust Funds and Kosovo budget. EC funds also addressed the most pressing public health and environmental concerns (e.g. filter for Kosovo B power plant). The remaining €29.4 million were contracted for non-KEK-related activities. (See details in Annex 1).

The EC intervention was the only one possible in a context in which Milosevic was still in power, and, afterwards, while waiting for the clarification of the legal and political status of the UN administered province. With Kosovo's declaration of independence, future development of the energy sector should be normalised through private sector investment (in the continued absence of IFI involvement in capital investment due to political reasons). The Kosovo government has therefore decided to privatise the existing generation and distribution of electricity and has launched a tender to have a new, more efficient power plant built, in accordance with EU's environmental standards. It is no longer appropriate that funds from the EU budget are invested in a utility which is to be privatised. The EC will now provide support for Kosovo's institution building, energy efficiency and renewable energy, addressing lignite environmental threats and accompanying measures to ensure Kosovo's full integration into the Energy Community Treaty.

- Case of fraud involving EU funds

The only case of fraud known to the Commission relates to KEK's own funds, which were embezzled by an UNMIK employee. As indicated in Commissioner Rehn's reply to CoCoBu chairman Mr Bösch sent on 9 September this year, "the EAR initiated the OLAF investigation into the mismanagement and corruption, which involved an international member of staff of UNMIK Pillar IV and which eventually led to a successful prosecution. However, it is important to note that this fraud did not relate to EU funding."

If the Budgetary Control Committee is aware of cases which have not been referred to OLAF yet, the Commission would be grateful to receive details so as to take appropriate actions.

- Commission action (recoveries)

The operations of the Agency have been the subject of regular audits by the Court of Auditors and reviews by OLAF. According to the EAR's management there have been no recoveries following either OLAF or ECA audits/reviews. Almost all investigations by OLAF into EAR-managed contracts are closed. According to OLAF there are seven files² relating to Kosovo under review. This includes three files for which OLAF still has to decide whether to open an investigation, three files which are subject to active investigation, and one 2003 file which has been closed, but requires follow-up action by the Kosovo judicial authorities.

The vast majority of the total of 281 contracts awarded by the EAR to energy-related projects in Kosovo were closed before 1 July 2008 when the transfer of files from the EAR to the ECLO took place. ECLO's attention and resources focus on ongoing contracts. There are currently 16 ongoing contracts under CARDS related to the energy sector.

- Power plant still doesn't function properly. What will the Commission do in the energy sector? Future financing of the energy sector

EU funding in the energy sector under EAR management has hitherto focused on emergency repairs and investments to enhance energy supply from a system that is outdated, suffered decades of under-investment and damage during the conflict in 1999:

Despite our significant investment in the sector, Kosovo's power system still remains precarious due to 1) lack of KEK's financial capacity to match our investments as a result of non-payment of electricity bills; 2) unsustainable inflation of power demand that the supply capacity cannot match; 3) poor managerial and governance capacities at the utility.

² We are only aware that two files relate to CARDS funding, managed by the EAR

Future development of the energy sector should be normalised through private sector investment in the continued absence of IFI involvement in capital investment due to political reasons.

The Kosovo government has therefore decided to privatise the existing generation and distribution of electricity and has launched a tender to have a new, more efficient power plant built, in accordance with EU environmental standards.

The Commission will not allocate any further funds to the generation part of Kosovo's power system. Under IPA 2007 and 2008, the focus will be on strengthening the transmission system (which remains in an unbundled public company) through investments to interconnections and substations. EU Assistance will also help Kosovo meet its obligations under the Energy Community Treaty, develop Kosovo's regulatory framework (through technical assistance to the Energy Regulatory Authority), support renewable energy and, via environmental programmes, mitigate the serious effects of continued lignite generation on Kosovo's environment.

Furthermore, the Commission has established regular policy dialogue with the Kosovo authorities to improve overall management of the energy sector as well as governance of public utilities. Involvement in the Energy Community Treaty also helps this endeavour, as does our support to the Regulatory Authority.

4. How does the Commission intend to implement the volume of funds earmarked at the Donors Conference and which controls are foreseen?

- Volume of funds

The total level of pledges for the period 2008-11 made by the international community at the Donors' Conference for Kosovo of July 2008 amounts to some €1.2 billion.

Around 75% of this support will be provided in the form of project assistance by the donors themselves, in accordance with the rules and procedures relevant to their assistance programmes. The Kosovo authorities are associated to the programming of IPA assistance, but are not involved in its financial management. Around 17% is to be provided in the form of budget support by means of direct transfers to the Kosovo budget by the donors and/or via a multi-donor trust fund. The remaining 8% will be provided in the form of contingency support with the relevant monies being set aside in a trust fund. According to the World Bank's Public Expenditure Financial Accountability (PEFA) analysis, the level of fiduciary risk is sufficiently low for external partners to consider budget support for Kosovo.

The Commission's pledge amounts to some € 508.1 million. An overview of the sources of the funding pledged is enclosed in annex 2. The funds will be delivered in two distinct ways.

First, € 358.1 million of EU assistance is to be provided under the IPA programme, which is managed directly by the ECLO under centralised management. The

Commission consults the Kosovo authorities on project selections and other aspects of programming, but financial management is done by the ECLO.

The second means of delivery is Macro-Financial Assistance (MFA). Under the MFA, a total of € 150 million is to be provided as budget support. The MFA programme is under the competences of my colleague Commissioner Joaquin Almunia.

- Controls

MFA assistance is provided in the form of budget support. The Commission signs a MoU with the Kosovo authorities, which stipulates that payments will be made in stages and are subject to stringent conditions. In addition, EU member states are consulted before disbursement. The relevant Financing Agreement also includes provisions for inspection, fraud prevention and audits in line with the Financial Regulation, as well as explicit references to the right of the European Anti-Fraud Office and the European Court of Auditors to carry out controls at any time.

In addition to the Instrument for Pre-Accession Assistance (IPA), and Macro-Financial Assistance (MFA), EU financial support to Kosovo includes support from the European Initiative for Democracy and Human Rights (EIDHR) and small scale pilot actions amounting to a total of € 1.5 million under a specific initiative of the European Parliament in the area of cultural heritage. An overview is enclosed in annex 3.

This funding is subject to the terms and conditions of the Grant and Financing Agreements for the respective programmes concerned, including the IPA Framework Agreement signed with the authorities. These documents include detailed descriptions of arrangements allowing for the inspection, fraud prevention and audits in line with the Financial Regulation. They also include explicit references to the right of the European Anti-Fraud Office and the European Court of Auditors to carry out controls at any time. With the exception of the MFA, the Commission manages all these programmes itself under centralised management through the ECLO in Pristina.

5. How long will the Commission continue to fund UNMIK?

The only EU funding for UN operations in Kosovo has been for UNMIK Pillar IV. Pillar IV was liquidated on 31 October 2008. EU funding for UNMIK has ended.

6. EULEX will deploy in the South, UNMIK in the North? Control of EULEX expenditure?

- EULEX deployment in the South, UNMIK in the North

EULEX is to deploy throughout Kosovo including northern Kosovo. High Representative Solana confirmed that the mission has achieved initial operational capability for the EULEX mission in Kosovo on 9 December. The mission will

implement its mandate in conformity with the Council Joint Action 2008/124/CFSP adopted by Council on 4 February 2008.

In accordance with the UN Secretary General report of 24 November, UNMIK is downsizing and restructuring its presence in Kosovo. The EU has not and will not fund any residual UNMIK operations in the North or anywhere else in Kosovo.

- Control of EULEX expenditure

Council Joint Action 2008/124/CFSP of 4 February 2008 established the European Union Rule of Law Mission in Kosovo, EULEX KOSOVO. The budget intended for the first 16 months of the mission amounts to € 205 million but this could vary according to developments. € 120 million has been committed in 2008. EULEX is financed under its own budget line (19 03 03, Conflict Resolution and other Stabilisation Measures), which is managed by DG RELEX in accordance with the Community rules and procedures applicable to the general budget of the EU.

As for all CFSP Joint Actions, the Head of Mission of EULEX KOSOVO has a Special Adviser contract with the Commission, providing him with a dedicated budget. The contract obliges him to apply the Financial Regulation and its Implementing Rules. Control mechanisms include a requirement that the mission provide monthly financial statements to the Commission, interim reports as a condition for additional payments and an audited final report at the end of the contract. Quarterly external audits will be performed to certify that the financial statements comply with the financial provisions of the contract. The Commission itself will also carry out regular on the spot checks. All financial documents need to be kept for 7 years after the termination of the mission, with a view to possible controls by the European Court of Auditors. The EULEX budget is part of the competences of Commissioner for External Relations Ms Benita Ferrero-Waldner.

Bulgaria

7. ~~There are a lot of frauds. Cutting funding is only a sanction, not a recovery. How will the Commission ensure effective recovery of misused funds?~~

~~All EU funds spent irregularly are subject to recovery actions. In practice for the PHARE programme, this means that for each programme a clearance of account will take place (i.e. further payments are made by the EC or funds overpaid are recovered from Bulgaria) once these programmes expire. Only contracts not affected by irregularities will be eligible for EU funds.~~

Pre-accession funds

8. ~~Is the Commission in full control of spending in Croatia, Serbia, former Yugoslav Republic of Macedonia and other Western Balkans? How are the control systems functioning?~~

~~As regards Croatia, pre-accession assistance is managed on a decentralised basis, and ex-ante controls operated by the Delegation remain an integral part of this~~

Annex 1:

Summary description of assistance in the energy field managed by the EAR (1999 to 2006):

Out of the total of € 402 million of EU assistance to the energy sector in Kosovo during the period 1999-2006, a total of € 372.6 million is related to the Kosovo Energy Corporation, KEK, under the auspices of the Kosovo Trust Agency (KTA), a component of Pillar IV of the UN's Mission in Kosovo (UNMIK). This assistance was provided under EAR management.

1. Support to public utility KEK through grants with UNMIK, salaries for KEK staff, emergency repairs and consumables: € 13.2 million
2. Imports of energy (winters 1999/2000 and 2000/2001): € 48.3 million
3. Kosovo B € 177.5 million: power plant-emergency repairs, overhaul, spare parts, fire-damage repair, and technical assistance for projects preparation and supervision: providing the emergency spares, consumables, fuel, chemicals, the rehabilitation of both generation units, and other main equipment and facilities, rehabilitation of steam generators, turbines, electrical and C&I instrumentation, supporting preventive and predictive maintenance activities, dust filter, power transformer, lifts, etc)

In addition, EU financing targeted pollution reduction through refurbishment of Kosovo B1 dust filter. With EC funding a programme was carried out in 2004 to improve the management of the ash disposal areas but there is still a lot to be done to recover the polluted areas. A pre-feasibility study to identify the measures and related cost for pollution mitigation in Kosovo B power has been supported as well.

4. Coal Mines € 93.6 million - emergency repairs and supplies, refurbishment of mining equipment, supply of equipment and spares and different kind of equipment for the maintenance workshop (Kosovomont), environmental improvements, and refurbishment of mining equipment for opening the new mine SW Sibovc: provision of spares, consumables, fuels, auxiliary machines, mining special trucks, rehabilitation of the existing heavy coal mining machinery, preparation of the planes for the mines, etc. Also, an EU funded Environmental Impact Assessment with an environmental action plan for the existing coal mines and power plants of KEK were carried out in 2003. Following the results of the study EU has supported (under the EC 2004 programme) the supply of equipment for fire fighting in the coal mines. The EU-funded mining plan for the new Sibovc mine included an environmental impact assessment and environmental management strategy.
5. Construction of 2 distribution sub-stations for KEK: support was directed at upgrading the distribution electricity network. Two distribution substations were financed to reduce bottle necks and technical losses, and to provide a better supply for the costumers. € 9 million

6. Computerised accounting system, revenue collection equipment, and training equipment for KEK: € 5 million
7. Management support, technical assistance and training programme, public awareness campaigns for KEK: capacity building in the form of management support to KEK has played an important role in the overall EU assistance to the sector. The investments were allocated over seven years for management and technical assistance, mainly for the supervision of EC funded rehabilitation projects and upgrading of maintenance facilities, but also for project management support. Training for KEK Employees was supported as well. € 26 million

The remaining **€ 29.4 million** were contracted for non-KEK-related activities, such as transmission HV metering, power transformers, relay protection (€ 13 million), district heating (€ 8 million), and institutional support to the Ministry for Energy and Mines, the Energy Regulator's Office, etc. (€ 8.4 million)

Future assistance to Kosovo in the energy sector (to be managed by ECLO)

Under IPA 2007 (€3 million) and 2008 (€9.5 million), the intervention in the energy sector will focus on strengthening the transmission system (which remains in an unbundled public company) through investments to interconnections and substations. This will help improve reliability of power supply both inside Kosovo and for the whole region.

IPA will also provide continued assistance to Kosovo to help it meet its obligations under the regional Energy Community Treaty, help develop Kosovo's regulatory framework (through technical assistance to the Energy Regulatory Authority) to help develop the energy sector in a competitive market economy framework. Furthermore, it will help develop renewable energy options and, via environmental programmes, help mitigate the serious effects of continued lignite generation on Kosovo's environment.

Annex 2:

ASSISTANCE PLEDGED TO KOSOVO AT THE DONORS CONFERENCE

The Commission's pledge at the Donors' Conference amounts to **€508.1 million**.

This amount consists of:

- **€358.1 million of EU assistance to be provided under the IPA programme**, which is managed directly by the ECLO under centralised management.

Sources:

- (1) €258.1 million of existing IPA multi-annual allocations (2008-2010 budgets)
- (2) €60 million transferred from the Macro-Financial Assistance (MFA) line to the IPA line (2008) (Transfer ref DEC38/20082 approved on 10 November)
- (3) € 40 million under the IPA line (Amending letter No 1 2009 budget) voted by EP on its first reading amendments in plenary on 24 October.

- **€150 million under the Macro-Financial Assistance (MFA) line**, to be provided as budget support to be managed by DG ECFIN.

Sources:

- (4) €50 million under the MFA line (committed with budget 2007)
- (5) €100 million in MFA funding to be allocated from the 2009-2011 budgets.

Following up on the commitment made at the Donors' Conference, the Kosovo authorities decided to restructure and strengthen their donor coordination capacity by setting up the Agency of Development Coordination and European Integration in October 2008. The Agency is to report to the Deputy Prime Minister and should be fully operational by February 2009.

Annex 3:

STATE OF PLAY OF ASSISTANCE FOR POLITICAL AND ECONOMIC DEVELOPMENT

BUDGET LINES, AS RELEVANT FOR THE 2009 BUDGET PROCEDURE	
Macro-Financial Assistance	01 03 02
IPA	22 02 02
Stability Instrument	19 06 01 01
EIDHR	19 04 01
Pilot actions	22 02 08
CFSP	19 03 03

Instrument of Pre-Accession

IPA 2007

Although not part of the pledge, under the IPA 2007 annual programme, €62 million has been committed for Kosovo. The IPA Committee discussed the programme on 23 October and the Financing Decision was approved by the Commission on 28 November 2007. The Financing Agreement was signed on 28 February 2008. The programme is being implemented by the ECLO under centralised management. The ECLO is on track to have 50% contracted by the end of 2008, and the remainder contracted by the end of 2009.

IPA 2008

- The first part of IPA 2008 annual programme, €122.7 million has been committed. The IPA Committee discussed the programme on 18 July, the Financing Decision was approved on 6 October and the Financing Agreement signed on 9 October 2008.
- The second part for a total of €60 million (transferred from MFA) is in the ultimate stages of approval. The IPA Committee gave a positive opinion on the programme via written procedure on 28 November. The Commission Decision should be taken before the end of this year.

IPA 2009

The programming of €106.1 million of the IPA 2009 annual programme is proceeding on time. It is foreseen to be submitted to the opinion of the IPA Management Committee on 24 April 2009.

Macro-Financial Assistance (MFA)

The 2007 allocation of € 50 million has been committed and can be disbursed until the end of 2010. To date, no disbursements have been made as all the criteria established in the Memorandum of Understanding signed by the Commission with Kosovo authorities in December 2007 have not yet been met.

European Initiative for Democratisation and Human Rights (EIDHR)

The EIDHR "Country Support Scheme Programme" has allocated €0.9 million to Kosovo for the first time in 2007. Call for proposals were organised during 2007. The selection of the civil society organisations that will benefit from this programme has taken place during 2008. All contracts have been signed by the ECLO beginning of December.

Instrument for Stability (IfS)

A contribution agreement of €5 million has been signed with UNOPS for the "Vetting of judges". The project envisages the establishment of an independent judicial and prosecutorial commission within the Kosovo Judicial Council in order to select judges and prosecutors of the highest professional and moral standards. To that end, the project will implement a thorough vetting process to select candidates for appointment as judges and prosecutors, based on merit, professional qualifications and experience, as well as professional and personal. This project will complement the "EULEX" rule of law mission.

Pilot scheme for preserving and restoring cultural heritage in conflict areas

Following the adoption by the EP of the amendment to the European budget in December 2007 regarding a "*pilot scheme for preserving and restoring cultural heritage in conflict areas in the Western Balkans*", DG Enlargement has attributed half of the total amount to Kosovo (€ 1.5 million). The EC Liaison Office in collaboration with the Ministry of Culture has drafted a project to rebuild a historical municipal building in Prizren and use it to organise educational activities on cultural heritage matters. The Commission's financing decision should be adopted early February. The first tenders will be launched subsequently and the first contracts are expected to be signed by end of June 2009.

STATE OF PLAY OF FUNDING FOR EU MISSIONS AND INTERNATIONAL PRESENCE

UNMIK Pillar IV

The EU budget has financed the operational cost of the Pillar IV of UNMIK since its inception to date with €165 Million. [Sources: €910,000 in 1999 (Council Joint Action 1999/522/CFSP of 29 July 1999), €290,000 as extension of the previous (Council Joint Action 1999/864/CFSP of 21 December 1999); € 154 million between mid 2000 to February 2008 from the CARDS/IPA programmes; €9.2 million from the Instrument for Stability starting from 1 March 2008 for operations until 30 June [and liquidation until end of October 2008]. The EU funding for UNMIK has now ended.

EULEX

The Council Joint Action 2008/124/CFSP of 4 February 2008 established the European Union Rule of Law Mission in Kosovo, EULEX KOSOVO. The budget for the first 16 months of the EULEX mission amounts to € 205 million. The EULEX budget could vary according to developments.

EUSR office / International Civilian Mission

The Council Joint Action 2008/123/CFSP of 4 February 2008 appointed Peter Feith as European Union Special Representative in Kosovo. The operational expenditure of his activities as EUSR is financed by the CFSP budget.

The Joint Action foresees that the powers and authorities of the EUSR and the powers and authorities of an International Civilian Representative shall be vested in the same person. As ICR he is assisted by an International Civilian Office. The Stability Instrument is financing around 50% of the yearly operational expenditure of this office via a contribution agreement with ICO (€ 10 million in 2008)

OVERVIEW OF PROJECTS INCLUDED IN IPA 2008, €122.7 million

Political Criteria (26%)		
Project 1	Strengthening the Rule of Law	€13 million
Project 2	Preserving Cultural Heritage in Kosovo	€ 2.5 million
Project 3	Public Finance Administration	€ 6 million
Project 4	Public Administration Reform (EU Integration)	€ 4 million
Project 5	Support to Media and Civil Society	€ 2.5 million
Project 6	Sustainable Return and Reintegration	€ 4 million
Economic Criteria (56%)		
Project 7	Rural development System and Pilot Testing	€ 4 million
Project 8	Support to Energy Efficiency and Transmission	€ 9.5 million
Project 9	Support to Privatisation Process	€ 6 million
Project 10	Business Development	€ 1 million
Project 11	Municipal Infrastructure	€ 14 million
Project 12	Regional Development Structures and Instruments	€ 6.6 million
Project 13	Support to Education and Employment	€ 10 million
Project 14	Improving Environment	€ 18 million
Ability to Assume the Obligations of Membership (8%)		
Project 15	Support to Animal Health and Registration	€ 3 million
Project 16	Support to Civil Aviation Regulatory Office	€ 1 million
Project 17	Support to the Statistical Office of Kosovo	€ 1.5 million
Project 18	Support To Health	€ 1.5 million
Project 19	Strengthening Customs and Taxation	€ 3 million
Reserve and GTAF (10%)		

Complementing this €122.7 million, Kosovo's authorities have earmarked €29.2 million for co-financing the programme. In addition, €2 million are earmarked for Kosovo in the 2008 Multi-Beneficiary programme: €1.8 million for Tempus and €0.2 million for nuclear safety and radiation protection.

A second package of IPA 2008 funding for a total of €60 million is under approval. This funding will help upgrade and reconstruct court houses and other premises relevant to the development of the rule of law in Kosovo, open a 'Kosovo window' under the Infrastructure Project Facility enabling Kosovo to draw loan finance from IFIs in aid of infrastructure development, and constitute the Commission's contribution to two trust funds set up by the World Bank to help cover contingent liabilities and employment initiatives.

OVERVIEW OF PROJECTS INCLUDED IN IPA 2007, €62 million

Political Criteria (27%)		
Project 1	Building the capacity of Kosovo's institutions to develop EU compatible legislation and policy	€ 6 million
Project 2	Strengthening the rule of law	€ 7 million
Project 3	Return, Reintegration and Cultural Heritage in Kosovo	€ 3.7 million
Economic Criteria (53%)		
Project 4	Developing an enabling economic environment for all of Kosovo's communities	€ 11 million
Project 5	Reconstruction of essential road infrastructure	€ 8 million
Project 6	Supporting local government and decentralisation	€ 12.4 million
Project 7	Advancing education in Kosovo: inter-culturalism and the Bologna Process	€ 1.4 million
Ability to Assume the Obligations of Membership (10%)		
Project 8	Meeting EU standards in the energy sector	€ 3 million
Project 9	Meeting EU standards in food safety and veterinary services	€ 2 million
Project 10	Meeting EU standards in public procurement	€ 1.5 million
Reserve and GTAF (10%)		

Complementing this €62 million, Kosovo's authorities have earmarked €14 million for co-financing the programme.

In addition, €6.3 million are earmarked for Kosovo in the 2007 Multi-Beneficiary programme: €2.8 million in support of higher education through the Tempus and Erasmus Mundus programmes, and €3.5 million for the customs and taxation programme.

4. Kosovo

A total of seven questions relating to Kosovo concern the responsibilities of the European Agency for Reconstruction (EAR). The mandate of the EAR (Council Regulation 2667/2000 of 5 December 2000) confirms that the EAR was fully and exclusively responsible for the financial management of Community assistance to Kosovo. The Director of the EAR reported to the EAR's Governing Board composed of the EU Member States and the Commission. The EAR mandate explicitly provided for OLAF and the Court of Auditors to carry out on-the-spot checks on recipients of EAR funds and on the intermediaries distributing them. The EAR was responsible for Community assistance to Kosovo until 1 July 2008, when its responsibilities for CARDS were transferred to the European Commission's Liaison Office. The EAR is to be closed by the end of 2008, i.e. in 3 weeks' time.

The following questions relate to the EAR, which provided us with the following information:

Pour la période 1999-2006, l'UE a supporté le Kosovo avec 1,814 Mrd. Euro.

Quels projets et paiements ont été effectués au Kosovo en 2007 a) pour UNMIK (pillar 4) et b) pour des firmes externes?

In 2007, the EAR signed 86 new contracts for Kosovo for an amount of €74 million. (see list attached). Out of the 86 new contracts, 63 were signed with external firms for a total amount of €59 million. (see list attached)

Since its inception in 1999, UNMIK Pillar IV was first funded under the CFSP budget through Council Joint Action 1999/522/ and 1999/864. Since 2000, in accordance with Council Regulation 1080/2000, UNMIK Pillar IV has been financed under CARDS and subsequently by IPA. These funds were not used to finance projects in Kosovo but to fund the running costs of UNMIK Pillar IV.

During the period from 1 January 2007 to 29 February 2008, three different contracts were signed with the SRSG. One contract was signed under CARDS (CARDS/2006/132-412) and two contracts were signed under IPA (IPA/2007/140-946) and (IPA/2007/144-713 & 2007/140-946 extended).

The amounts paid were € 9,916,000 € for CARDS/2006/132-412, € 12,211,108 for IPA/2007/140-946 and € 8,492,897 for IPA/2007/144-713 & 2007/140-946 extended, making a total of € 30,620,005.

Quel est le montant des irrégularités et/ou fraudes ont détectés au Kosovo pendant la période 2000 – 2006 et en 2007 ?

As concerns EU funds managed by the EAR, one case of irregularity has been detected so far. This case involved the Kosovo Trust Agency (KTA) and UNMIK Railways. In October 2005, EAR informed DG Enlargement that a KTA audit for the grant contract to UNMIK Railways failed to substantiate adequately expenses of €252,009.64. The documentation in the procurement of some contracts was insufficient. This message was forwarded to OLAF, OF/2005/0424, in November 2005. In February 2006, the EAR issued a recovery order for this amount. In March 2006 this amount was recovered and transferred to EAR accounts. Subsequently OLAF closed the case. It was not established that this case was fraud.

Des audits internes / externes ont été effectués au Kosovo ? Quelles entités ont été auditées ? Quels sont les résultats de ces audits ?

The EAR has been audited at least once a year by the European Court of Auditors. The latest audit was in the first week of November 2008. We are still awaiting the report. The result of the audit this year is likely to be the same as the last four years: a certification of the accounts of the Agency without any reservation or restriction.

All EU funds managed by the EAR are subject to audit or verification. The EAR organised annual external audits of all the credit schemes it is responsible for in Kosovo. The audits found that the schemes were effective and well implemented.

All interim and final payments under EAR service contracts and grants have been subject to an expenditure verification report produced by auditors. This has allowed the EAR to deal with any anomalies, which have been reported to OLAF where appropriate.

For works contracts, the supervising engineers were required to check and verify the quantities of works undertaken. And for supplies contracts, the equipment delivered was checked and verified by the beneficiary and the EAR. Anomalies have, where appropriate, been reported to OLAF.

Combien d'études ont été réalisées par la Commission au Kosovo en 2007? Quel était le montant payé pour les études réalisées ?

In 2007, contracts for a total of 17 studies amounted to €2.675.915 and, on these contracts, payments up to the end of June 2008 totalled €2.334.448.

The Investigation Task Force ITF established to investigate financial irregularities and fraud with EU money in Kosovo closed down its operation in August 2008. Its final report identified criminal conduct also of UN staff; several international warrants were issued without any consequences drawn from it by the UN.

How many cases have been discovered by ITF? How much money is concerned by irregularities and suspected fraud, especially related to KEK (Korporata Energjetike E Kosoves) and to the Prishtina International Airport? What follow-up has the Commission given to the cases discovered by ITF especially the cases related to KEK (Korporata Energjetike E Kosoves) and to the Prishtina International Airport and how much money was recovered?

The Investigation Task Force (ITF) was a structure set up by the UN's OIOS, OLAF and the Financial Investigation Unit. The ITF reported exclusively to the UN's Special Representative (SRSG) in Kosovo.

The ITF submitted its final report on 9 June 2008 to the SRSG, following a joint decision by the three composite parties, which considered that the political and judicial situation had profoundly changed following the adoption of the constitution of Kosovo (which came into force on 15 June), and that the ITF mandate had been fulfilled. The ITF was dissolved at the end of August 2008.

In total, the ITF treated 50 files, of which 11 were the subject of legal prosecution and were referred to the SRSG for forwarding to the legal authorities in Kosovo. One additional file has been forwarded to OLAF; DG Enlargement has asked OLAF for details.

As regards the number of cases of irregularities and suspected fraud discovered by ITF, the Commission does not have the detailed information, which is only available at the SRSG. The Commission therefore cannot provide the information required in the deadline foreseen in the present reply. DG Enlargement has approached OLAF with a request to help it answer the questions above. The Commission will also approach the office of the SRSG with a request for information.

As concerns EU funds managed by the EAR and particular cases of fraud:

- As regards Pristina Airport, the EAR only managed the supervision of an approach road to the Airport. There was no mention of this contract in the ITF Report on Pristina Airport.
- As mentioned above, only one case of irregularity has been reported, involving the Kosovo Trust Agency (KTA) and UNMIK Railways on a grant contract, for an amount of €252,009.64. In February 2006, the EAR issued a recovery order for this amount, which was recovered in March 2006. Subsequently OLAF closed the case without follow-up.
- As regards KEK, the only case of fraud known to the Commission relates to KEK's own funds, which were embezzled by an UNMIK employee. As indicated in Commissioner Rehn's reply to CoCoBu chairman Mr Bösch sent on 9 September this year, "The EAR initiated the OLAF investigation into the mismanagement and corruption, which involved an international member of staff of UNMIK Pillar IV and which eventually led to a successful prosecution. However, it is important to note that this fraud did not relate to EU funding."

What pressure will the Commission put on the UN to ensure that also from UN side, a follow-up to the allegations of criminal conduct by UN staff is given?

The Commission pays the utmost attention to fight against corruption in Kosovo. However, when no EU funds are involved, it remains the responsibility of the UN OIOS to ensure that relevant findings regarding criminal behaviour with staff from UN Missions will be brought to the attention of the UN Secretary General so that the appropriate follow up can be ensured.

**Will there be a successor organisation for fight against fraud and irregularity?
What other measures will be taken to ensure that the fight against fraud and irregularities with respect to EU funds will be continued effectively?**

The functions previously fulfilled by ITF continue to be assured. The OIOS still supervises operations by the UN, OLAF ensures the protection of the financial interests of the EU in Kosovo, and the FIU operates within the framework of EULEX.

The EULEX mission started operations on 9 December 2008. It will focus on fighting organised crime and will combine an executive capacity centred on an Organised Crime Executive Unit supported by additional units within the mission, which include a Financial Investigation Unit (FIU), and a non-executive role to monitor, mentor and advise the Kosovo authorities. The EULEX Organised Crime Executive Unit is composed of two teams of 30 persons each and will be dealing with serious organised crime cases with an international element in the alleged criminal offence. The FIU has been transferred from UNMIK to EULEX to continue dealing with financial irregularities linked to the Kosovo Consolidated Budget. The EULEX executive role will also entail the follow-up prosecution and trial of serious organised crime cases by a dedicated team of EULEX international prosecutors and judges.

The EU will also continue financing the Auditor General through its contribution to the International Civilian Office in Kosovo.

In addition, within the framework of the Stabilisation and Association Process Tracking Mechanism and the preparation of its annual Progress Report, the Commission will continue to monitor closely Kosovo's efforts to approximate its procedures and standards for financial management and control to those used and internationally recognized as best practice.

Finally, within the framework of EU financial assistance to Kosovo, the Commission can confirm that under the annual IPA programme for Kosovo 2008 it has programmed € 2.5 million of twinning and technical assistance to strengthen the capacity of the Office of the Auditor General by developing its ability to carry out audits to EU and international standards, and to support the operation of the financial control framework and internal audit systems in Kosovo's public institutions.

The fight against corruption and organised crime in Kosovo is a key priority for the Commission. Under the annual IPA programme for Kosovo 2007, € 1 million of technical assistance has been allocated to capacity building of the Kosovo Anti Corruption Agency. This is used to support the assessment, deployment and enforcement of anti-corruption policies and accompanying legal frameworks in line with EU standards and best practice, and to enhance inter agency cooperation in investigating and prosecuting corruption cases, and the launching of awareness campaigns.

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One of the key priorities for the preparation for EU integration is the readiness of candidate and potential candidate countries as regards the adoption of internationally agreed and EU compliant principles, standards and methods of public internal financial control (PIFC) that should apply to the internal control systems of the entire public sector, including the spending of EU funds. Progress (or the lack of it) in the countries concerned is closely monitored by the Commission and reported upon in the Progress reports

Kosovo

115. déplore les cas de fraude et de mauvaise gestion des fonds européens décelés en ce qui concerne les fonds que l'Union a consacrés à la reconstruction au Kosovo ;

ELARG

It is correct that since 1999 several cases of fraud have been detected in Kosovo. An OLAF/OIOS (UN Office of International Oversight) Investigation Task Force conducted a series of investigations in Kosovo in 2004/2005. The ITF found several cases of wrongdoing in the Publicly Owned Enterprises and the KEK and Pristina Airport. These concerned cases of corruption, forgery of documents, sale of working certificates, etc. Some cases have resulted in successful judicial proceedings, which were concluded with the imprisonment of the perpetrators and the recovery of funds. However, it is important to note that none of these cases involved EU funding. At the end of 2008 out of the total of cases subject to evaluation or investigation by OLAF only four concerned Kosovo.

116. demande à la Cour des comptes de faire un rapport spécial sur l'efficacité des systèmes de contrôle mis en place par la Commission concernant les fonds européens reçus par le Kosovo ainsi que sur leur performance en ce qui concerne la prévention de fraude et de vérifier si ce financement a été pleinement soumis aux conditions prévues par les accords pour les programmes concernés, y compris les règles de l'instrument d'aide de préadhésion¹ et le règlement financier;
117. propose que la Commission demande au gouvernement du Kosovo une attestation d'audit de la Cour des comptes de ce pays en ce qui concerne les fonds européens, notamment ceux qui sont budgétisés;

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Current EU funding in Kosovo not directly related to the EU presence in Kosovo (EULEX rule of law mission, and the office of the EUSR/ICR), comprises the remainder of the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme, the Instrument for Pre-Accession Assistance (IPA), Macro-Financial Assistance (MFA), the European Initiative for Democracy and Human Rights (EIDHR) and small scale pilot actions in the area of cultural heritage under a specific initiative of the European Parliament.

¹ Règlement (CE) n° 1085/2006 du Conseil du 17 juillet 2006 établissant un instrument d'aide de préadhésion (IAP) (JO L 210 du 31.7.2006, p. 82).

At the current time the Kosovo authorities are not involved in the management of pre-accession assistance funds. These funds are managed by the Commission itself under centralised management through the Commission's Liaison Office in Pristina and are subject to the terms and conditions of the Grant - and Financing Agreements for the respective programmes concerned, as well as the IPA Framework Agreement signed with the authorities. These documents include detailed descriptions of arrangements allowing for the inspection, fraud prevention and audits in line with the Financial Regulation. They also include explicit references to the right of the European Anti-Fraud Office and the European Court of Auditors to carry out controls at any time.

Within the framework of the provisions for decentralised management, which would be put in place in Kosovo some time in the future, the local authorities will need to appoint a national audit authority. This authority would at that point be competent to audit EU funds and would then be in a position to issue the certification suggested. In the meantime, the Commission will continue to intensify its cooperation with the competent audit bodies in Kosovo.

The only exception to the above is Macro-Financial Assistance (MFA), which is to be provided in the form of budget support. However, for payments under the MFA to be possible the Commission should sign an MoU with the Kosovo authorities stipulating that payments be subject to stringent conditions. In addition, EU member states are to be consulted before disbursement. The relevant Financing Agreement already includes provisions for inspection, fraud prevention and audits in line with the Financial Regulation, as well as explicit references to the right of the European Anti Fraud Office and the European Court of Auditors to carry out controls at any time.

118. Recalls that the Investigation Task Force (ITF) established to investigate financial irregularities and fraud concerning EU funds in Kosovo finished its operations in August 2008, that its final report identified criminal conduct on the part of, among others, UN staff, and that several international warrants were issued without any results being achieved in that regard by the UN; asks the Commission to press for the execution of these warrants; asks the Commission furthermore to present a report on the legal follow-up to all cases discovered; requests the establishment of a successor organisation in the fight against fraud and irregularity involving the Commission and OLAF;

ELARG

The continuation of the functions of the ITF is assured, even if the ITF itself was dissolved in the summer of 2008. The UN's OIOS still supervises UN operations in Kosovo, OLAF ensures the protection of the financial interests of the EU in Kosovo, and the FIU operates within the framework of the EU's ESDP Rule of Law mission EULEX. In December 2008, the Commission addressed the Special Representative of the UN's Secretary-General in Kosovo with a request for details on the results of ITF investigations. In the absence of a reply, a reminder was sent at the beginning of February. L'Agence de Reconstruction européenne (EAR) n'existe plus mais l'OLAF travaille en étroite coopération avec la délégation de Pristina (ECLLO: European Commission Liaison Office) et continue à gérer les dossiers d'enquêtes qui lui sont soumis



9 July 2009

Mr. Pierre Mirel
European Commission

Dear Mr. Mirel, *Cher Pierre,*

I would like to thank you for your letter dated 7 May 2009 addressed to the Auditor General of Kosovo, Mr. Lars Lage Olofson and whereby you kindly copied myself and the Head of the EULEX Justice Component.

Following an assessment by the Chief EULEX Prosecutors on the case files transferred by UNMIK's Investigation Task Force (ITF) it seems that these cases gave rise to two reports of the Secretary General of the United Nations to the General Assembly.

The first report dated 13 November 2003 refers to fraudulent diversion in 2001 of more than 4.3 millions USD obtained from KEK by a former senior UNMIK staff member. This person has been convicted in his home country in July 2002.

The second report deals with investigations conducted by ITF into fraud and corruption allegations at Pristina Airport. 35 cases are related to the airport and 9 reports were considered to be criminal cases.

Out of these 9 reports, 3 of them triggered 6 investigations that are all dismissed, terminated or lead to the acquittal of the accused. 3 other reports recommended not starting an investigation since no criminal offence had been established and the 3 last reports could not be found anymore within UNMIK.

Finally, please be informed that all these closed cases have been archived with the local authorities and no active cases existed the moment EULEX took over from UNMIK.

Yours sincerely,

Yves de Kermabon
Head of EULEX Mission

EULEX Kosovo

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OVERVIEW OF PROJECTS INCLUDED IN IPA 2010, €63.9 million

Political Criteria (39%)		
Project 1	Strengthening the rule of law	EUR 12.3 million
Project 2	Governance	EUR 2.0 million
Project 3	Public administration reform	EUR 5.5 million
Project 4	Communities and education	EUR 5.0 million
Economic Criteria (33%)		
Project 5	Public finance	EUR 1.5 million
Project 6	Regional economic development	EUR 17.5 million
Project 7	Agriculture and rural development	EUR 2.0 million
European Standards (19%)		
Project 8	Veterinary and food safety	EUR 1.5 million
Project 9	Energy sector reform	EUR 2.0 million
Project 10	Environment	EUR 8.5 million
Support activities (9%)		

Complementing this €63.9 million, this programme is also co-financed for an amount of €47.02 million.

In addition, €2.2 million for Tempus are earmarked for Kosovo in the 2010 Multi-Beneficiary programme.

The 2007-10 European Instrument for Democracy and Human Rights (EIDHR) Programme managed by DG AIDCO includes an annual allocation of € 0.9 million for Kosovo.

OVERVIEW OF PROJECTS INCLUDED IN IPA 2009, €103.6 million

Political Criteria (41%)		
Project 1	Strengthening the Rule of Law	EUR 12.05 million
Project 2	Strengthening the human resources and the institutional capacity of the Kosovo local public administration	EUR 6.50 million
Project 3	Support to communities	EUR 3.125 million
Project 4	Support to the cultural sector	EUR 3.00 million
Project 5	Support to the media sector	EUR 4.00 million
Project 6	Support to culture, youth and sport	EUR 14.00 million
Economic Criteria (30%)		
Project 7	Trade and regional development	EUR 7.80 million
Project 8	Support to employment and education	EUR 10.30 million
Project 9	Improvement of IT system in the taxation administration	EUR 5.00 million
Project 10	Further support to the agriculture sector	EUR 7.70 million
European Standards (19%)		
Project 11	Support to the environment sector	EUR 4.80 million
Project 12	Support to transport and energy	EUR 15.00 million
Support activities (10%)		

Complementing this €103.6 million, this programme is also co-financed for an amount of €17.28 million.

In addition, €2.5 million are earmarked for Kosovo in the 2009 Multi-Beneficiary programme: €2.2 million for Tempus and €0.3 million for nuclear safety and radiation protection.

The 2007-10 European Instrument for Democracy and Human Rights (EIDHR) Programme managed by DG AIDCO includes an annual allocation of € 0.9 million for Kosovo.

OVERVIEW OF PROJECTS INCLUDED IN IPA 2008 part II, €60 million

Political Criteria (42%)		
Project 1	Upgrade of Infrastructure in the Rule of Law Sector	EUR 25 million
Economic Criteria (58%)		
Project 2	Infrastructure Project Facility – Kosovo Window	EUR 25 million
Project 3	Contribution to the World Bank's Trust Funds for Kosovo	EUR 10 million

OVERVIEW OF PROJECTS INCLUDED IN IPA 2008 part I, €122.7 million

Political Criteria (27%)		
Project 1	Strengthening the Rule of Law	EUR 13.763 million
Project 2	Preserving Cultural Heritage in Kosovo	EUR 2.500 million
Project 3	Public Finance Administration	EUR 5.876 million
Project 4	Public Administration Reform (EU Integration)	EUR 4.465 million
Project 5	Support to Media and Civil Society	EUR 2.388 million
Project 6	Sustainable Return and Reintegration	EUR 3.981 million
Economic Criteria (64%)		
Project 7	Rural development System and Pilot Testing	EUR 3.965 million
Project 8	Support to Energy Efficiency and Transmission	EUR 11.912 million
Project 9	Support to Privatisation Process	EUR 6.000 million
Project 10	Business Development	EUR 0.993 million
Project 11	Municipal Infrastructure	EUR 20.963 million
Project 12	Regional Development Structures and Instruments	EUR 8.827 million
Project 13	Support to Education and Employment	EUR 9.668 million
Project 14	Improving Environment	EUR 16.487 million
European Standards (8%)		
Project 15	Support to Animal Health and Registration	EUR 2.665 million
Project 16	Support to Civil Aviation Regulatory Office	EUR 1.000 million
Project 17	Support to the Statistical Office of Kosovo	EUR 1.498 million
Project 18	Support To Health	EUR 1.499 million
Project 19	Strengthening Customs and Taxation	EUR 2.749 million
Support activities (1%)		

Complementing this €122.7 million, this programme is also co-financed for an amount of €41.70 million.

In addition, €2 million are earmarked for Kosovo in the 2008 Multi-Beneficiary programme: €1.8 million for Tempus and €0.2 million for nuclear safety and radiation protection.

The 2007-10 EIDHR Programme managed by DG AIDCO includes an annual allocation of € 0.9 million for Kosovo.

In addition to IPA in 2008, a pilot action on cultural heritage in war affected areas of the Western Balkans is foreseen with sub-projects in Kosovo and Bosnia and Herzegovina,

both coordinated by DG ELARG Regional Programmes' unit. The allocation for Kosovo is € 1.5 million.

OVERVIEW OF PROJECTS INCLUDED IN IPA 2007, €62 million

Political Criteria (34%)		
Project 1	Building the capacity of Kosovo's institutions to develop EU compatible legislation and policy	EUR 6.450 million
Project 2	Strengthening the rule of law	EUR 5.792 million
Project 3	Return, Reintegration and Cultural Heritage in Kosovo	EUR 8.700 million
Economic Criteria (51%)		
Project 4	Developing an enabling economic environment for all of Kosovo's communities	EUR 10.973 million
Project 5	Reconstruction of essential road infrastructure	EUR 6.694 million
Project 6	Supporting local government and decentralisation	EUR 12.246 million
Project 7	Advancing education in Kosovo: inter-culturalism and the Bologna Process	EUR 1.400 million
European Standards (10%)		
Project 8	Meeting EU standards in the energy sector	EUR 2.985 million
Project 9	Meeting EU standards in food safety and veterinary services	EUR 2.000 million
Project 10	Meeting EU standards in public procurement	EUR 1.350 million
Reserve and GTAF (5%)		

Complementing this €62 million, this programme is also co-financed for an amount of €7.62 million.

In addition, €6.3 million are earmarked for Kosovo in the 2007 Multi-Beneficiary programme: €2.8 million in support of higher education through the Tempus and Erasmus Mundus programmes, and €3.5 million for the customs and taxation programme.

The 2007-10 European Instrument for Democracy and Human Rights (EIDHR) Programme managed by DG AIDCO includes an annual allocation of € 0.9 million for Kosovo.

IPA IMPLEMENTATION KOSOVO (as of 2 May 2011)

	Allocated	Contracted	Paid	% contracted	% disbursed
2007	62,000,000	61,899,498	42,190,826	100%	68%
2008 I	122,700,000	112,234,580	59,962,845	91%	49%
2008 II	60,000,000	37,734,300	23,685,580	63%	39%
2009	103,600,000	56,287,417	24,053,732	54%	23%
2010	63,900,000	7,167,655	2,500,000	11%	4%

OVERVIEW OF PROJECTS INCLUDED IN IPA 2010, €63.9 million

Political Criteria (39%)		
Project 1	Strengthening the rule of law	EUR 12.3 million
Project 2	Governance	EUR 2.0 million
Project 3	Public administration reform	EUR 5.5 million
Project 4	Communities and education	EUR 5.0 million
Economic Criteria (33%)		
Project 5	Public finance	EUR 1.5 million
Project 6	Regional economic development	EUR 17.5 million
Project 7	Agriculture and rural development	EUR 2.0 million
European Standards (19%)		
Project 8	Veterinary and food safety	EUR 1.5 million
Project 9	Energy sector reform	EUR 2.0 million
Project 10	Environment	EUR 8.5 million
Support activities (9%)		

Complementing this €63.9 million, this programme is also co-financed for an amount of €47.02 million.

In addition, €2.2 million for Tempus are earmarked for Kosovo in the 2010 Multi-Beneficiary programme.

The 2007-10 European Instrument for Democracy and Human Rights (EIDHR) Programme managed by DG AIDCO includes an annual allocation of € 0.9 million for Kosovo.

OVERVIEW OF PROJECTS INCLUDED IN IPA 2008 part II, €60 million

Political Criteria (42%)		
Project 1	Upgrade of Infrastructure in the Rule of Law Sector	EUR 25 million
Economic Criteria (58%)		
Project 2	Infrastructure Project Facility – Kosovo Window	EUR 25 million
Project 3	Contribution to the World Bank's Trust Funds for Kosovo	EUR 10 million

both coordinated by DG ELARG Regional Programmes' unit. The allocation for Kosovo is € 1.5 million.

OVERVIEW OF PROJECTS INCLUDED IN IPA 2007, €62 million

Political Criteria (34%)		
Project 1	Building the capacity of Kosovo's institutions to develop EU compatible legislation and policy	EUR 6.450 million
Project 2	Strengthening the rule of law	EUR 5.792 million
Project 3	Return, Reintegration and Cultural Heritage in Kosovo	EUR 8.700 million
Economic Criteria (51%)		
Project 4	Developing an enabling economic environment for all of Kosovo's communities	EUR 10.973 million
Project 5	Reconstruction of essential road infrastructure	EUR 6.694 million
Project 6	Supporting local government and decentralisation	EUR 12.246 million
Project 7	Advancing education in Kosovo: inter-culturalism and the Bologna Process	EUR 1.400 million
European Standards (10%)		
Project 8	Meeting EU standards in the energy sector	EUR 2.985 million
Project 9	Meeting EU standards in food safety and veterinary services	EUR 2.000 million
Project 10	Meeting EU standards in public procurement	EUR 1.350 million
Reserve and GTAF (5%)		

Complementing this €62 million, this programme is also co-financed for an amount of €7.62 million.

In addition, €6.3 million are earmarked for Kosovo in the 2007 Multi-Beneficiary programme: €2.8 million in support of higher education through the Tempus and Erasmus Mundus programmes, and €3.5 million for the customs and taxation programme.

The 2007-10 European Instrument for Democracy and Human Rights (EIDHR) Programme managed by DG AIDCO includes an annual allocation of € 0.9 million for Kosovo.

EULEX KOSOVO

Background

EULEX KOSOVO is the largest-ever CSDP mission. It is also the only CSDP mission with an executive mandate. EULEX KOSOVO was established by Council Joint Action of 4 February 2008 which has been extended several times, the last extension being until 14 June 2012.

The main tasks of EULEX KOSOVO are:

(i) to **mentor, monitor and advise** the competent Kosovo institutions on all areas related to the rule of law: judiciary, prosecution, correctional sector, police, and customs.

(ii) to assume **executive responsibilities** in maintaining and promoting the rule of law, public order and security (ensuring investigation, prosecution, adjudication and enforcement of criminal cases, contributing to the fight against corruption, fraud, etc).

EULEX was preceded by the EU Planning Team (EUPT Kosovo) which was established by the Council in April 2006 in order to prepare for a possible rule of law operation. EULEX was created by Council Joint Action 2008/124/CFSP of 4 February 2008 and deployed during 2008 to reach its initial operational capability in early December 2008 and its full operational capability on 6 April 2009. Its mandate has been extended until 14 June 2012.

The current Head of Mission, Mr Xavier Bout de Marnhac took office on 15 October 2010, succeeding Mr Yves de Kermabon.

The **authorised strength** of the Mission is **3,200** staff members (1,950 international and 1,250 local). On 29 March 2011, there were **2,858** staff member deployed in the Mission (**1670** internationals [1339 seconded and 331 contracted] and **1180** locals).

Budget and financial management systems

EULEX is financed through the CFSP budget. On the basis of the Council legal acts establishing and extending the mandate of EULEX (as well as its predecessor – EUPT), the Commission signed Special Adviser Contracts with successive heads of mission (see the table below). All the expenditure is managed in accordance with the EU rules and procedures applicable to the general budget of the EU.

The Special Adviser Contract sets out in detail his contractual obligations and financial management standards and rules to be followed. The latter include, *inter alia*, Financial Regulation (FR) applicable to the general budget of the European Communities and its Implementing Rules¹, the Commission Communication on CFSP Special Advisers² (the Commission Communication), the Missions Guide³, and the Practical Guide to Contract Procedures for Commission External Action (PRAG).

¹ Commission Regulation (EC, Euratom) No 2342/2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities.

² Commission Communication for Special Advisers of the Commission entrusted with the implementation of operational CFSP actions and contracted international staff, of 21 December 2007.

³ Commission Decision of 18 November 2008 on General implementing provisions adopting the Guide to missions for officials and other servants of the European Commission.

In implementing the Mission budget, the Head of Mission fully reports to and is supervised by the Commission⁴. The main role of the Commission is to ensure that the activities are carried out by the Mission in respect of sound financial management principles. It therefore issues instructions and plays supporting, advisory and monitoring role.

Until 13 April 2011, the Commission (FPI.3) authorised all contracts to be concluded by the Head of Mission of EULEX with a value exceeding EUR 10,000 as well as all international staff employment contracts (i.e., the Commission exercised ‘ex-ante control’).

EULEX KOSOVO is the first CSDP mission that has been entrusted with the responsibility over ex-ante controls which are now performed by the Head of Mission supported by the Mission internal structures and services. The Commission exercise to assess compliance with the requirements for the delegation of powers for *ex-ante* control (‘Article 56 FR compliance assessment’) started in 2009 in close collaboration between EULEX management and former RELEX A/3 (now FPI/3). Following progress made by EULEX in putting in place the structures and processes required by Article 56 FR, on 31 March 2011, the College of Commissioners gave their endorsement for the delegation of implementing tasks to the Head of Mission of EULEX. The final transition to ‘ex-post’ regime took place on 13 April 2011, following the amendments to the Special Adviser Contract.

Both the Mission and the Commission also perform *ex-post* control within the meaning of the Financial Regulation and its Implementing rules.

The Mission structure includes functions dedicated to (i) risk management, (ii) financial control as well as (iii) internal audit. The reliability of Mission financial statements is regularly reviewed by independent external auditors contracted by the Mission. Currently, an audit is performed every four months; up to 15 October 2010, the audits were performed on a quarterly basis. Moreover, at the end of each Special Adviser Contract, the final report and final financial statement also needs to be certified by auditors.

The Commission (FPI.3) also performs regular audits as part of its annual control plan by way of hiring external contractors. Two audits (covering four special adviser contracts) have so far been carried out in relation to EUPT and EULEX and a further one (covering the current contract) is planned for the first half of 2011.

The current financial reference amount (for the period from 15 October 2010 to 14 October 2011) is €165 million. The average spending rate is €10-12 million per month, even with a structural deficit of some 9-10% of staff.

The detailed information on the legal basis and financial commitments related to EULEX (and EUPT) are summarised below:

Stage	Legal basis	Maximum authorised budget, €	Special Adviser contract with the Head of Mission	Committed, €	Paid, €
EUPT	JA 2006/304/CFSP of 10.4.2006, amended by JA 2006/918/CFSP of	€79,505,000 (10.4.2006 – 31.5.2009)	CFSP/2006/015/EUPT Kosovo – Klynge (10.04 – 31.12.2006)	€3,005,000	€1,436,281
			CFSP/2006/033/EUPT Kosovo – Klynge and	€59,100,000	€56,821,268

⁴ Article 16 paragraph 4 of Joint Action 2008/124/CFSP of 4 February 2008.

	11.12.2006 and by JA 2008/228/CFSP of 17.3.2008		CFSP/2008/02/EUPT Kosovo – Reeve (1.1.2007 – 31.5.2009)		
EULEX	JA 2008/124/CFSP of 4.2.2008, amended by JA 2009/445/CFSP of 9.6.2009 and by Council Decision 2010/322/CFSP of 8.6.2010	€265,000,000 (14.02.2008 – 14.10.2010)	CFSP/2008/16/EULEX Kosovo – de Kermabon (1.4.2008 – 31.10.2009)	€120,000,000	€117,500,000
			CFSP/2009/24/EULEX Kosovo – de Kermabon (1.11.2009 – 14.10.2010)	€135,000,000	€126,056,084
	Council Decision 2010/619/CFSP of 15 October 2010 amending JA 2008/124/CFSP of 4.2.2008	€165,000,000 (15.10.2010-14.10.2011)	CFSP/2010/46/EULEX Kosovo – Bout de Marnhac (15.10.2010 – 14.10.2011)	€ 157,323,600 (up to authorized € 165,000,000 could be committed)	€148,000,000



EUROPEAN COMMISSION

EC Liaison Office to Kosovo

Pristina
01/02/2011 –/YG

Overview of the EC assistance in the Rule of Law Sector in Kosovo

The European Commission Liaison Office in Kosovo is, *inter alia*, responsible for the management of EC financial assistance for the Rule of Law sector in Kosovo. This assistance is financed through the CARDS 2006, IPA 2007, IPA 2008, IPA 2009, IPA 2010 and the Instrument for Stability (IfS) programmes.

The breakdown of these programmes is as follows:

CARDS 2006

All projects in the area of Rule of Law under the CARDS 2006 programme have finished (for example the installation of the Case Management of the Information System, renovation of parts of the Dubrava prison, the support of the Kosovo Special Prosecutor's Office, support to the Kosovo Police and the support to the development of a juvenile justice system). The latest projects are described below:

1) Further Support to the Ministry of Internal Affairs

The overall objective of the project is to support the functioning of the MIA as a viable and effective ministry and assist the development and strengthening of effective internal security and public order structures and policies in Kosovo, which guarantee a space of freedom, security and justice for all habitual residents of Kosovo, in accordance with EU standards and best practices. Activities were divided into four components, in institution-building measures, capacity-building measures, and support of the crime pillar within the Kosovo Police as well as monitoring and evaluation. The project ended in November 2009.

2) Further support to Justice Institutions

The Project supported the development and strengthening of effective justice structures and policies in Kosovo by supporting the MoJ to develop a modern and efficient administration system and a more efficient management, by improving the legal drafting, providing trainings on the Court Management Information System (CMIS) to ensure that staff has sufficient knowledge of the system for its operation, and by consolidating the legal aid system in Kosovo through finalising a website for Kosovo Legal Aid and continuing the work on the statistical data-base for Legal Aid. The project started in March 2008 and ended in October 2009.

616 computers have been donated by the European Commission Liaison Office and were installed at the working places of CMIS users in May 2009. Trainings for CMIS users have been delivered during the summer of 2009.

3) Feasibility Study for a housing/ holding facility for asylum seekers

The study assesses the possibilities for sites and a design of an asylum seeker facility. It is anticipated that, during the next years, it will mainly be used for accommodating involuntarily returned persons. Such centre with a capacity to accommodate 50 persons supports the establishment of a reliable system, in accordance with EU standards and best practices, for the reception and maintenance of migrants, asylum seekers and refugees. It has been allocated land for the facility relatively close to Pristina (Podujevo). The EC Liaison Office is cooperating closely with the Ministry for Internal Affairs and UNHCR regarding the detailed design and the technical description. The facility will be realized under the IPA 2008 program.

4) Construction of the Ministry of Internal Affairs HQ Building

Under this project, the construction of the Headquarter Building for the Ministry of Internal Affairs in Pristina is financed. The contract includes also the demolition of two blocks at the building site area. The building will provide much needed modern office space for Ministry staff which will enable the Ministry to offer a working environment corresponding to EU standards and administrative practices in most EU member states. The building was completed by mid December 2009.

5) Infrastructure Support to Integrated Border Management

This project will improve the functioning of selected border/boundary posts through upgrading of their physical infrastructure, including reception centre facilities appropriate for searches and the detention of individuals. Under the project the construction of Glloboçicë/Globocic Border Police and Customs Station building, the construction of Han i Elezit/Đeneral Jankovic Railway Border Police and Customs Station building, as well as the reconstruction of the bridge at Bllacë/Blace Border Crossing point (all at the border with the former Yugoslav Republic of Macedonia) are undertaken. All works were completed by in September 2009.

Instrument for Pre-Accession (IPA) **IPA 2007**

Under **IPA 2007**, the EC implements programmes in the field of Rule of Law of a total value of €5.65 million.

1) Twinning for the Kosovo Border and Boundary Police

The Project supported the Kosovo Border Police (KBP) in implementing Integrated Border Management (IBM) policies, enhance the efficiency of the flow of persons and goods through the borders, advance adherence to EU human rights standards, fight cross-border crime and enforce laws related to the management of Kosovo's borders. It assisted at improving the legal framework, management and operational capacity, the coordination with other agencies and neighbouring countries on Integrated Border Management (IBM) and furthermore at improving the ability to intercept and seize contraband and prevent illegal border crossings. This Twinning project ended in November 2010.

2) Support to the Anti-Corruption Institutions in Kosovo

The project supports the development and enforcement of anti-corruption policies and a legal framework in line with EU standards, together with increased public awareness, to effectively and systematically combat corruption in Kosovo's institutions. The project focuses on the continuous support to the further development of the national anti-corruption legal framework and the strengthening of its inclusive approach by extending its vertical and horizontal influence across all relevant sectors. A public awareness will target the public and different sectors such as the judiciary, health and education. The project ends in February 2011.

3) Housing/holding facility for asylum seekers

An asylum seeker facility will be built to accommodate 50 persons in the municipality of Podujevo. This will further the establishment of a reliable system, in accordance with EU standards and best practices, for the reception and maintenance of migrants, asylum seekers and refugees. The works commenced in May 2010 and will last twelve months.

4) Feasibility Study for High Security Prison

Under this feasibility study the needs and possibilities have been assessed to build a high security prison. After the presentation of different options, it has been decided that a new high security will be constructed in the municipality of Podujevo. The facility will be built with IPA 2008 and IPA 2010 funds and will be co-funded by the Ministry of Justice. Signing of the works contract is foreseen by the end of March 2011 and commencement of the works immediately afterwards.

5) Equipment for the Kosovo Border and Boundary Police I

This project focuses on establishing an EU compatible communication system which will enable the Kosovo Border Police (KBP) to control all borders and the flow of persons in and out of Kosovo and interconnect all Border Crossing Points and Regional Command Centres. Operation Standards on which the BMS solution is based allow a large scale transaction processing, speed and reliability. The security features provide means for unauthorized access prevention, system integrity protection and secure and reliable data transfer. BMS has a user-friendly interface that is intuitive, reliable and fast responsive. This project will be finalized in February 2011.

IPA 2008

Under **IPA 2008**, €39 m have been allocated to the Rule of Law sector. The components under this programme are:

1) Legal Education Reform

Under this comprehensive twinning project initial and continuous legal education will be reformed, starting from the University and covering the Kosovo Judicial Institute/Magistrates School and the Chamber of Advocates. The overall objective of this project is to strengthen the rule of law, to ensure the independence of the judiciary in Kosovo and improve its efficiency by developing a sustainable legal education system and building up training capacities for law students, judges, prosecutors and advocates. The project aims at improving the capacity of the competent institutions to provide high quality and sustainable legal education and training in compliance with European standards. Within

the project, legal professionals will be provided with compilations of applicable laws, publication of court decisions and legal doctrine. The project started in September 2009 and lasts for a period of 30 months.

2) Standards for the Ministry of Justice

This twinning project builds on the activities carried out under previous EC projects. The overall objective of this project is to strengthen the administrative, policy making and legal drafting capacities within the Ministry of Justice and to reduce the backlog of cases in courts by setting up mechanisms for alternative dispute resolution, introducing arbitration proceedings and increasing the performance of the probation and correction services. The project started in September 2009 and will last for a period of 30 months.

3) Asylum/Migration/Readmission

This twinning project aims at strengthening the capacity of Kosovo's institutions to provide formation and training, approximate legislation with EU standards and tackle asylum and migration issues. Additionally, it will focus on enhancing the managerial, administrative and legal capacities of the Department for Citizenship, Asylum and Migration and to deal with asylum and migration in order to cope with the challenges of managing an increased return of Kosovo citizens. Due to the political priority of reintegration issues focus has been put on the component tackling reintegration issues. For example, the Twinning team has assisted the Kosovo authorities in drafting the required Action Plan. Also, valuable trainings for municipal returns officers have been conducted. The project started in October 2009 and will last 27 months.

4) Equipment for the Kosovo Border and Boundary Police II

Under this project the Kosovo Border Police will be equipped with control and mobility equipment. The equipment is necessary to establish the authenticity of travel and other documents, detect metallic objects (weapons) carried on the person, identify suspected explosive or narcotic substances, examine vehicles, conduct observation and surveillance on the Green Border and to establish a patrol's position on the Green Border (via GPS). This project is related to the IPA 2007 Feasibility Study on border equipment. The equipment is being delivered under three different lots and in different tranches until May 2011.

5) Improvement of the Penitentiary System (High security prison)

In accordance with the results of the CARDS 2006 feasibility study, a new high security prison will be build. The project aims at enabling the Kosovo authorities to cope with an expected increase of convictions in courts due to the readmission of a number of persons with a criminal background from EU Member States, thus minimising the risk for public security. Land has been allocated for the construction in the municipality of Podujevo and the design is being finalised. The Kosovo authorities will co-finance the building of the facility.

6) Upgrade of the Infrastructure in the Rule of Law Sector (Palace of Justice Building)

After the July 2008 donor conference, €25m have been allocated for the construction of a palace of justice building. The project foresees the construction of a Palace of Justice, which increases the functionality, public access, confidence and public perception of the justice sector. The Palace of Justice shall accommodate many judicial institutions among which are the Supreme Court, the District and Municipal Court, the Constitutional Court, the Kosovo Special Prosecutor's Office and the Kosovo Judicial Institute with the School of Magistrates. Land in Hajvali (Pristina) has been allocated for its construction. The design has been finalized and the works are being tendered out.

IPA 2009

Under the IPA 2009 programme, €12,05 m have been allocated for the following projects.

1) Support to Civil Registration Agency and unified address system

This project will support the establishment of a secure and functional Civil Registration Agency and an address system in Kosovo. The introduction of new Kosovo Passports in 2008, the recent transfer of competences for civil registration from UNMIK to the Ministry of Internal Affairs and the adoption of new legislation created a need for the reintegration of the civil registry, civil status and other registries (vehicle registration, pension, tax administration) into one entity under the Ministry of Internal Affairs. Civil registration in Kosovo will be made more reliable and in line with EU best practices. The introduction of a unified address system in Kosovo will allow the registration of citizens with a clearly identifiable address, thus improving the functionality of the civil registry, delivery of services to citizens and increasing the efficiency of the justice system. The project started in December 2010 and will be implemented over a period of 36 months.

2) Legal translators/interpreters and legal linguists

The aim of this project is to increase legal security by developing curricula and standards for legal translators/interpreters and legal linguists. The administration and justice institutions in Kosovo rely on translation and interpretation (legal drafting, trials conducted by international judges) and therefore are in need of a formal training need for translators and interpreters increasing their understanding of legal concepts. The setting up of a training institution, development of curricula and accreditation mechanisms for legal translators, interpreters and legal linguists would therefore increase the efficiency and credibility of both the administration and the justice systems. The project started in December 2010 and will be implemented over a period of 24 months.

3) Adequate working facilities for the Public Prosecution in Peja, Ferizaj and Gjilan

The prosecutor's offices in Peja, Ferizaj and Gjilan are in particular poor shape and therefore do not allow prosecutors to efficiently fulfil their tasks. No meeting rooms, interrogation rooms or rooms for the secure storage of evidence or files are available. Poor working conditions also contribute to undermining the moral of the prosecutors. Building new and adequate premises will increase the capacity and efficiency of public prosecution, leading to a better functioning of the criminal justice system. This project will be financed by the Kosovo authorities as part of the co-financing concept.

4) Improved education in the Public Safety and Security Sector

The aim of this project is to improve the education in the public safety and security sectors. Training of police, penitentiary staff, customs officials and fire-fighters in Kosovo is currently done in the Kosovo Centre for Public Safety Education and Development that has been transformed into an executive agency under the Ministry of Internal Affairs in March 2008. Basic training for police is below internationally acceptable standards, and specialised training is done on an ad-hoc basis by international trainers. Systematic higher education or accredited training courses for middle and higher management are required. The development of curricula and accreditation procedures for both basic and advanced training, including the setting up of a higher education institution in the field of public safety, in line with the requirements of the Bologna process, would help to strengthen management. In the medium and long-term capacity deficits in the police, customs, the penitentiary and the fire-fighting services can be addressed, thus increasing the efficiency of the fight against *inter alia* organised crime, including trafficking in human beings and smuggling. The project will be implemented through the twinning instrument. It is in its preparatory stage.

5) Integrated Ballistics Identification System (IBIS)

The introduction of an Integrated Ballistics Identification System (IBIS) will highly increase the forensic capacities of the Kosovo Police. The Central Forensic Laboratory of the Kosovo Police had a huge backlog of ballistic cases. Due to lack of modern, technologically advanced equipment, the Forensic Laboratory was not able to respond to all investigation requests and court orders. The use of IBIS will improve the effectiveness of investigations and will contribute to reducing the backlog of cases in the Kosovo courts. Further, it will enable the Forensic Laboratory to set up a database of all registered weapons and to exchange ballistic data with other authorities. The equipment was delivered in August 2010.

6) Equipment for the Ministry of Internal Affairs

Under this project, the main building of the Ministry of Internal Affairs, which has been built under the CARDS 2006 programme, is equipped with IT equipment and furniture in order to create adequate working conditions for its staff. The equipment was delivered in July 2010.

7) Support to Juvenile Justice System in Kosovo

As Kosovo has the youngest population in Europe with an average age of 25 years, a high percentage of persons that enter into conflict with the law fall under the provisions of the juvenile justice code and need to be dealt with in a way that offers the biggest chances for their rehabilitation and socio-economic integration. This project is the follow-up project of a CARDS 2006 project implemented by UNICEF. The aim of this project is to increase the capacity of police, social workers, lawyers and prosecutors to protect juvenile offenders during arrest and prosecution and to promote the execution of sentences according to the Juvenile Justice Code. The development of standards for juvenile delinquency prevention will be a major input to the crime reduction strategy of the Kosovo authorities and aims at reducing the delinquency/crime rates among minors.

Instrument for Stability (IfS)

Re-Appointment of Judges and Prosecutors in Kosovo

Under the IfS, the EC Liaison Office manages a project for the vetting of judges and prosecutors in Kosovo. The main project output will be the establishment of an independent and professional judiciary and prosecution service to administer Kosovo's justice system in a professional and transparent manner, thus building public confidence and trust in the rule of law. Thus, this process will significantly contribute to bringing the Kosovo judiciary in line with European standards and practices in the field of Justice, Freedom and Security. This project is co-financed by the US Office and implemented by UNOPS. The project objective is a onetime country-wide vetting and re-appointment process where all judges and prosecutors in Kosovo will be evaluated and selected based on merit, in terms of professional qualifications and experience, as well as professional and personal integrity.

The project was completed successfully: More than 300 judges and public prosecutors have been nominated. Following the appointment process, some 60% of all judges and prosecutors in Kosovo are new to their positions - a major rejuvenation of the Kosovo judiciary. Moreover, the Kosovo Judicial Council will be able to implement its mandate in line with procedures developed and used by IJPC (Independent Judicial and Prosecutorial Commission).

IPA 2010

Under the IPA 2010 programme, €13,3 m have been allocated for the following projects.

Support to the Kosovo Judicial and Prosecutorial Councils

The project will be critical for further reforms in the area of justice and the rule of law. This project will help to strengthen the independence and impartiality of the judiciary and will significantly improve the effectiveness of litigation settlements by the courts. It will establish procedural and organisational rules in the area of evaluating professional capacities of judges and prosecutors, appointments, transfers and promotion and will establish disciplinary rules designed to ensure that the judicial activity is performed effectively, independently and in accordance with appropriate qualitative and ethical standards, and that any violations are dealt with timely and effectively. The technical improvement with regard to a criminal records database will improve the ability of authorities to fight organised crime and take appropriate preventive and detention measures. The project is expected to start mid 2011.

Support to the Safe House and to the Fight against Trafficking in Human Beings and Domestic Violence

This project will provide for better protection of victims of human trafficking and of domestic violence. Not only will there be a safe environment created which encourages participation in judicial proceedings through the establishment of a Safe House. An institutional framework involving different institutions will also be set up that should provide assistance to victims through all stages of the protection and reintegration process. This project will support the implementation of the Anti-Trafficking Strategy. The project is expected to start in September 2011.

Establishment of the Kosovo Forensic Psychiatry Institute

Through the construction of a Forensic Psychiatry Institute, mentally ill offenders will be accommodated in an appropriate environment and structure. The implementation of the Criminal Code and the Criminal Procedural Code will be made possible through courts handing down decisions on mandatory treatment. This will be a milestone in ensuring respect for human rights, the right to an appropriate judgment and the right to humane treatment. Through the delivery of professional care treatment the risk of suicides and repeat offences by mentally ill offenders will be reduced. Finally, public safety will be improved through the setting-up of a mandatory treatment facility with high security standards. The project is expected to start in the fall of 2011.

Support the implementation of Intelligence Led Policing in Kosovo Police

The project will boost the effectiveness and efficiency of the Kosovo Police by allowing timely and accurate exchange of the information/intelligence/analysis to be used for interpreting criminal environments. This will make it possible to positively influence the respective decision-makers so that they efficiently and effectively direct all available sources and resources in order to combat crime and to achieve a positive impact on criminal environments. The necessary platform will be provided under this project while the new approach of intelligence led policing will be introduced with the help of EULEX and OSCE from an operational perspective. The project is expected to commence mid 2011.

Fight against Economic Crime

While Kosovo is not part of the Council of Europe monitoring bodies, the experience acquired and criteria applied by the Council of Europe's monitoring mechanisms — such as the Group of States against Corruption (GRECO) and the Committee of Experts on the Evaluation of Anti-Money-Laundering Measures and the Financing of Terrorism (MONEYVAL) — are expected to be useful if specifically tailored to Kosovo. These models should be the reference framework for assessing

measures against corruption and money laundering in Kosovo and preparing recommendations for reform. Such recommendations for reform will be unified and streamlined and, thus, have an impact and serve for assessing and benchmarking current measures against economic crime (corruption, money laundering and terrorism financing) and providing recommendations and tools for leading the reforms necessary to tighten up the measures against economic crime in Kosovo. A specially designed programme will have the purpose, strategy and resources to undertake periodic thorough assessments in Kosovo on issues related to economic crime and, more specifically, corruption and money-laundering. The assessments will cover institutional, legal, policy and resource matters divided into separate themes mostly modelled on the Council of Europe's mechanisms (GRECO and MONEYVAL). Once embedded as a core functioning benchmarking and assessment system, those periodic assessments will enhance Kosovo's and international capacity to perform supporting and monitoring roles in the area of economic crime (corruption and money-laundering). This project will be implemented by the Council of Europe and will commence in October 2011.

Kosova Center for Security Studies (KCSS), FOL Movement, Institute of Advanced Studies GAP, Foreign Policy Club (FPC), Kosova Democratic Institute (KDI) and Balkan Policy Institute (IPOL)

PROGRESS REPORT

Made in Kosova

October 2010, Prishtina



PROGRESS REPORT
Made in Kosova

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Abbreviations and acronyms

KIA	Kosova Intelligence Agency	PPRC	Public Procurement Regulative Commission
ACA	Anti-Corruption Agency	KSC	Kosova Security Council
PPA	Public Procurement Agency	ACEC	Appeals and Complaints Election Commission
CRA	Civil Registration Agency	MEF	Ministry of Economy and Finance
KTA	Kosova Tax Administration	MMA	Monitoring, Mentoring and Advising
EU	European Union	MFA	Ministry of Foreign Affairs
GDP	Gross Domestic Product	MH	Ministry of Health
CBK	Central Bank of Kosova	MTPT	Ministry of Transport and Post-Telecommunication
CEFTA	Central European Free Trade Agreement	NDI	National Democratic Institute
KC	Kosova Customs	NGO	Non-Governmental Organization
DA	Democracy in Action	UNO	United Nations Organization
EBU	European Broadcasting Union	OSCE	Organization for Security and Cooperation in Europe
ENEMO	European Network of Election Monitoring Organizations	PRA	Procurement Review Authority
EULEX	European Union Rule of Law Mission	PACE	Parliamentary Assembly of the Council of Europe
IMF	International Monetary Fund	KP	Kosova Police
KSF	Kosova Security Force	RCC	Result Counting Center
SKPF	Slovenian - Kosova Pension Fund	RTK	Radio and Television of Kosova
ICJ	International Court of Justice	KIS	Kosova Information Service
IBM	Integrated Border Management	KPSF	Kosova Pension Savings Fund
CPI	Consume Prices' Index	VAT	Value Added Tax
ICO	International Civilian Office	KLA	Kosova Liberation Army
FDI	Foreign Direct Investment	UNMIK	United Nations Mission in Kosova
IPOL	Institute of Balkan Policy IPOL		
PISG	Provisional Institutions of Self-Government		
MTEF	Middle-Term Expenses Framework		
EC	European Commission		
ESC	Economic-Social Council		
KFOR	Kosova Forces		
KIPRED	Kosova Institute of Research and Policy Development		
IOB	Independent Oversight Board		
CEC	Central Election Commission		

Introduction

While waiting for the Progress Report on Kosova of the European Commission, some organizations from the civil society have prepared the Kosova version of this report, which reflects the local evaluation and viewpoint on the progress in Kosova. This report assesses the period from October 2009 - October 2010 and covers the following areas:

- Kosova - EU relations (European integration, role of EULEX),
- Political and institutional progress (consolidation of institutions, elections, rule of law, fight against corruption, foreign policy),
- Economic progress (economic policies, foreign trade, financial sector),
- European standards (public procurement, employment, social policies) and
- Sectoral policies (civil society, media, security, liberalization of visas)

Each part of the report has been evaluated based on the dimensions of legislation, general functioning of the sector, and offers recommendations to improve the situation. Since the organizations that have drafted this report are specialized in the areas they have covered, a part of the research material reflects their work on monitoring, researching, analyzing and reporting over a period of one year. Furthermore, the assessment is based on many primary and secondary sources, and on consultations with experts from the respective areas.

The purpose of this product, which is unique for the states that receive the Progress Report of the European Commission, is to offer an alternative picture of the progress (including stagnation and regress) in Kosova, reflecting thus the viewpoint and assessment of the Kosova civil society organizations on essential areas of the state governing.

The organizations that have drafted the Progress Report *Made in Kosova* are: Kosova Center for Security Studies (KCSS), FOL Movement, Institute for Advanced Studies GAP, Foreign Policy Club (FPC), Kosova Democratic Institute (KDI), and Balkan Policy Institute (IPOL).

Civil society and the measuring of progress

In all states aspiring to become part of the European Union, the assessment of the general progress of the state is an exclusive area of the European Commission, which through the instrument of the Progress Report provides its opinion on the year-old development in these countries. The value of such an instrument has been established to be high, while its effects have been directly experienced in the improvement of the performance in the most criticized sectors of state governance. One of the most debated dimensions of the EC Progress Report in the recent years has been the contribution of the civil society of the countries being assessed, namely the extent of incorporation of inputs from civil society organizations. Moreover, civil society is still unable to position itself as a relevant actor for the assessment of the country's progress, thus being restricted within an area that often is marginalized by state institutions.

A motivating factor to draft a domestic progress report was the willingness to come out of a minimalist position towards becoming a relevant factor that would transform the civil society in a factor that offers an alternative picture of the country's progress. Therefore, in addition to the European Commission Progress Report, the state of Kosova shall also have a Kosova progress report, which reflects the domestic perspective on progress. Some of the novelties and advantages of organizations that were involved in drafting this report are:

- Application of our instruments and criteria to assess and measure progress,
- Avoidance of politically correct or neutral language,
- Addressing of most important (dangerous) problems that obstruct progress,
- Handling of issues that are not tackled by the EC Progress Report,
- Assessment of the role of the EU presence in Kosova (namely, EULEX).

In relation to the last advantage (assessment of the role of EULEX), the civil society in Kosova has, for a long time, addressed the paradox of Kosova being assessed by the EC by eschewing its governing mission in Kosova. In spite of having direct responsibility for the rule of law in

Kosova (a central issue of the Progress Report), EULEX is not part of the EC Progress Report assessment. The Progress Report *Made in Kosova* aims to encourage dialogue between the civil society and the European Union regarding our mutual efforts to strengthen good governance, while its main target are the Kosova state institutions, and this should be received as a modest contribution to overcome obstacles for the functioning of the state of Kosova.

1. KOSOVA - EU RELATIONS

1.1. Kosova in European integration path

In October 2009, the European Commission published the report "Kosova Study" as a feasibility study that analyzes further political and socio-economic growth of Kosova, and provides for assistance to Kosova to accomplish the European perspective in line with the region. This document opened up two paths for Kosova - the commencement of the dialogue on the visa issue, with the perspective of an eventual liberalization, upon accomplishment of the required reforms; and the establishment of the trade agreement between the European Union and Kosova. Regarding the process of liberalization of visas, the Government of Kosova has taken an important step in drafting the Action Plan to implement the guidelines for the process of visa liberalization, which indicates the institutional willingness to work towards Kosova's inclusion in the process. A priority of the year being assessed in this report was the focus on the implementation of agreement of repatriation/integration of the returned, which is a condition for the inclusion of Kosova in the official dialogue to commence the liberalization of visas (the same condition is valid for the regional countries at their initial stages). While some achievements in meeting the activities in the action plan have been noted, the institutions of Kosova did not demonstrate the proper commitment to respect the timeframe of this plan, and have stalled in the real planning of institutional opportunities/capacities. While September 2010 was scheduled as a possible date to give the Guidelines for Kosova (which in consensus would be called "Strategy for Liberalization of Visas"), the end of October finds Kosova without clear orientation as to the receiving of this strategy.

On the other hand, regarding the trade agreement with the EU, the submission of the Questionnaire for the trade agreement with 217 responses provided by the Government of Kosova, was promoted as a step forward towards the European Union. On this occasion, it was demonstrated that progress in Kosova is measured by the strength of public statements and media promotion of political developments. If we analyze the content of the responses by the government to the EU questionnaire, the main conclusion is that Kosova is far from being a competitive and attractive market.

Although in the Study on Kosova published in October last year the European Commission ascertained that the trade agreement EU-Kosova based only on autonomous trade preferences do not offer any substantial perspective for the sustainability of a long-term economic growth of Kosova, the EC has decided to extend the regime of preferential trade with Kosova until 2015. Furthermore, although the same document stated that a perspective of long-term economic growth for Kosova can be offered only through a trade agreement between the European Community and Kosova, such perspective remains unclear and very little debated to date. Trade relations are at the core of each relation, either a partnership or integration to the European Union. As proved by the findings of monitoring reports, trade indicators of Kosova are very discouraging. Apart from this, Kosova's state administration has a pronounced absence of capacities to undertake the appropriate reforms to increase trade competitiveness of the country. Only when the competitive position of Kosova is strengthened, the EU will consider our country a serious partner for important contracting relations.

At the same time, EU too should demonstrate commitment to promises made in public. Offering the perspective of a trade agreement in the Study on Kosova has not been accompanied by any concrete action since October last year. As in the case of the process for the liberalization of visas, the perspective for a trade agreement between EU - Kosova should be broken down in a time dimension and of obligations to be accomplished by Kosova. Should the road of Kosova towards achieving this agreement be decoded, then it will be easier for the EU to assess the program of Kosova and the civil society will be able to monitor work done in this area more systematically.

1.2. The role of EULEX

The definition of its role and the improvement of its image remain a key need of EULEX. Although tasked with building a strong and effective rule of law in Kosova and to fight corruption and organized crime, EULEX continues to face numerous operational challenges. Communication of its rights and responsibilities in front of the public and attempts to harmonize with the Government of Kosova remains the areas where EULEX should make improvements to achieve success. Some high profile events have indicated that EULEX should earn the confidence of Kosova people and officials of the government by increasing the transparency and visible results.

Public perception is that EULEX and the Government of Kosova disagree about the hot topic of high rates of corruption. EULEX and officials of the Government of Kosova have issued dividing statements in relation to the possible arrest of senior government officials, not only about the lack of cooperation between EULEX and the governing institutions of Kosova to fight corruption but troublingly also in the aspect of the rights of EULEX to do that. Such mixed signals have served only to decrease the confidence of the public in the capability of EULEX to fight corruption and this endangers to strengthen the non-punishing environment in Kosova.

At a basic level, the reforming of the judicial system remains a slow process although an urgent challenge for EULEX and institutions of Kosova. While all parties blame the lack of political will to move forward with the necessary reforms, the need to increase the human capacities by appointing more judges and prosecutors remains critical. From April, EULEX brought 5 decisions (4 criminal cases and 1 civil case), and the majority are cases brought forward by UNMIK administration. Without the needed staff, the number of cases will simply grow and the quest for justice in Kosova will remain an activity sought outside of the boundaries of a functioning legal system.

The issue of north Mitrovica remains unresolved. The absence of a functional court in the north part of Mitrovica symbolizes the absence of the law and insufficient political will to ensure justice in the north. The need of the EU, of the Governments of Kosova and Serbia to cooperate in a pragmatic spirit was asked by the international levels. Unfortunately, EULEX did not stop the judges and prosecutors appointed by Serbia to act in the north courts in spite of their participation in the parallel structures. The consultations of EULEX with Belgrade did not achieve to obtain support to move forward with the appointment of judges who are acceptable by all communities, and as a consequence, residents of the north remain in a judicial limbo.

Finally, EULEX seems reserved in its role of managing border crossing no. 1 and 31 regarding the customs control and protection of the territorial integrity. EULEX border operations did not proceed beyond the practice of simple registration of customs revenue. Further, illegal crossing of Serbs during the celebrations of Vidovdan in June intensified the separation between EULEX and the Government of Kosova about which institution is responsible for interfering in such incidents.

EULEX is still in the process of defining its role in the complicated governing system of Kosova. On one hand, it claims to be only a mission involved in monitoring, mentoring and advising (MMA) in complete coordination with the Government of Kosova and its priorities, while on the other hand deliberately initiates actions without cooperating with the Government of Kosova. EULEX undoubtedly has failed to communicate its role to the citizens of Kosova, which has resulted in high expectations and false perception of its responsibilities on the part of Kosovars and public officials. While the ambitious mission of EULEX to assist in building an effective rule of law and fight against corruption and organized crime will require time before its effects are fully seen, some developments have outlined the need of EULEX to improve its work in some areas.

The inability of EULEX to accomplish its mandate to assist in the building of a strong and effective judiciary, and the fight against corruption and organized crime is clear. In its fight against corruption at high levels, EULEX again refused to use its executive function to send even a single senior public official to the court in spite of high expectations created earlier by the declarations of EULEX. The ongoing investigation of Minister Fatmir Limaj, led by the Special Prosecutor's Office is the best example of the identity crisis of EULEX. On 28 April, the Police Department of EULEX searched some places in Prishtina, mainly the Ministry of Transport, Post and Telecommunication (MTPT). At a later interview for the media, the acting EULEX prosecutor Johan van Vreeswijk said that Minister Limaj and the Head of Procurement Department of that Ministry Nexhat Krasniqi potentially would serve 55 years of imprisonment under the charges of money laundering, organized crime, bribery and public fraud.¹ Prosecutor Vreeswijk also mentioned 6 other ministries under investigation but at the time of the writing of this report, no arrest has taken place. Although EULEX official affirm the need for confidentiality and blame the media for creating assumptions, these mixed signals cause only a decrease of the local confidence in the competences of EULEX.²

Although concerns have been pointed out in particular in the area of judicial reform in the Program Report of 2010, EULEX has been slow in this area and has delivered only five verdicts (4 criminal and 1 civil) since April. Apart from this, the issue of corruption has embraced the media and has won powerful attention from the public debates. Some recently published reports of the civil society criticize EULEX and the Government of Kosova for the failure of creating and completely applying a comprehensive legal framework that would effectively fill the vacuum in the process of public procurement.³ The increasing request for strong reforms in the public procurement is not only a source of controversy amongst Kosovars, but now highlights the international reputation of Kosova and the possible admission to European institutions. The Parliamentary Assembly of the Council of Europe (PACE) in its recent draft-resolution on Kosova confirms this concerning possibility with their clear recommendations for EULEX and the Government of Kosova to take "concrete measures" to improve the judiciary referring to Kosova as a country with "low standards".⁴

The reputation of EULEX has taken another blow by its latest decision on Ivanoviq case in relation to the arson of the border crossing points in Gates 1 and 31. According to EULEX, "no facts were found" which would substantiate the charges against the chairperson of the National Serb Council, Milan Ivanoviq, charged with organizing, supporting and participating in terrorism and incitement of hatred.⁵ This was seen as "selective justice" by the media and many Kosova Albanians.⁶ Lately, EULEX has achieved some positive results. On 10 May 2010 EULEX assisted in finding a mass grave in Vushtrri where eight persons were exhumed, the investigation was ongoing since 2009.⁷ Apart from this, EULEX and Kosova Police in cooperation with the Albanian authorities and under the supervision of the Special Prosecutor's Office continue to arrest individuals in Albania and Kosova for war crimes suspected of having occurred in 1999⁸. Also, in fall there has been some movement from EULEX, in cooperation with the Kosova Police and KFOR to take steps in fighting organized crime in the north of the country.

¹ "EULEX: Limaj may face long term imprisonment," Balkan Insight. 7 May 2010

² Interview with EULEX members

³ See two recent reports of IPOL: "Competition: Legal Framework and Practice in Kosova Compares to European Standards" and "Consumer Protection: Legal Framework, Challenges in Kosova and EU Standards.", IKS report, "Solving the know: Political Economy of Corruption in Kosova. "

⁴ Situation in Kosova and the role of the Council of Europe, "Parliamentary Assembly of the Council of Europe. 21 June 2010. Read at: www.assembly.coe.int/Documents/WorkingDocs/Doc10/EDOC12302.pdf

⁵ Telegraph, Double Standards of EULEX Justice, 2010/07/08. Read at: <http://www.telegrafi.com/?id=2&a=9377>

⁶ Telegraph, Double Standards of EULEX Justice, 2010/07/08. See in: <http://www.telegrafi.com/?id=2&a=9377>

⁷ Remnants of Eight Individuals are exhumed, "EULEX. 12 May 2010. Read at: [www.eulex-](http://www.eulex-kosova.eu/en/pressreleases)

[Kosova.eu/en/pressreleases](http://www.eulex-kosova.eu/en/pressreleases)

⁸ EULEX and Kosova Police make big arrests on organized crime, "EULEX-it. 27 May 2010. Read at: [www.eulex-Kosova.eu/en/pressreleases/0064.php](http://www.eulex-kosova.eu/en/pressreleases/0064.php)

2. POLITICAL AND INSTITUTIONAL PROGRESS

2.1. Assembly

The highest representative institution in the country is not preparing to mark the first decade of its life as a representative institution with conditions for democratic institutions. From the constitution of the first legislation until after the war in Kosova, the Assembly of Kosova is continuously facing recurring challenges and problems for the building of an institution that would be a beacon of democratic values in Kosova. Unfortunately, numerous problems are accompanying it nowadays too. The inability to implement the legislative plan of its work, poor quality of adopted laws, extremely poor parliamentary check-up on the government, the failure to monitor implementation of the laws in practice, degradation of recommendations or of positions of the Assembly by the Government are facts that cannot empower this institution to carry out the obligations in accordance with the competences that are guaranteed by the rule of law in Kosova.

The legislative plan of the Assembly

One of the main problems featured in the work of the Assembly is the failure to accomplish the work plan. Part of the blame lies with the Government of Kosova, which fails to forward in time the draft laws - as foreseen by the legislative strategy. Nonetheless, the Government of Kosova is not the sole responsible actor for failure to accomplish the work plan of the Assembly of Kosova. A considerable number of draft laws remain for years in various drawers and for different reasons at the Assembly of Kosova. The foreseen period of two months from the first reading to the second reading of the draft law is almost never observed for any of the draft laws reviewed by the Assembly. Regarding delays in adoption of laws, the Assembly usually blames the Government for delayed submission to the Assembly and poor quality of draft laws, which then need a lot of amending. The Assembly even claims that delays occur due to "interventions from outside of the Assembly"⁹, without specifying who those authorities are.

The Work Plan 2010 of the Assembly of Kosova for the period of January - June, foresees to review 56 draft laws. However, only 24 have been reviewed (2 of which have passed the second reading, while 22 only the first reading). Of 22 laws that have passed the first reading, seven have exceeded the two-month period foreseen by the Work Regulation of the Assembly regarding the review of a laws from the first to the second reading.

Parliamentary supervision over the Government

Parliamentary supervision over the government is a competence guaranteed by the Constitution of the Republic of Kosova. Regardless of the constitutional competences, the Assembly of Kosova still cannot find ways or the will to exercise the same, with a special emphasis on the overseeing role over the executive power. The Assembly of Kosova still faces the lack of willingness of the ministers of the government to respond to the questions from the members of the assembly, their lack of willingness to be present at plenary sessions where issues pertaining to their scope of work are dealt with, failure to respond to invitations from the parliamentary commissions to report in their meetings, and ignoring or degrading the recommendations or positions stemming from the highest representative institution in the country.¹⁰

Parliamentary questions

Deputies of the Assembly of Kosova, in the course of exercising their competences for the parliamentary supervision of the Government still often use parliamentary formal questions - interpellation. However, absence of ministers in the plenary sessions where they would respond to questions from deputies is a usual problem. A concrete example was the session of 11

⁹ Presidency of the Assembly of Kosova. 2010. Minutes of the meeting held on 20 April 2010

¹⁰ "Implementation of the Action Plan for European Integration by the Assembly of Kosova" – KDI publication

February 2010, when during the interpellation time only five ministers were present, and only three out of twenty-seven questions from the deputies received responses.¹¹

Motions

The deputies of the Assembly of Kosova are entitled to oversee-exert parliamentary control over the Government through parliamentary interpellant session in order to review any issue that is a competence of the work of the Government in general or of a specific ministry. However, in spite of the existence of such right which in countries with consolidated democracy is considered as one of the most important instruments of parliamentary control over the Government, the Assembly of Kosova, namely the deputies did not use this form of parliamentary supervision even in 2010.

Monitoring the implementation of laws

The work regulation of the Assembly determines the right and obligation of the Assembly of Kosova, namely the parliamentary commissions to monitor application of the laws in practice by the competent authorities. However, the parliamentary commission continues to ignore this right and obligation by monitoring only a very symbolic number or by not monitoring at all any of the laws pertaining to the competences and scope of each separate commission. In the reporting period, most parliamentary commission had planned in their work plans approved at the beginning of the year the monitoring of the laws in practice by the competent authorities. However, in spite of the planning, none of the parliamentary commission completed monitoring any law, and in fact most of them did not even start such processes.¹²

Transparency

The Assembly of Kosova continues to be partially transparent regarding its work. The sessions of the Assembly of Kosova continue to be broadcasted by the Radio Televizioni i Kosovës (RTK) only until 17. Although the lengthy broadcasting of the plenary sessions would affect the program scheme of RTK, having in mind that issues discussed at the Assembly of Kosova are of general public interest, RTK should continue to broadcast the sessions of the Assembly of Kosova even after 17hrs. The meetings of the Presidency of the Assembly remain behind closed doors for the organizations of the local civil society while they are open only to international organizations and institutions, such as OSCE, NDI and ICO.

E-votes still are not published in time. In this aspect the situation has even gone worse, because in January-June 2010 the e-votes were not published for any of the sessions of the Assembly of Kosova. Non-publication of the e-votes is a violation of the Work Regulation of the Assembly of Kosova, namely Article 52, item 7 which expressly reads "Publication of the e-voting of the deputies is made within three working days after the plenary session". Minutes of the meetings of the Presidency are published at a lot of delay (while there are minutes that are not published at all, like the one dated 23 March 2010). On the other hand, although the Presidency of the Assembly of the Republic of Kosova prepares the transcripts from its meetings, they are not published. The parliamentary commissions also do not publish their minutes in time and the information provided in the minutes often is deficient. Also, there are cases when notifications for meetings of the commissions are late or in worse cases, are not made. The Assembly of Kosova continues to be non-transparent in terms of publication of reports on expenses of this institution.¹³

2.2. Government

In March, the coalition parties agreed on changes of heads of some ministries. Six ministers were replaced in the Government of Kosova. Most of the ministers and deputy ministers that left were placed again in executive positions in the Government. On April 2nd Kosova

¹¹ Minutes –KDI publication, July 2010

¹² Minutes –KDI publication, July 2010

¹³ Minutes –KDI publication, July 2010, p.13

Government established the Ministry of European Integrations resulting in increasing the number of Ministers of this small country of Kosova to 18. The Ministry of European Integrations will lead the process of integrations, however the MEI will only have a coordinating role rather than imposing role towards other ministries.

Nearly there years after the declaration of independence, the executive of the country continues to work under the UNMIK Regulation 2001/19 on the Executive Branch of the Interim Self governance of the Institutions. Even though this was sent to the Assembly, it was returned back by the Government.

Internal procedural rules of the Government of Kosova still are based on the Regulation of Procedure of the Government of Kosova which was adopted in 2007. In many points, this regulation is not transparent neither democratic. This regulation does not provide for the civil society and media to attend the meetings of the Kosova Government. The media are allowed to observe the Government's meetings on a screen which is located in the premises. In many cases the Government officials do not switch on the microphones during the debates, in order for them not to take notice of certain parts of their discussions. The Regulation of Procedure of the Government does not allow the publication of the minutes from the Government meetings, by classifying them as confidential documents. Additionally, the Procedure Regulation of the Government does not provide a timeframe of the procedure from the day of approval of a draft law by the Government to the time that this draft law is sent to the Assembly. In lack of such a legal timeframe, the Government of Kosova during these three years of their operation has not respected a regular procedure of sending draft laws to the Assembly. The draft law that was sent to the Assembly the soonest is the Draft Law for the Government of Kosova (within 6 days of its approval), whereas the longest, it took the Draft Law for the Prishtina Municipality (432 days after it was approved by the Government). On the Prishtina Draft Law, the Kosova Government has committed other violations, such as the fact that the Prishtina Draft Law sent to the Assembly is different in at least two points from the one that was approved in the Government before it was sent to the Assembly. The Government of Kosova as soon as possible should approve the Law for the Government of Kosova and based on that law to draft the new procedure regulation.

Even this year the Kosova Government has not been able to respect the Government Legislative Strategy for 2010. Until the last meeting of Kosova Government¹⁴, the Government has approved 57 draft laws which is only 42% of the Legislative Strategy. The Government of Kosova did not achieve to adopt 79 other project laws of this Strategy. The approval of the draft laws was not conducted in accordance with the time frame that is foreseen in the strategy. This has resulted in non compliance of the procedure planning of both - the Kosova Government and the Assembly. The Government of Kosova, in the following years, should approve a legislative strategy which consists of fewer draft laws and those draft laws should be submitted sooner to the Assembly.

2.3. Public Administration

Kosova Government remains the largest employer in the country. The public administration in local and central level is filled to capacity with staff. Despite the commitment to the FRIDOM project in reviewing the functionality of the administration, the Kosova Government has not managed to take proper measures in reforming the public administration.

In December 2008 Kosova Government decided to establish criteria for the number of employees in local administration, which decision was not respected by the municipalities, whereas the Ministry of Administration of Local Governance did not take any steps in monitoring the implementation of this Government decision.¹⁵

¹⁴ Meeting 147, held on 05 October 2010.

¹⁵ Decision 10/46 of 03 December 2008.

The Kosova Assembly, after many delays, approved two important laws for the civil service, such as the Law on Civil Services and the Law on Wages of Civil Servants. However these laws will be put into action from January 2011.

The Kosova Government has not yet appointed the secretary generals in ministries. On September 15, the Government adopted the Regulation on Procedure of Appointment of Senior Managing Posts in Civil Services of Republic of Kosova; however no secretaries were elected in accordance with this regulation. Almost all ministries operate with acting secretaries, which were appointed by the ministers. This has resulted in politicized civil services.

Same situation is in municipality level. After the change of Law on Local Governance, municipal leadership that came after the November-December elections in 2010, did not announce the positions of personnel manager, a post which according to law should be announced. With the changes foreseen in the Draft Law on Amendments and Supplements to the Law on Local Self-Government, provided that administration directors are elected on the basis of post announcement, not as it has been until now that they are political appointees. These frequent changes in the law on local self-government have created confusion and interference of politics in municipal civil service.

In addition to all that, admissions in the civil service are made on the basis of nepotism and party affiliation, leaving little room for fair recruitment. Independent Observing Committee in many cases has shown to take their time in postponing for years the decisions on irregular procedures of hiring or firing in civil services.

Kosova government should take measures in implementing strategic plans, horizontal and vertical reviews of the administration, made from FRIDOM project, with the aim of reforming public administration at central and local levels.

2.4. Electoral management

From the organization and supervision aspect of elections, local elections for counselors of the Municipal Assemblies and for Mayors in 2009 are the first elections where Kosova institutions, namely the Central Elections Commission (CEC), were fully responsible for their organization and administering. The main laws which regulate the election process in Kosova are: the Law on General Election and the Law on Local Elections in the Republic of Kosova adopted in June 2008 based on the pre-conditions of the Comprehensive Proposal of the Agreement for Kosova prepared by the Special Envoy of the UNO, President Ahtisaari.

The latest local elections organized in Kosova in November last year pointed out a large number of problems and irregularities that in general impaired the image of the election process and as a result, presented the need for the review of the current legislation.¹⁶ These elections were monitored by the network of local organizations of the civil society "Democracy in Action" and a small number of ENEMO monitors.¹⁷ From the reports of election monitoring institutions, where many problems and irregularities were noted during the election process, the conclusion was the need to reform the current election legislation. This process is now at the initial stage; however the circumstances in the country do not give any hopes for a genuine reform of this legislation.

Election System

The current election law defines Kosova as a sole election area. The requests to change this system are increasing upon the reasoning that the creation of more election areas would provide more advantages, the main one being the increased representation of citizens and

¹⁶ Reform in the election system of Kosova –KDI report

¹⁷ ENEMO- (Network of European Organizations for Monitoring Elections).

more connection between deputies and citizens. With the current election system, the connection between deputies and their electorate is very poor, not to say non-existent. However, in spite of attempts and continuous insistence on the part of the civil society to create more election areas, so far such an issue has not been successful and based on the recent developments from the Election Task Force¹⁸ it is understood that this issue shall not change at all for the future elections that will be held in a few months.

Conditional Voting

Article 95 of the Law on General Elections grants the voters the opportunity to vote on condition should he/she not be found in the voters' list. Conditional voting is a solution often used in post-conflict environments to enable voters to vote although he/she is not in the list of voters where he/she claims to have the right to vote. Conditional voting contains many shortcomings and usually delays the pronouncing of ballot results and represents potential danger for manipulation and influences on a decreased confidence in the entire process.

Central Election Commission

The CEC is responsible for preparing and holding elections. In general, the CEC has indicated a high level of commitment while preparing for the latest elections organized in Kosova. Recruitment and training of the administering staff and voting places in non-Serb areas and procurement of materials in general was done properly. One of the main shortcomings that have accompanied the work of the CEC in the preparations for elections was the delayed information of citizens regarding the change of voting places, delayed education of citizens on voting, inadequate training of election commissioners and delayed preparations for rendering operational the Center of Result Counting (CRC). Delayed pronouncing of results was more emphasized in the balloting for Mayor, where in Gjilan it took more than one month.¹⁹

Election Commission for Appeals and Complaints

ECAC, as a permanent and independent authority had numerous difficulties in becoming operational. As a result of failure to allocate the budget for this institution in time, ECAC faced a series of difficulties that caused problems to its operations, starting with lack of administrative staff and lack of proper space to carry out duly its functions and duties. Lack of transparency of ECAC has been a permanent problem. Finally, the general opinion is that delayed certification of results were a consequence of ECAC delay to bring prompt decisions on all appeals filed with this authority, which automatically blocked the certification of the first round and of the balloting.

Voters' Lists

The general number of voters registered for the elections of 2009 was 1.563.741. Although the CEC did a good job to clear the lists of voters, this problem is still very present. Highly complicated and lengthy legal procedures to add or delete data in the voters' lists remain a challenge. On the other hand, in many voting places there have been present cases where voters did not manage to find their names in the voters' lists. According to DA monitors, in 36% of voting places this happened frequently, in 40% a little, and in only 14% rarely.²⁰

Election Campaign

The pre-election period is characterized by a dynamic and active campaign of the candidates and political parties, starting with large meetings in urban areas to less formal meetings and debates with people in the street, restaurants, and other citizen gathering points. The most troubling aspects of the campaign were the use of children in pre-election activities by political parties, by all large parties and use of public vehicles by different official for party purposes. During the campaign there have been cases when municipal officials who did not

¹⁸ Elections Task Force – is an authority with representatives from all parliamentary political parties and the civil society

¹⁹ Democracy in Action "Report on municipal elections 2009" pg.11

²⁰ Democracy in Action "Report on municipal elections 2009" p.12

resign from their positions participated in the campaign as political candidates. Also, it was noted that some municipal official participate in party meetings during the working hours.

Voting Day

In spite of the fact that the majority of universal standards for free, fair and equal elections were met, the election day in Kosova was characterized by a series of violation, which according to the information, were mainly of the same nature in all voting places, apart from some centers where the violations were more serious. According to data collected by the "Democracy in Action" there have been irregularities during the voting day in 126 voting places or 5.6% of the total of voting places.²¹ From the procedural aspect of preparing voting places, the main problem reported by monitors was the provision of physical access to the voting place for disable people - this shortcoming was reported by 25 percent of voting places. Other problems identified were the lack of control of identification documents lack of material at voting places, voting more than once, continuous presence of unauthorized persons in voting places, family voting, assistance to voters by political parties' monitors, abuse of position of voting center managers, open voting and photographing of votes by voters' companions. Regarding counting, the problem that was noted in more voting places was damaged and rejected voting ballots that were not counted or registered.

Re-voting in the Municipalities of Prizren, Lipjan and Gjilan

Irregularities found in the second round of elections in December 2009 in the Municipalities of Prizren, Lipjan and Gjilan have impaired to an extent the principles of free and fair elections. This resulted in cancellation of complete results in two municipalities for the first time since the first elections in 2000, deciding on a re-voting (third round). The re-voting process in the municipalities of Prizren, Lipjan and Gjilan met the standards for free and fair elections in a satisfactory extent, in spite of some irregularities that were noticed.

2.5. Rule of law²² and justice system

This part aims to assess a one-year period of the rule of law and justice system in the Republic of Kosova. In the framework of this scope, the Government of the Republic of Kosova, from October last year, noted slow progress in drafting legislation as a basic document, while there is no positive movement or concrete results in implementing legislation and rendering the judiciary functional. In general, there is no coherence of the progress in the rule of law achieved in north of Kosova and other territories of the country.

In the framework of drafting the legislation, the Government and the Assembly of the Republic of Kosova, as in the previous years, have demonstrated true dedication only to meet the deadlines before the European Commission Progress report 2010 is drafted. Namely, the dominant part of the legislation related to the justice system in the country was adopted by the Government and the Assembly of Kosova only from July, respectively September 2010.

Regarding the reforms in the judiciary, the Assembly of Kosova adopted in July this year the Law on Courts, which the President decreed only in August. The other pack of laws on the judiciary, including: the Law on Prosecutor's Office, Law on the Prosecutorial Council and the Law on the Kosova Judicial Council were approved by the Government of Kosova, while the Assembly only passed their first reading. Work was slower in finalizing the Criminal Code and

²¹ Democracy in Action "Report on municipal elections 2009" p.6

²² From the numerous definitions of this area of the law the International Bar Association defined the rule of law based on these principles: an independent and impartial judiciary, presumption of innocence, right to a fair and public trial without delay, a rational and proportional approach to conviction, strong and legally independent profession, strict protection of confidential communication between an attorney and his client, everyone is equal to the law, all of these are basic principles of the rule of law. Therefore, arbitrary arrests, secret trials, indeterminate imprisonment without trial, cruel or degrading treatment or punishment, intimidation or corruption in the selection process are unacceptable. Rule of law is the basis for a civilized society. It creates a transparent process accessible and equal to all. It guarantees respect for principles, both free and protected.

the Code of Criminal Procedure of the Republic of Kosova, while the exact deadline of their adoption is unknown.

The drafting of this legislation undoubtedly represents a pillar for the reforming of the judicial system in Kosova. However, the pace of their implementation does not provide sufficient room for an early applause of the fruits that this work of the Government may bring. In this respect, although the Law on Courts was approved by all respective institutions in the country, due to the complete change of the judicial system provided for in this law, the complete entering into power of the law is foreseen for January 2013²³. The pack of three laws on the judiciary, upon their adoption, is expected to enter in power within a shorter period of time²⁴, namely the beginning of next year; therefore, the dedication of the Government to completely reform the judiciary is yet to be seen. This year too completed successfully the first and second stages of the appointment and re-appointment of new judges and prosecutors, while there are no concrete indications as to when the final stage of the appointment of judges and prosecutors of Kosova will end.

One of the problems that the judiciary of the country is still facing is undoubtedly the *backlog* of court files and the limited number of judges and prosecutors to face the increasing pace of their work. In order to reduce the backlog of case files, a draft-regulation on implementation of quota and allocation of outstanding cases has been drafted, and this has not yet been approved by the Kosova Judicial Council.

The drafting and approval of the legislation represents the basic framework of the system our country will follow to reform the judiciary. Meanwhile, the essential part to create a modern judicial system undoubtedly remains with the judicial power itself that should increase its performance and be more accountable for the competences and mandate it exercises and the executive power. In this way, working conditions for the judiciary and the prosecutorial service should be created through increasing the salaries, providing physical safety for them and their family members and non-interference in the independence and impartiality of the judiciary.

In general, the Government of Kosova has not yet indicated any commitment to treat Kosova judges and prosecutors any better. This has resulted in the failure of the judiciary while recruiting new judges and prosecutors, who, according to general indicators, did not manage to attract a group of professional lawyers with superior education exactly because of the low salaries in the judicial system and lack of elementary conditions to exercise their function. Such shortcomings and difficulties place the judiciary in such a position where the citizen constantly loses confidence due to the lack of professionalism and objectivity of the judiciary.

In the framework of *international legal cooperation*, the justice system in the country has been often challenged by continuous requests and provocations of Serbia to extradite Kosova citizens accused outside of the territory of the Republic of Kosova. As a result of ad hoc actions of the country's institutions the Kosova citizens have not been extradited to the Republic of Serbia; however, the absence of the Law on International Legal Cooperation, and in particular the absence of signing agreement on extradition between Kosova and other countries represents a special challenge for the country to exert its sovereignty and protect Kosova citizens accused outside of the country. So far, only a few bilateral agreements have been noted.

Meanwhile, it is unavoidable to blame only the executive power for the lack of success of the justice system in the country, and of the judiciary in particular. On the contrary, the judicial power in Kosova, due to the constitutional and legal competences it possesses, is the main

²³ Article 41 of the Law on Courts

²⁴ According to Article 45 of the Law on the Prosecutorial Council, this law enters into power on 1 January 2011; the Law on Kosova Judicial Council, based on Article 56 of this law, enters into power 6 months after its publication on the Official Gazette; Based on Article 35 of the Law on State Prosecutor's Office, this law enters into power 15 days after its publication on the Official Gazette

responsible actor for the current situation of courts and prosecutor's offices of Kosova. Consequently, a greater performance is needed on the part of local judges and prosecutors and more professional assistance on the part of EULEX judges and prosecutors. Within the framework of monitoring mentoring and advisory competences of EULEX, the EULEX judicial component should be more vocal not only in exercising the executive mandate in the north of the country and in serious crimes, but also in offering their professional experience to reform the judiciary of the country.

The Republic of Kosova has not yet developed policies for *witness protection*. The safety of witnesses remains troubling considering a small territory where identification of protected witnesses is easy. There have been attempts for the adoption of the law on witness protection based on various systems of some western countries but the adoption of such law would render difficult its operation in the absence of bilateral agreements with other countries. Furthermore, the cost of its implementation would be unaffordable.

There have been attempts made to increase the capacities of the *correctional service* of Kosova. However, investments to date have resulted only in the reforming of existing detention centers and prisons. Current space is disproportionate with the number of inhabitants and consequently, there exists the need of building new prison facilities, in particular of building a high security prison in line with contemporary standards. The building of a high security prison has been initiated in Dyz, Podujeva but this project is expected to be delayed due to lack of funds. In general, the prison break cases of the recent years render questionable the safety of prisons in Kosova.²⁵

Rule of law represents one of the segments that have largely received offers for *support by international partners and donors*. However, numerous researches have emphasized the absence of coordination of donations that would channel the attempts of all external stakeholders in developing the rule of law, and the judiciary in particular. Special treatment should be granted to the *rule of law in terms of territorial expansion*, namely its implementation. This part deserves to be dealt with separately from overall developments in the rule of law in Kosova specifically because of the factual reality, namely the non-application of the rule of law in the north of the Republic of Kosova. In fact, in spite of some initiatives undertaken by the Government of Kosova such as: opening of an office to provide public services for the citizens, the drafting of the Strategy on the north, increase of investment in the north, changing of some commanders and other relevant initiatives, no visible result has been achieved that would result in considering the current situation as more progressive than it was in the previous years.

Furthermore, if we consider the incidents that have occurred in the north this year, the failure of the appointment and re-appointment of judges and prosecutors for the north of Mitrovica, the re-organization and increase of the willingness of parallel police and intelligence agencies structures of Serbia, the failure to make functional again the court of the north, the inability to get back under control customs points 1 and 31, and in general the failure to establish law and order, this indicates a negative trend of the institutions of the country to strengthen the rule of law and also indicates institutional inability to control this part of the country.

To analyze the inability of an entire decade to place under control the north of the country under the umbrella of the institutions of the Government of the Republic of Kosova, there exist various scenarios and reasoning. However, the failure of the institutions of the country to move positively in the north throughout this year is a result of the absence of a coherent policy in front of the problems of the north. The absence of a clear policy on how to integrate the north of the country resulted in the absence of a clear agenda, at least in terms of time and method of its integration. These shortcomings are a result of developments at an international level

²⁵ For more see <http://www.kosova-sot.info/politike/kosove/vjet-dy-arratisje-sivjet-asnje>

and the absence of a real plan of the institutions of the country in relation to the practical implementation of the north strategy.

Regarding international developments, we may emphasize that the expectations for the Advisory Opinion of the International Court of Justice (ICJ) have prevented the institutions of Kosova to feel comfortable, at least until July this year, to undertake action in the north. The doubts about the content of the opinion of the ICJ disabled an assured position to proceed with further integration of the north of the country. But although the Advisory Opinion of the ICJ turned out to be totally in favor of the Republic of Kosova, the rumors that followed this opinion that the north of the country had prepared a Declaration of Independence for this part of the country and the recent doubts that have arisen that with the new Resolution of the General Assembly of the ICJ the European Union may have promised Serbia the possibility of talks for a special status for the north of Kosova have sent the dedication of the institutions of the country to zero.

As a result of this, although the Strategy of the North lacks a concrete plan of action that makes concrete and elaborates into actions the steps that should be undertaken to implement the Strategy, the moves at an international level have resulted not only in zero position for the situation in the north but also regress to be present.

While international institutions have a large presence and influence in the north of Kosova, KFOR, EULEX and other mechanism that directly or indirectly insist on maintaining the situation and not resolving the problem are co-responsible. Anyway, although the Government of Kosova remains powerless in the north of Kosova, while being competent and responsible for expanding its power within its territorial borders, it is responsible for the failure of establishing law and order in this part of its territory.

Therefore, we may establish that the rule of law and justice system in the country did not have a coherent development all over the territory of the Republic of Kosova. While in the other parts of the country we notice at least a positive trend of re-organizing the justice system in the country, what continues to be worrying is the lack of control and failure to establish the rule of law in the north of Kosova.

2.6. Fight against corruption

Kosova has noted limited progress in its fight against corruption. The current legal framework provides a solid ground to fight corruption in higher and lower governing levels. To date, the Law on Anti-Corruption, the Law on Prevention of the Conflict of Interest and the Law on Declaring, Controlling and Origin of Properties of Senior Public Officials have been adopted. However, to complete the anti-corruption legal package other laws should be adopted: the anti-mafia law, the law on finances of political parties, the law on money laundering and the law on confiscation of property.²⁶

Shortcomings and flaws, which have been addressed in the progress reports of the European Commission, may be noticed in the Law on Public Procurement. The biggest shortcomings concern the regulation of procedures such as: contracting process, monitoring of work, and payments. Technical and financial qualifications of offertory to be presented to the contracting authority are not obligatory by law.²⁷ Provisions that regulate the determination of alternatives are also lacking. The new Law on Public Procurement was adopted by the Assembly of Kosova on 01.10.2010; still the deputies did not support the proposal of the Government to hold responsible the senior political staff members within the government (ministers), who would be obligated to place their signatures on contracts over €10.000 within their ministries.

²⁶ Such establishment and recommendation ins given in the Summary Report by FOL Movement at the meeting "Fight against corruption: Progress and Inter-Institutional Coordination", held on 24 July 2010

²⁷ For more, see: *Law No. 2003/17 On Public Procurement in Kosova. Article 63, 64.1,4.*

Authorities have increased the use of sole-source procurement as a contracting way. This way has taken on a political dimension too, especially following the summer events, or "Limaj case". The sole-source procurement process, which has not been regulated rigorously, makes room for manipulation of the selection process for the offertory of services, supplies or works. The civil society and the media have cast suspicions over the ways of sole-source contracting.

Also, the law contains no mechanisms that guarantee protection of "whistleblowers"²⁸ in cases of procurement abuse. The number of training sessions obligated by law was insufficient in 2009. A total of 7 trainings were organized for the members of the Procurement Review Authority (not all of them), while the law mandates for at least ten trainings per year for each procurement officer.²⁹ In summary, the key issue that obstructs the well-functioning of the public procurement is failure to observe (often misinterpretation) the Law on Public Procurement during the contracting process and the monitoring of works of supply or services.

The Government of Kosova has achieved limited progress in undertaking anti-corruption activities. During this period of time it founded the Anti-Corruption Task Force, issued an administrative decision that each tender exceeding €10.000 should be signed by the respective minister, commenced the procedure of issuing an anti-mafia law³⁰ and dismissed the deputy minister of the Ministry of Transport and Tele-Communication of Kosova.³¹ Nevertheless, these activities have been insufficient to reduce the high rates of corruption and its expansion in public institutions. Inappropriate granting of tenders, abuse of official authority and abuse of public money are some of the corruptive affairs that are still accompanying the Government of Kosova.³²

The Assembly of Kosova has made some progress during this period of time. It approved the Law on Declaring, Controlling and Origin of Properties of public Officials³³, while the abovementioned laws have not yet been adopted. The time to interpellant was solidly used to denounce corruptive affairs by some deputies, however the absence of ministers is rendering ineffective and stalling the time for parliamentary interpellant sessions. The Government continues to control and dominate the Assembly of Kosova.

The Judicial system achieved limited progress in its fight against corruption. All that can be emphasized for 2010 is the election of the chief prosecutor Ismet Kabashi, appointment of new judges and prosecutors, the solution of about 30 corruption cases, involvement of the Kosova special Prosecutor's Office in the arrest of the Governor of the Central Bank of Kosova and the amendment of the Criminal Code of Kosova. However, the number of unresolved cases concerning abuse of duty, bribe taking and receiving is increasing. Failure to resolve these cases is indicating the poor functioning and efficiency of the Kosova's judiciary to fight corruption. Attempts to reform this power continued in 2010.

The Anti-Corruption Agency of Kosova (ACAK) noted satisfactory progress in relation to fight against corruption. Throughout the year, the agency received information from citizens and

²⁸ Whistleblowers

²⁹ See: Procurement Review Authority. Annual Report 2009. Pg. 7. May be accessed at: http://oshp.rks-gov.net/repository/docs/Raporti_Shqip%20final_publication_mars31.pdf

³⁰ Such statement was made by Prime Minister Thaçi at the meeting of the Government of Kosova, held on 15 July 2010.

³¹ This is about the dismissal of former deputy minister Gjergj Dedaj, accused of abuse of public money. For more, see Petrit COLLAKU – Kosova: The official dismissed a few days after his appointment, www.balkaninsight.com, 16 July 2010

³² Such a situation was given by reports published in 2010: the report of Global Integrity, the American report on the American Foreign Policy, Early Warning Report of UNDP, Freedom House report and reports published by various non-governmental organizations (FOL, COHU and Kosova stability Initiative)

³³ This law was adopted on 11 February 2010 and decreed by President Sejdiu on 2 March 2010

various officials about corruption affairs in public institutions, has denounced abusive practices, submitted to the prosecutor's office information about officials involved in corruption affairs, and completed successfully the process of declaring of properties by senior public officials.³⁴ The Agency should be strengthened further because its role and function were reduced to administrative investigations only. The negative aspect of the ACK was indicated in terms of the conflict of interest. Many officials involved in conflict of interest were exculpated by the ACAK, thus enabling these officials to keep several public offices. The adoption of the Law on Prevention of the Conflict of Interest was one of the steps taken by the institutions of Kosova as part of the anti-corruption strategy. However, the Law in Prevention of the Conflict of Interest is not coherent and there exists a collision between the articles of the same law. This is one of the reasons that resulted in disregard of the issue of the conflict of interest by senior public officials.³⁵

Kosova Customs (KC) noted a satisfactory progress in relation to the fight against corruption. This institution was committed in terms of openness and transparency. Every time that abusive practices were noticed immediate steps were undertaken to punish the officials involved in such corruption affairs. Recently, the number of cases of corruption affairs has decreased.

The European Union Rule of Law Mission in Kosova (EULEX) indicated limited progress in 2010. The Ministry of Transport, the Post of Kosova and several private companies and properties of officials suspected for corruption affairs were searched, and several officials were arrested and then released. Its efforts are to cleanse the institutions of the Republic of Kosova from corrupted individuals. However, a concrete engagement and approach to fight against corruption is required.

The civil society noted satisfactory progress in the fight against corruption. Various non-governmental organizations operating in Kosova have undertaken activities and have published various reports reflecting the work and institutional activities of the fight against corruption.

2.7. Foreign policy and diplomatic service

The Ministry of Foreign Affairs has achieved minimal revenue for the period of time that is being assessed: October 2009 - October 2010. None of the declared short-term objectives of the MFA has been accomplished within this period of time, thus increasing the doubts on the capacities of this Ministry to carry out the tasks assigned to it. Objectives such as the recognition of the state of Kosova by a majority of UNO member countries, recognition of the state of Kosova by all EU countries, presentation and representation of Kosova in countries hosting various sessions of international organizations or the building of an effective consular service in all countries with a significant presence of Kosova Diaspora remain wishes rather than objectives that have marked any significant progress.

In the period of time being assessed, Kosova has been recognized by only eight new states, in spite of frequent alters from the current Minister of Foreign Affairs that new recognitions will happen soon. This result becomes even more disappointing when we consider that the recognitions did not follow the advisory opinion of the ICJ that the proclamation of independence by the PISG was not in violation of the international law. In this period of time Kosova did not become a member of any international organization, although this is one of the MFA objectives. The most recent recognitions are the ones in June 2009 when Kosova became member of the World Bank and the International Monetary Fund.

³⁴ The number of officials obligated to declare their properties in 2010 was 1560, and only 70 did not fulfill this obligation, 4 did not fill in the application in the required format and 1 other official asked that his property be not publicized.

³⁵ See: Fol Movement. Prevention and cease of conflict of interest in Kosova. *September 2010. May be accessed at:* http://levizjafol.org/images/uploads/files/Parandalimi_dhe_luftimi_i_konfliktit_-_Analiz%C3%AB_e_shkurt%C3%ABr_politikash.pdf

Kosova failed to gain recognition from five EU member countries, consequently failed to establish contracting relations with the EU and commence the due process of membership in this organization. The EU member countries that have not recognized Kosova and other countries too, justified once their decision not to recognize Kosova that they were waiting for the advisory opinion of the ICJ. Regrettably, it seems that the MFA was unprepared for the stage following the opinion of the ICJ and missed the opportunity to lobby strongly in countries that have not recognized Kosova for fear that this would violate the principles of the international law, stipulating that this argument is no longer valid and therefore, ask for the recognition of these states.

To date, Kosova has opened 20 diplomatic offices, embassies, in different countries of the world. However, dissatisfaction with the work of these embassies has been pronounced and the MFA warned that the work of Kosova ambassadors would be subjected to an assessment and those who did not meet the expectations would be replaced. On the other hand, Kosova ambassadors complain constantly that they do not receive clear instructions from the MFA about what they should be involved in, this being a normal practice for a country's foreign affairs. In their first year, the embassies dealt more with logistical and administrative issues but after the first year and during the period in question in the report, Kosova's diplomatic offices failed to be distinguished in their activity. Another failure of the diplomatic offices is the building of an effective consular service and offering of consulate services for the Kosova Diaspora. Although several consular offices have been established, such as the one in Frankfurt, Germany, the services offered there are incomplete and Kosova citizens still cannot be issued ID cards of full passport of Kosova.

Regional cooperation too, although declared as an objective, failed to achieve any marked development in the assessed period. The greatest achievement is the regional summit of Kosova's neighboring countries organized by the President of Kosova and held in Prevala, Prizren, which was attended by the Presidents of Albania, Montenegro, Macedonia and Kosova but not the one of Serbia. The MFA failed to achieve anything in expanding and strengthening regional cooperation of Kosova.

Amongst the few achievements that can be mentioned are the appearances of the Minister of Foreign Affairs of Kosova in the meetings of the Security Council of the UNO during the reporting of the Special Representative of the Secretary-General on the situation in Kosova. In these appearances the Foreign Affairs Minister of Kosova has sounded more convincing and with more arguments than other representatives, such as the one from Serbia. However, the reporting before the Security Council of the UNO do not play any role in the process of the recognition of Kosova, and have not helped to increase the number of recognitions for Kosova.

3. ECONOMIC PROGRESS

3.1. Economic policies and macro-economic stability

On 30th of April 2010 the Government of Kosova approved the Medium Term Expenditure Framework (MTEF) for the period 2011-2013, based on the Law on Public Financial Management and Accountability which sets the deadline of representing the interim framework of expenses before the parliament no later than April the 30th of the fiscal year³⁶. MTEF has been compiled as a continuation of previous frameworks and also analyzes macroeconomic environment in Kosova and in the mean time presents a summary of the resources set to finance political priorities of the government. However, after the reviewing of this framework by the IMF, it was requested to change some of the basic economic laws and the Kosova government had to approve the MTEF 2011-2013 for the second time on June the 11th. By presenting the MTEF 2011-2013 later than April the 30th, Kosova Government has failed to comply with the legal deadline. This report represents some of the challenges facing the Kosova economy such as very low export to import rate, a significant decrease of direct foreign investments, informal economy, high level of unemployment, lack of concrete policy that would address all these issues etc.

During 2009, Kosova economy marked a real increase of GDP of 4,4% which, according to the MEF was a result of increased public spending and price fall. According to MTEF 2011-2013 average GDP growth throughout 2011-2013 will be 5,4% with the highest level of growth of 6,1% during the year 2011. But IMF data suggest a different view of GDP growth. According to IMF GDP growth during 2011 will be 5,9 and not 6,1 as declared by the MEF³⁷. Although during the previous years Kosova had a slight economic growth, it remains one of the poorest countries in Europe. Kosova needs a per capita GDP growth of 10% in order to catch up with its neighbors like Albania (with an annual average growth of 5,5%) and Montenegro (with an average growth of 12% for the pas 5 years)

Tablen1. Real GDP growth in %

Year	Growth acc. to MEF	Growth acc. To IMF
2009	4,4	3,8
2010	4,8	4,6
2011	6,1	5,9
2012	5,8	n/a
2013	4,9	n/a

Source: MEF and IMF

Table 2. BPV GDP for the Balkans states

State	2005	2006	2007	2008	2009	GDP per capita in \$
Albania	5,5	5,0	6,0	6,5	2,2	4.016
Bosnia	5,0	6,2	6,8	5,4	-3,4	4.907
Croatia	4,2	4,7	5,5	2,4	-5,8	15.637
Macedonia	4,1	4,0	5,9	4,8	-0,7	4.650
Kosova	3,8	3,9	5,0	5,4	4	2.618
Montenegro	n/a	8,6	10,3	6,9	-7,0	7.925
Serbia	n/a	5,2	6,9	5,5	-2,9	6.713

Source: World Bank

After the fall of Consumer Prince Index (CPI) during the year 2009, consumption in the public sector increased meanwhile slightly decreased in the privet sector as a result of the decrease

³⁶ Law Nr. 03/L-048 Financial Management and Accountability: Article 19, Item 1.19 "As soon as practicable during the fiscal year 2008, not later than April 30 starting from fiscal year 2009, the Government should hand the Medium Term Expenditure Framework (MTEF) for the next fiscal year and estimates for the next two fiscal years to the Assembly ("the period of the MTEF Budget").

³⁷ Forecasting the world economy, October 2010, <http://www.imf.org/external/country/UVK/index.htm>

of remittance from diasporas for 5,5% and because of the tightening of bank issued loans (new family loans decreased for 7,1% in 2009)³⁸. The MEF macroeconomic report shows that in 2010 CPI suffered an increase, which if compared to the same January-May period of the year 2009 and 2010 results in 2,2% increase. This was a result of the increase of oil prices for 17,8% comparing to the same period in 2009. Higher energy prices during 2009 also meant higher production price thus resulting in higher dependence on imports, although on 2009 reports a slight decrease of 0,4% of imports because of the global financial crisis.

The 2009 budget ended with an 85,6 million euro in deficit, comparing to an 8,1 million deficit in 2008. This was mainly because of the increase of capital expenses and transfers. However, WB report³⁹ assesses that Kosova Government continues to ignore MTEF as a result of poor planning, because annual budget does not correspond to MTEF.

KTA reports that the income until September 2010 is 221 million euro where 158,7 million are tax collection comparing to the same period in 2009 with a tax collection increase of 14%. 158.7 million euro is mainly collection of VAT 42,6%, corporate tax 19,3%, income tax 18,8% and tax on individual business 13,5%. Kosova tax system is very dependent on customs income, which represent a risk on income and further budget growth. On the other hand, expenses are mainly focused on capital expenses (such as road construction), however IMF and WB remarks show that these major projects, are often ill planned, especially lack detailed financial analysis.

In general, Kosova has continued to have a growth of its GDP, however the 4,4% growth is too little to result in a desired economical development. Kosova needs a t least a 10% growth to be able to catch up with other countries in the region. Tax income has increased for 14%, but this is mainly related to customs income. This phenomenon is one of the indicators of the risk for the future stability of Kosova budget. The CPI which in 2009 decreased and increased again in 2010, remains unstable. All this indicates that Kosova continues to have an unstable economy and remains the poorest countries in Europe.

3.2. Foreign Trade

It is assessed that Kosova's economic progress is largely dependent on donations and aids of the foreign countries and remittances, which is considered not to be enough for a stable and sustainable economic development, but they remain the only financiers of the large trade deficit. In comparison to other countries in transition, Kosova is characterized with a larger number of emigrants, mainly residing in Western Europe. One of four households in Kosova has at least one member residing outside Kosova and the remittance is considered a proof of the relation of these emigrants with their families in Kosova. In the after war period, this remittance was quite stable, comprising 13-15% of the GDP. Although this remittance has played a significant role in lowering the poverty rate, it did not effect the economic development.

According to the Kosova Statistical Office, trade deficit has reached 1.770,2 million euro in 2009, or put differently 45% of the GDP, while trade deficit in 2008 was 1.729,5 million euro. Export total is 165,3 million euro while import total is 1.935,5 million euro which clearly shows that import covers only 8,5% of export. In 2008 export was estimated about 188,9 million euro while import was 1928,2 million euro, 10.3% of the GDP. Until August 2010, export is considered to be 188,9 million euro, while import is considered to be 1.352 million euro.

Kosova still relies on foreign savings to cover its import expenses. In 2009, encouraged by high public investments and consumption need, import increased for 50% of the GDP. Unlike previous years, this year exports were led by animal and vegetable fats, creating an income of

³⁸ Annual report of CBK 2009 <http://bqk-kos.org/repository/docs/Raporti%20Vjetor%202009.pdf>

³⁹ World Bank Report Nr. 53185-XX, "Kosova - Strengthening the development potential: Strategies, Policies and Actions" - Economic Memorandum of a Country, April 29, 2010"

53 million (a 227% growth), while machinery and transport equipment export decreased for 27% followed by raw materials with a decrease of 20%, tobacco with 12%. Highest imports continue to be machinery and transport equipment with a steady growth of 20%. According to the Kosova Statistical Office, until August 2010, exports are led by beverages and tobacco while main imports remain machinery and transport equipment⁴⁰.

The World Bank report "Doing business 2010" assesses that Kosova performs negatively on the aspect of foreign trade, as a result of high export/import expenses, distance to key harbors, infrastructure etc. foreign assistance has had a major role which recently has been declining. In the last 3 years it represents 8% of the GDP.

In 2009 Foreign Direct Investments (FDI) marked an annual decline of 20,4%, a trend that continues to go down for 2 years. From 13% of GDP in 2007, in 2008 declined to 8,9% while in 2009 they were assessed to be only 7,8% of the GDP. This was a result of the global financial crisis, lack of implementation of the CEFTA agreement and the lag of the privatization process. The amount of FDI in Kosova was 291.5 million euro while Kosova's FDI in other countries reached 10, million (mainly real estate purchase in Albania) therefore net FDI in 2009 is estimated to be 280,9 million euro. In the first trimester FDI was estimated 62,8 million euro which is mainly capital investments (72,6%) which in comparison to the previous year declined for 4,8%. Most of the FDI in Kosova originates from EU countries, led by Germany and Slovenia.

If WB report "Doing business" 2009-2010 is analyzed, one can tell that foreign and local investors are concerned about the lack of efficiency of the public administration, complex rules, high level of corruption, weak judiciary, etc.

Table 3. Types of financing in Kosova (% of the GDP)

Type of financing	2004	2005	2006	2007	2008	2009
Foreign Direct Investments	1,5	3,6	9,3	12,6	8,9	7,8
Remittance	12,2	13,9	15,0	15,1	13,9	12,9
Export	2,2	2,3	3,9	5,2	5,7	4,2
Financial assistance	11,5	12,2	10,2	8,7	7,5	8,6
GDP (1,000 euro)	2.928	3.005	3.118	3.411	3.849	3.843

Source: WB and IMF

Moreover, this report rates Kosova in the 171st place in the world as far as foreign investor protection is concerned. This is also an indicator that foreign investors are not interested in investing in Kosova, therefore Kosova Government and the Agency for Foreign Investments Promotion should undertake urgent steps and improve the actual position. According to the WB surveys, foreign investors have little knowledge about Kosova and that the high level of corruption and organized crime and weak judiciary system are key factors to their reluctance.

During 2009, Kosova Customs collected 635,08 million euro, which represents 98,44% of the MEF plan (45.1 million euro) required for financing Kosova Budget. If compared to the 2008 income, we have an increase of 5% or 30 million euro (604,8 million euro income in 2008). Indicators for this income increase were risk management, enforcement of selective control and focus of the resources on high risk shipment; new applied rates of VAT; good merchandise assessment; and increase of tax for alcoholic and non alcoholic beverages in comparison to 2008.

Table 4. Kosova Customs Income

Income type	2007	2008	2009
Customs tax	80.285.075,96	93.293.782,80	98.312.002,42
VAT	252.464.425,68	304.715.800,56	327.661.731,58
Excise	189.507.811,47	203.314.511,68	206.917.391,8

⁴⁰ Statistical Office of Kosova, "Foreign Trade Statistics 2009" and External Trade Bulletin for January - August 2010

Other	4.721.910,83	3.544.518,59	2.147.175,26
Total	526.979.223,94	604.868.613,63	635.038.300,34

Source: Kosova Customs

During the year the Customs Service discovered 641 customs offenses, among them a) fines and judgments imposed for collection in the amount of 4 million euro and b) the value of confiscated goods worth 1.2 million euro. However Kosova Customs still do not have access to two border gates in northern Kosova, which is considered as the region with the highest activities of smuggling and which causes huge losses to customs, namely the Kosova budget. Also, the decrease of 38% of the price of imported oil resulted in 5% less revenue from VAT in 2009 compared to 2008.

According to the Annual Report of the Kosova Customs value of imported goods in 2009 was 1838 billion, similar to that of 2008 in the amount of 1.840 billion euro, while export value of regular and re-export for 2009 was 187, 4 million, compared to 231.9 million euro in 2008. According to Customs countries from which Kosova imports most, remain: Macedonia with 288 million euro (which compared with 2008 marking a decline of 16%), Germany with 237 million euro (which compared with 2008 marking an increase of 21%), Serbia 207 million euro (similar to that of 2008), Turkey 137 million euro (an increase of 9% compared to 2008) and China 127 million euro (an increase of 6% compared with 2008). Compared to 2008, greatest decline on imports occurred with Ukraine with a 48% decline, and the greatest export increase occurred with Holland, with a 55% increase. Countries where Kosova does most of its export remain the same: Albania leads with 17 million euro worth of goods (an increase of 13% compared to 2008), Macedonia 13,9 million euro (a decline of 17% compared to 2008), Germany 11,4 million euro (an increase of 163% compared to 2008), and Switzerland 10 million euro (an increase of 44% compared to 2008). Export increase occurred with Croatia (126% increase) and Austria (111% increase compared to 2008) while there has been a drastic drop of exports of 81% toward Bosnia, which is assessed over a 3 million euro loss compared to 2008.

In general, the year 2009 was concluded with a more negative trade balance than the previous year. The trade deficit grew to 40.5 million euro, as a result of increased imports and decreasing exports. Foreign assistance, along with FDI declined further. The Government of Kosova should urgently take steps to prevent the situation created, as Kosova continues to be perceived as a country with high corruption, inefficient procedures and bureaucratic public administration, weak judicial system, etc. The only improvement was the increase of the revenue from customs, but which came as a result of new VAT rates and new rules applied at customs.

3.3. Growth of financial sector

Central Bank of Kosova continued its administrative, financial and managerial activities during 2009, as foreseen by the law Nr.03/L-209 on Central Bank of the Republic of Kosova⁴¹. Absence of a state currency is also affecting monetary policy by the CBK, although it continues to play the managerial and monitoring role of the financial sector. The financial sector in 2009 was still stable even though the financial crisis had gripped the world, but because Kosova has a non-globalized economy and dependent on public investment and finance, it remained less affected by the crisis.

Kosova's financial sector during 2009 rose by 24.2%, reaching total assets value of 2.8 billion euro, with most (78.6%) in the banking sector, though compared to previous years this is a lower turnout. On the other hand, pension funds manages 13.6%, of the financial sector while the remaining 7.8% consists of microfinance institutions with 4.7%, insurance companies with 2.9% and 0.2% financial assistants. By June 2010 the financial sector assets amounted 2.9 billion

⁴¹ Law Nr. 03/L-209 on Central Bank of the Republic of Kosova. <http://cbk-kos.org/repository/docs/Ligji%20per%20BQK-ne.pdf>

euro, if compared with the same period of 2009, it shows an increase of 0.5 billion euro. Compared with 2008 the number of commercial banks (8), insurance companies (11) and pension funds (2) remains the same, and as an innovation in the financial market are two new microfinance institutions.

The value of foreign assets remains high, thus constituting 43.6% of GDP in 2009, where the bulk of them (44.7%) are invested in the form of deposits or securities (35.6%). The year 2009 was characterized with the increase of 18% of the demand on the external sector (2.04 billion euro). The financial sector carries due to the fiscal sector, which is made of government deposits, which in 2009 recorded an annual decline of 2.9% reaching a value of 846.3 million euro.

The banking sector continues to be dominated by foreign ownership, which manages 91.5% of assets. During 2009 the level of concentration remained high, with three banks managed 81% of total assets, although compared with previous years this marks a negative trend. In 2009, a slowdown was noted in the number of branches and subsidiaries, from 287 in 2008 they were increased to only 292, while in 2009 decrease in the number of employees was noted, from 3607 employed in the banks, the number was reduced to 3444 in 2009. Even the trend of increasing lending showed a lower rate compared to previous years when the growth rate in 2009 was 8.9% compared to 2008 of 32.7%. The average value of new loans issued for one month was 52.5 million euro in 2009 compared to 57.8 million euro in 2008. Loans to households were affected in a lesser extent, increasing for 22.3%, while loans to enterprises were the most affected, which fell for an annual of 4.6%, although the structure of loans during 2009 was dominated by loans to enterprises. Thus the bulk of loans were absorbed by the commercial sector (56.4% of loans to enterprises), while the sector with the lowest participation continues to be the agricultural sector with only 4%. As for the maturity of lending continued be the same, where the bulk of loans consist of loans with maturity terms over 2 years (70%). Regarding deposits in 2009 they recorded annual growth of 21% reaching a value of 1.74 billion euro. Much of the banking sector deposits consist of deposits of households (60%), while deposits of private enterprises constitute 15.3%. The year 2009 in the banking sector was characterized by slight increase in interest rates on loans (0.3 pp.) And decrease in interest rates on deposits (0.44 pp.). The year 2009 was closed on a net profit of 29.6 million euro in the banking sector, which is 30.5% lower compared with profit of 2008.

In the sector of insurance companies stability continued during 2009. The number remained similar to that of 2008, that 11 companies, 10 of whom activity in non-life insurance, and 1 in life insurance. Assets in the insurance sector have increased by 5%, reaching a value of 88.1 million euro that is dominated by deposits (63.7%). In 2009, the number of policies sold reached 511,000 (7.4% increase), while the value of premiums received increased by 20.2% (66.7 million euro worth). In 2009, insurance companies paid damages of 18.8 million euro, which represents an annual growth of 6.5%, but since the value of premiums grew significantly, the rate between them decline for 31.3% compared in 2008.

Kosova pension system continues to be based on three pillars, the first of which is managed by the government for all older than 65. 2. Trust (KPST) and 3. Slovenia-Kosova Pension Fund (SKPF). The value of the assets of the pension system in Kosova in 2009 represents 10% of GDP. The performance of the Trust in 2009 was good compared with that of 2008. Return on invested assets was 14.1% (12.2008-12.2009). Value Trust's share at the end of the year amounted to about 1.0 euro.

The year 2009 was characterized by the arrest of Central Bank Governor, by law enforcement and special prosecution, but this situation did not affect the stability and management of this very important institution. Two months after the date of arrest, the relevant institutions, namely the Assembly still has not suspended the governor from office. Under the new Law on Central Bank of the Republic of Kosova, adopted on 27 July 2010, the President has the

authority to suspend the CBK governor and then this decision must be approved by the Assembly as the supervisor of CBK. However, after these constitutional and legal measures were taken, the Governor of CBK asked the Governing Board to suspend him from duty until the completion of investigations into allegations that were raised by the judiciary

Overall financial sector recorded a growth of 24.2% of assets, that trend continues in the first six months of 2010. However, 2009 was characterized by lower trend growth in the banks. Year 2009 marked a slight trend of increasing loans and opening new branches and sub-branches of banks, but even then there was a decrease in the number of employees in this sector. The banking sector also had a slight increase of interest rates for loans and reduced interest rates on deposits. On the other hand, the sector of insurance companies was quite stable, even compared with 2008 its condition improved. But, knowing the dependence of citizens in banks, we can say that 2009 was the most difficult year for the Kosovars.

3.4. Starting and closing a business

The private sector in Kosova is very weak, where most employees work in small businesses, mainly in low value sectors. Most businesses do not grow and therefore the offer of employment is very low, which results in such high levels of unemployment.

According to the Business Registration Agency in Kosova until 2009 were 89,941 registered individual businesses, as reported May of 2010 with 99,647 businesses, while the annual number of enterprises that close, for three years now, is about 1,000 enterprises. However, a large number of firms operate in the informal sector, which further undermines the business environment and their own productivity. One of the small businesses that are growing are the games of chance, seen as characteristic of poor countries. Only the first part of 2010, 7 new licensed entities and 72 licensed new units generated revenue of 1:03 million euro for TAK in the form of taxes and 20,000 euro in the form of entries in form of fines.

According to TAK, until September 2010 the number of businesses that acquired a fiscal number is 61.114, 55.193 were given to businesses and 5.921 to individuals. The government of Kosova gave permit only to two companies to sell electronic fiscal equipment; to Geokos and Dukagjini. After the complains of the businesses about the high price of the electronic fiscal equipment, Kosova Commission of Competition started a three month investigation on both companies licensed for sale, installing and maintenance of the fiscal electronic equipment. After thorough analysis an administrative penalty was imposed in the amount of 100,000 euro for each company. Geokos is punished for the creation of monopolistic and dominant position in the market and abuse of this position, while Dukagjini for its collaborative practice with Geokos in this monopoly.

Kosova under the World Bank report "Doing Business 2010" ranked 113 in the world for doing business facilities. This estimate simultaneously shows the difficulties faced by businesses that wish to operate in Kosova. Opening a new business in Kosova requires undergoing through nine procedures that take about 51 working days and cost about 43% of income per capita. These lengthy and costly procedures often open the way for corruption or for non-formal economy. Moreover, building permit is even more damaging factor as to need of undergoing through 21 bureaucratic procedures that take about 320 working days and costs brought about 1.291% of revenues per capita. Kosova is in the top 8 countries with the worst conditions in terms of building permits, and it is very well known that the construction sector in Kosova is among the key elements of the economy. Terms of facilities for business closure, Kosova ranks 28th in the world. Lack of labor law on the other hand allows enterprises to be more flexible with regard to workers, therefore, Kosova ranks among the top 50 countries in terms of facilities for employment and break the contract, which leaves the workers vulnerable.

In general, the private sector in Kosova still remains underdeveloped. Around 10,000 new businesses are registered every year. Many of these businesses belong to the category of 'self-

employed', which does not affect the economic development, nor does it provide jobs, and most of them operate in the non-formal sector. Government of Kosova, as a method for combating non-formal sector but also for fighting corruption in 2009 began implementing the project of installing fiscal cash register, which process was characterized by multiple problems. Government of Kosova gave permission to only 2 companies thus opening the way for the monopolization of the market, which brought in further increasing dissatisfaction of businesses due to the extremely high price. It is worth mentioning that the World Bank report "Doing Business in 2010" compared to that of 2009 puts Kosova in lower position, which indicates economic regression.

4. EUROPEAN STANDARDS

4.1. Public procurement

Following many accusation and raids for corruption by EULEX in some governmental departments, the Government of Kosova has undertaken measures in changing and adopting the Law on Public Procurement. The first step was taken in May, when the Government adopted the Administrative Direction on Signing of Public Contracts of a Medium and High Value. This administrative direction foresees that in addition the procurement official, who according to the Law on Public Procurement has the responsibility and the right for signing the contracts, from now on the contracts worth over 10 000 euro must be signed also by the secretary of the ministry and the minister (or the mayor of the municipality, in the municipal level). This form of modification of the law is not in accordance with legislative regulations, because it has changed the content of the Law. This administrative direction is applicable since June 30, 2010.⁴²

However, on July 7, 2010, The Government of Kosova once again approved the Bill on Public Procurement. But this time, the modifications, requested two months earlier through the administrative direction, were incorporated in the Bill. Article 26.2 of the Bill deals with signing of the contracts which says: "In addition to signature of the responsible procurement official, the contracts with medium and high value of the contracting authorities must be also signed on behalf of the contracting authority by the Main Administrative Official, respectively, by the Minister or another respective public authority". The Bill has been approved by the Parliament of Kosova, whereas the contracts with medium and high value are signed according to the Administrative Direction 02/2010.

In general, the Kosova's Government has created more uncertainties regarding the Law on Public Procurement and process of signing of the contracts. By giving this responsibility to the ministers, respectively to other main administrative officials, the professional Procurement officials will have equal importance with the political representatives. This form of contracts' signing will delay further the tendering procedures.

In May 2010, Ilir Rama resigned from the post of the temporary director of the Public Procurement Agency Board. Ilir Rama was appointed a temporary director of Public Procurement Agency (PPA) on October 2008. His appointment by the Government of Kosova for a 19 month period was not in accordance with the Law on Public Procurement. Kosova's Government made the same mistake, when on July 2, 2010 appointed another person as a temporary executive director of the PPA, by ignoring the Parliament of Kosova.⁴³

On July 8, 2010, Kosova's Parliament appointed the new composition of the Board of Public Procurement Regulatory Commission (PPRC). The new composition of the board, consisting 3 members, by the Members of the Parliament (MPs) has been as non-competent and politically influenced.⁴⁴

According to the Annual Report of the Public Procurement Reviewing Authority (PPRA) for 2009, the complaints of the economic operators regarding the public procurement proceedings have been increased. During 2009 PPRA has received 457 complaints from the economic operators against the decisions of the contracting authorities, or 61% more than in 2008. Most complaints are against tendering proceedings with high value (127 million euro), whereas there are fewer

⁴²See: Administrative Direction on the official page of PPRC <http://www.ks.gov.net/kppp/PageFiles/File/udhezimi%20administrativ%2002-2010.pdf> (last time checked on October 13, 2010).

⁴³Article 92.3 of the Law on Public Procurement (with the changes and fulfillments of February 8, 2007) Director is proposed by the Government and it is appointed by the Parliament.

⁴⁴The Director of the PPRC Board appointed on July 8, 2007 has been the Leader of the PDK Branch in Suhareka and a member of the Municipal Assembly of Suhareka representing PDK. This fact was emphasized by MP Haki Shatri during the session of Kosova's Parliament on July 8, 2007.

complaints, regarding the tenders with medium and low value.⁴⁵ Although PPRA evaluates that the increase of the complaints is a result of the increased trust towards the PPRA, one can argue that the increase of the complaints can be a result of bad decisions taken by the contracting authorities.

In general, Kosova's institutions have not undertaken concrete steps in improving the situation in public procurement. Still, there is no adequate legal base in this sector. Changing the Law on Public Procurement through Administrative Directions is against the Law and interference to the law-making competencies of the Parliament of Kosova. The Government did not propose the candidate for executive director of PPA to the Parliament of Kosova, despite the fact that since October 2008, this post is being exercised by a temporary director. The number of the complaints of economic operators has been increased for 61% compared to the previous year. The new Bill on Public Procurement, which has been approved by the Parliament on October 1, 2010 (but is not applicable yet), gives additional competencies to PPRC in supervising and carrying out public contracts. These additional competencies also need employment of an additional staff. The new PPRC Board has been appointed on July 2007, but the new members have been criticized of being non-professional and politically influenced.

4.2. Employment and social policies

The Government of Kosova has approved the Bill on Labor three times within four years. This law will replace the UNMIK Regulation on Essential Labor Law, which is applicable since 2001, but not implemented in practice. The Bill on Labor was presented to Kosova's Parliament on May 2010. The content of the Bill was opposed by employees' organizations and civil society, especially Article 48, which foresees only 12 weeks of maternity leave. Parliament has not approved this Law even after the second review (till October 14, 2010). According to the members of the working group for the Bill on Labor, this bill will be changed radically, adding that the cost for its implementation will be increased as well. According to the declaration of the financial influence compiled by the Ministry of Economy and Finance (MEF), the Labor Law, as it is presented to the Parliament, will cost Kosova's Budget 1.8 million Euros a year. This amount is foreseen in the Midterm Expenses Framework (MEF) 2011-2013.

In case it is approved, the Law on Labor will not be applicable until January 2011. Responsible institutions for implementation of the Labor Law are facing many problems. There is no special Court, which would resolve the contests that deal with employment relations. Such court is not foreseen even with the new organizing structure, which will be applicable from 2013, according to the Law on Courts. Having in mind the large number of the unsolved cases, and non-existence of a special court that would deal with the contests that deal with employment relations or lack of specialized judges in this area, discourages the citizens in addressing the courts in cases of contests related to employment relations.

Independent Supervising Council (ISC) which resolves the employment contests in frame of Kosova's civil service has been slow in its job. In many cases of the employment contests, where ISC was involved the decisions have been delayed for years. Such delays in making a decision have damaged the budget of Kosova.

Labor Inspectorate, which functions in frame of the Ministry of Labor and Social Welfare (MLSW), is facing many problems as well. Only 49 labor inspectors have been engaged in the whole territory of Kosova. In five municipalities there are no labor inspectors at all. According to the latest data provided by the Agency for the Registration of the Businesses, until May 2010 there were 99 647 registered businesses. According to the law, every inspector must inspect 2033 registered businesses during one year. Not all businesses are functional, and one of inspectors' duties is to identify businesses which are not functional and have not been

⁴⁵2009 Annual Report of the Reviewing Authority of Public Procurement, presented to the Parliament of Kosova on February 25, 2010 <http://www.ks-gov.net/krpp/PageFiles/File/udhezimi%20administrativ%2002-2010.pdf>

deregistered as such. Besides the lack of staff, the inspectors do not have automobiles and offices and their salaries are very low. Due to these factors, the Law on Security at Work, Protection of Health and Working Environment has also found it difficult to be implemented in practice.

Unemployment rate in Kosova remains to be very high. According to the latest data, the unemployment in Kosova during 2009 has been 45.4%, which is a slight decrease of 2.1% compared to 2008 (47.5%).⁴⁶ Youth, age 15-24 makes the highest number of unemployed people in Kosova with (73%) followed by females with (56.4%). Government (public sector) is the biggest employer in Kosova, employing 74 910 people.⁴⁷ Biggest employment in 2009 has been done in trade (17.4%), education (13.4%), manufacturing (9.9%), and administration (9.8%) and so on.⁴⁸

The number of unemployed people registered until August 2010 in the Employment Municipal Centers was 335 347, whereas at the same period of time of 2009 there were 338 407 job-seekers. The employment through the mediation of employment offices is very low or 2.14% per year.⁴⁹ And this low rate of employment through these offices discourages the unemployed people to register as job-seekers in the Employment Centers. The unemployment in Kosova is the highest in Europe, which makes Kosova the country with the lowest employment rate in Europe.

Kosovar Tripartite Council has changed its name in 2009 into Economic-Social Council (ESC). This change has been done in order to harmonize the name with EU standards. On July 2010 the Government approved the Bill on ESC, but it has not been approved in Kosova's Parliament. ESC was not functional for a very long time. The reason for this was the decision of the Government, according to which businesses and workers' trade unions should be represented in ESC with more than one organization. Kosova Economic Chamber (KEC) and the Union of Independent Trade Unions (UITU) were not ready to make place for other organizations, such as Kosovar Business Alliance and Confederation of Free Trade Unions of Kosova. When the Law on Labor becomes applicable, ESC is obliged to sign the new collective contract and set the minimal salary. If the differences in ESC are not overcome, the implementation of the Labor Law will be in doubt.

On April 2009, Kosova's Government approved the Bill on Changing and Fulfilling of the Law on Social Help Scheme and sent it to the Parliament for approval; however the Government regretted about this step and requested its withdrawal from further procedures. The reason for this was high budgetary cost, which in case of approval of the new law, would cost the budget of Kosova 3.3 million Euros yearly. Alterations in the law also foresee the transfer of the managing responsibilities regarding social help from the central level to municipal level. Government of Kosova has done this transfer of responsibilities through secondary legislation: Administrative Direction on responsibility delegation procedures for the scheme of social help on municipal level, which was approved on March 2010.

The number of beneficiaries from social help has not changed. According to Midterm Expenses Framework (MEF) 2011-2013, 325 000 people or 15% of the population have access to one of the social payment schemes and this number is foreseen to remain the same for the next three years. Poverty level remains the same with 45%, whereas 15% of the population in Kosova lives in extreme poverty.⁵⁰

⁴⁶Kosova Statistic Center. Results of the survey on working power 2009. July 2010

⁴⁷Employment data, which are paid by Kosova's Budget, have been taken from the Six Months Report of Republic of Kosova Budget for 2010, approved by the Government on August 4, 2010.

⁴⁸Kosova Statistic Center. Results of the survey on working power 2009. July 2010.

⁴⁹MPMS. Information on Labor Market in Kosova-August 2010.

⁵⁰World Bank. Public Expenditure Review. June 3, 2010.

There has not been a debate on financial cost and with a full consensus the Parliament of Kosova approved the Law on the status and rights of martyrs, Kosova Liberation Army (KLA) invalids, civil victims and their families. This law will cost Kosova's Budget 5.2 million euro yearly, for the next three years.⁵¹

Kosova does not have a Law on Health Insurance or a fund on health insurance. Based on the Legislative Strategy of Kosova's Government for 2010, the Law on Health Insurance should be approved on January 2010, however until now nothing has been done in this direction. In general, health system in Kosova is not in a very good situation. The Minister of Health (MH) has been replaced in May 2010, however despite this fact there is no improvement in this very important sector. During 2010, Ministry of Health has been characterized with many appointments and removals of the leaders in health institutions, such as the case with the Secretary of MH and the Director of the University Clinical Center of Kosova (UCCK). Health workers have once again threatened with strikes, due to the dissatisfaction regarding the fulfillment of the agreement done between the Health Trade Union Federation and Kosova's Government on October 14, 2008.

The Government has continued with approving programs and social-health strategies. In December 2009 Kosova's Strategic Plan for HIV/AIDS 2009-2013 was approved, and also the Acting Plan for implementation of Kosova's strategy for integrating Roma, Ashkali and Egyptian communities 2009-2015. In March 2010 Government approved the strategy for Promoting Health Schools in Kosova 2009-2018. Whereas in July 2010 the Acting Plan for the Strategy for Reintegration of Returned Persons was approved. The reintegration of returned persons has been financed by Kosova's Budget. The Government has allocated 500 000 euro for the "Initial Fund"⁵² on reintegration.

In general, Kosova is facing the highest level of unemployment in Europe. The work relation is not set by law and implementing institutions of labor laws are facing different obstacles. The number of beneficiaries from social schemes remains to be the same. Government has withdrawn the Bill on Changing and Fulfilling of the Law on Social Help Scheme. After this withdrawal, the transfer of managing responsibilities, regarding social help, from the central level to municipal level is set by a secondary legislation and not by the approval of a new law on social help. The Government has not approved yet the Bill on Pensions and Invalids Insurance and it has not approved the Bill on Health Insurance. No effort has been done in increasing the social and health funds.

⁵¹Midterm Expenses Framework 2011-2013, approved by the Government of Kosova on June 11, 2010 with the decision 03/128

⁵²Reappointed in "Program for the Reintegration of Returned Persons" that functions in frame of the Ministry of Interior Affairs

5. SECTORAL POLICIES

5.1. Civil society and Media

Civil Society in Kosova at last has started to experience an organic development, and its development comes as a reaction towards the needs of Kosovar society and not anymore as a reaction towards the desires and goals of the donors. Civil society organized mainly around non-governmental organizations (NGOs), is more active and has begun to play a role in profiling the public opinion in Kosova. Number of registered NGOs is big but the number NGOs that are active all the time and whose work is influential in public opinion, is very small. Some of the achievements of civil society during the period October 2009-October 2010: NGOs have played an active role in monitoring the local elections in November 2009, they have observed the work of political leaders by measuring the "honesty" of their promises and have raised their voice against the corruption and abusiveness of official duties in all governing institutions in Kosova.

The real challenge of NGOs in Kosova remains to be the access in official documents. Very often they cannot have access to official documents because the governing institutions in Kosova delay their requests by using different forms. A challenge for the entire civil society in Kosova is the mobilization of Kosovar society in the initiatives of civil society. This problem is structural for Kosova's society and with the trend of the development of society it is related with the non existence of a medium class in Kosovar society. Without people that have a financial and intellectual independence, what medium class represents, it is very difficult for civil society to mobilize large number of people in its initiatives, especially when we talk about the initiatives against the Government, which is the biggest employer in Kosova.

Media in Kosova have made some steps backwards during the period in which the evaluations has been done. This happens as a result of the obstacles that the journalists face in getting the information but also as a result of the influence of Kosova's Government in the editing policies in media, especially in Radio and Television of Kosova (RTK), which is a public service broadcaster in Kosova or as a result of the threats done towards the journalists.

Soon after the publication of the Progress report for 2009, European Broadcasting Union (EBU), which is the establisher of RTK sent a letter to Kosova's Government, in which the General Director of EBU, Jean Revellion expressed his regret that the pressure from the government has transformed RTK from a balanced news releaser into a media in support of the ruling party and Hashim Thaçi as prime minister.

In the meantime, in this period RTK finally completed the RTK Board and made changes in its editing staff. However, a monitoring of the work of RTK done by KIPRED and published in October 2010 shows a lot of problems in its informative program, mainly due to the lack of investments in professional growth of the RTK staff.

At the same time, journalists in Kosova as well have been faced with hindrance while doing their job, and often this hindrance came from officials from various institutions. A team of journalists from the television station Klan Kosova was attacked and locked up illegally in a classroom of the school Gjon Sereqi in Ferizaj by the director of this school, whereas a team of journalists from KTV was held against their will in the police station in Deçan by a police lieutenant. Both these incidents happened in September 2010 and have been condemned by the organizations that deal with the protection of journalists.

The journalists in Kosova have also been denied free movement, and their passports have been taken with the excuse that they are under investigation due to their job. Journalists have been also object of violent attacks, such as the attack with a bomb on the house of the editor in chief of the Radio Mitrovica in Serbian Language, Caslav Milisavljevic in Zvecan on September 27, 2010. Steps backwards in media sector have been also noticed by the organization "Reporters without borders" which has put Kosova in the 92nd place in the world in its Index on

Freedom of Media for 2010. This Index is published every year, whereas the previous year Kosova was ranked 75th in the world.⁵³

5.2. Security sector

Consolidation of security sector has continued during 2009-2010, however very slowly. The institutional part of legislation was approved in package mainly in 2008, however, there are some basic laws which have not been approved and some other laws have not been implemented at all. The Law on the Protection of Personal Data is not being implemented and the State Agency for the Protection of the Data has not been established yet. Same, the Law on the Classification of Information and Security Verification, although approved by the Parliament of Kosova in June 2010, it has not resulted in consolidation of the department for the verification of security and the lack of capacities and delays remain to be a challenge. The Law on Foreign citizens is implemented partially and there has been noticed a violation of provisions, according to which foreign citizens are allowed to enter Kosova only with passports (unless it is foreseen differently by a special agreement), whereas in reality the citizens of Serbia enter the territory of Kosova only with their IDs, although there is no bilateral agreement regarding this issue. Another challenge is the approval of a new law on emergency reaction that would result in the reorganization of the emergency readiness structures. The Security Municipal Councils in Community (SMCC) have been established in the majority of the municipalities but their functionality and performance depends from the municipalities and they mainly reflect weak results in performance.⁵⁴

Kosova Security Council (KSC) has consolidated its secretariat and has completed the secondary legal infrastructure. But although the current legislation foresees that all the laws in this sector should go through KSC, this is not happening and it is making the coordination of security institutions very fragile. In the new legislative strategy KSC must have in mind and foresee the compilation and approval of the Law on Extraordinary Situation and unifying of the legislation in the sector of emergency reaction. KSC has done efforts in coordinating the process for drafting the strategy for Kosova's security.⁵⁵ Although the strategy has been approved by Kosova's Government in May 2010 (and it is expected to be approved by the Parliament) the draft has been criticized that it does not reflect the local context and it has not considered the domestic ownership in its compilation. The evaluation of the threats and risks in strategy doesn't really address the challenges of national security towards the country, which makes its implementation doubtful.

Kosova Police (KP) is going through the process of the reformation and it has been marked a progress. Police foot patrols have been increased and this has resulted in the increasing of the efficiency of KP. However, the fact that the new draft of the Law on Police Inspectorate hasn't been finalized because of the implications is concerning.⁵⁶ Since the stealing of the data on April 2009, Police wasn't able to find the perpetrators. The police training takes place in the Center for Public Security in Vushtrri, but there is no academic supervision of the center, which causes doubts on the strategic development of the KP. It is also reported for the existence of clans within KP and there are no indications for fighting of these occurrences in police.

Kosova Security Force (KSF) has done a limited progress during 2009-2010 by increasing the number of new recruits and by continuance of trainings under the supervision of KFOR. Until August 2010, the statistics show that around 2000 members⁵⁷ have been recruited which makes a considerable part of the foreseen number of members (2500 active members). Despite this number KSF did not meet the operational capacities and current capacities do not guarantee a

⁵³Reporters without Borders, <http://en.rsf.org/press-freedom-index-2010.1034.html>

⁵⁴SMCC, Evaluation of Democratic Supervision of the Mechanisms of the Security Municipal Councils in Community, page 3

⁵⁵Kosova Security Council meetings

⁵⁶SMCC Observation: Role of the independent agencies in the supervision of security sector in Kosova

⁵⁷Table of MKSF, 14.08.2010

substantial contribution by KSF in a near future. In addition to that, KSF is still short of starting their training in using light weapons. No serious readiness has been shown by the Government and the Ministry in having KSF gradually assuming responsibilities from KFOR and the local role in consolidating the KSF is highly limited. The role of KFOR in the consolidation of KSF is very powerful and this was proved in many occasions, especially in March 2010 when KFOR froze the relations with KSF because of the presence of the KSF in the "Ceremony of KLA". In 2009 Kosovo's Government has allocated 21 million euro for KSF but only 62% of this budget has been used due to a bad budgetary planning.⁵⁸ Despite this fact, it has been requested for the budget of KSF in 2010 to be increased for an extra 10 million euro.⁵⁹ The KSF Parliamentary Commission has been established in the autumn of 2009 but there has not been marked any substantial performance.

Kosovo Intelligence Agency (KIA) is in its initial phase of the consolidation and the first step for the recruitment of its members has been done through an open contest at the beginning of 2010. The details of the functioning of the KIA are not transparent based on the legislation in power; however, its operating is expected to be delayed due to the delays of the Government in appointing the director and later the deputy director and general inspector. Media reports and the declarations of some MPs have suggested the possibility for the implication of some structures of the former Kosovo Informative Service (KIS) in KIA.⁶⁰ The Parliamentary Commission for the supervision of KIA has been established in the autumn of 2009. The democratic supervision of this institution will be a challenge in the coming years.

Private Security Companies remain to be a sector which works based on an UNMIK Regulation and since 2007 there has been an effort to draft the Law on Private Security, which was not approved until the period of the reporting.⁶¹ Government did not address the weaknesses in private security sector and especially the claims for the violation of worker's rights in this industry.⁶²

5.3. Visa liberalization

Visa, border management, asylum and migration

Some progress has been made with legislative framework as seven out of thirteen Administrative Instructions for the implementation of the Law on Foreigners have been adopted. The following AIs have been adopted: on ID Cards for Foreigners; on Defining Stamps for Entry to and Exit from Kosovo; Traveling Cards for Foreigners; Penalizing Provisions of the Law on Foreigners; Establishment of the Review and Appeals Commission; the Content, Format, Manner of Providing and Repealing of Movement Permission; and Prohibition of Entry into the Republic of Kosovo.

Also, mid-2010, Ministry of Foreign Affairs and MIA signed the Administrative Instruction 04/2010 on procedures for issuing visas to foreigners by the consular missions of the Republic of Kosovo. However, consulates are still not equipped with necessary human and other resources.

The MIA has passed an AI end 2009 for the establishment of the Civil Registration Agency ARC, which is responsible for securing quality and secure document release. An Acting Chief Executive was appointed, but the ARC still needs to be equipped with more staff. Around 75% of civil registry books have been digitalized at the municipal level. Internet network has been placed throughout over 90% of Civil Registration Offices, respectively in 231 out of 243 offices.

⁵⁸ZAGJ, Auditing report of the MKSF financial statements for 2009, page 8

⁵⁹Kosova's Consolidated Budget for 2010

⁶⁰Daily newspaper "Koha Ditore" 22.08.2010

⁶¹After many attempts, Government approved the Bill in August 2010, and it is proceeded further in the Parliament

⁶²SMCC, Evaluation of Private Security Companies in Kosovo, page 3

However, an assessment of each municipal civil registration needs to be conducted. Moreover, the law on civil status has not yet been approved.

With regard to border and border issues, small progress has been made in the legal framework for integrated management and control of state borders. In November 2009, the Director of Kosovo Police signed an AI on duties and responsibilities of the Border Police; one on the Control of Border Crossing Points and AI on Border Incidents and Violations of the State Border have been finalized.

The AIs on marking the boundary line and on construction of facilities within the Area of Border Crossing are being finalized and six other administrative instructions are in the drafting process, which include AIs on Definition and classification of border crossing points; Nature and Amount of Fines to be Imposed to Physical and Legal Persons who Violate Provisions of the Law on IBM and Control of the State Border; Format, Content and Method of Placing Warning and Written Signs at Border Crossing Points and Border Crossing Area; movement and residence within the Border Crossing Area; Prohibition, Restricting or Conditioning of Certain Activities Along the State Border; Placing and Using Technical Aides and Automatic, Filming and Photographing Technical Equipments in Border Crossing Areas along the State Border.

Progress has been made in installment of the Intranet system in all border crossing points, including in the border points Jarinje and Bërnjak. Also, the IBM Joint Monitoring Centre has also been established within Kosovo Customs and Border Police, which is based on Customs and operated jointly by customs and police officers. This centre serves to monitor border crossing points through cameras installed at these points and connected to this monitoring/operational Centre. However, border control of 1 and 31 continue to remain a problem.

The existing legislative framework concerned with the personal documents (passports, IDs and driver licenses) need to be revised with regard to preparation for issuing biometric passports. Working groups have been established to compile the Draft Law on amendment and supplementation of the law on Travel Documents, which has been approved by the Government on 26 May 2010 and it is expected to be adopted by November 2010.

There has been some progress in the area of asylum. The Transit Centre for Asylum seekers and managerial staff was appointed December 2009. The center has recruited five staff members, but capacities need to be strengthened. Other relevant bodies established include the National Refugee Commission; the Committee for Reviewing of Asylum Complaints; the commission responsible for reviewing claims of foreigners for temporary residence, suspension and cancellation of temporary residence permits and departure order; the commission responsible for reviewing applications of foreigners for temporary and permanent residence, and for permanent rejection, suspension and revocation of foreigners' residence permits.

However, more needs to be done in equipping such commission with human capacities, strengthening human capacities and implementation of asylum policies. Two institutional pillars deal with the issue of migration, the Department for Citizenship, Asylum and Migration and the Directorate for Foreigners with the Kosovo Police. Regarding migration, the Department for Borders, Asylum and Migration (DBAM) within the Ministry of Internal Affairs has been restructured into the Department for Citizenship, Asylum and Migration (DCAM). In addition, the Office for Citizenship has been transferred to the Department for Citizenship, Asylum and Migration. However, human capacities for dealing with migration and asylum policy need to be strengthened in order to have effective implementation.

Kosova passed the Law on Readmission, which defined the legal framework for verification procedures and the return of Kosova citizens and foreign that have passed through Kosova onto other countries. Bilateral readmission agreements have been signed with Albania, France, Macedonia, Switzerland, Germany, Denmark, Norway, and a protocol of cooperation with

Belgium. During the time period January - March 2010, number of returnees is 1,198. The Action Plan of Re-integration of readmitted persons has also been approved, and the government has secured 500,000 euro for 2010. However, municipal staffs within the office of returnees and communities need to be trained in order to secure full implementation of the strategy.

Money laundering

The draft law on Prevention of Money Laundering has been approved by the Government and adoption by the Assembly is expected in July 2010. This law provides for the establishment of Financial Intelligence Unit. In this context, on 15 June 2010 it has been signed a memorandum for the transfer of powers of the Financial Intelligence Centre from EULEX to the Ministry of Economy and Finance. Regarding institutional capacity building to investigate and combat money laundering Regional Intelligence Units in the Directorate of Crime Analysis (KP) are centralized and constant training are being held to build and develop human capacities within the Investigation Pillar. In addition, on 1 June 2010, 24 police officers investigators are recruited within the Sector of Financial Crimes Investigation (Department for Investigation of Economic and Financial Crime and Corruption, KP). Law on Witness Protection has been drafted, though not yet approved. Same applies to the Draft Law on Amendment and Supplementation of the Provisional Code of Criminal Procedure of Kosova.

Drugs

Some progress has been made in fulfilling human capacities in the plan on fight against drugs. In order to implement the strategy and action plan against drugs, a new organizational structure on the Police Services of Kosova was approved by Kosova Police and MIA, (January 2010), which also includes the establishment of the Directorate Against Crime, consisting of three officials. Personnel has been added for fighting drugs in Kosova Customs; Correctional Services has increased the numbers of officers by seven (7) in the correctional services within security sectors in all correctional institutions (custody centers and prisons) which are authorized in preventing and reducing contraband, including narcotics. However, the link with the judiciary has still not been established as the appointment of responsible prosecutors on narcotic issues has not been established. Overall, the weakness persists in the capacity of the police to tackle drug trafficking effectively and the inadequate level of cooperation and information exchange between relevant institutions.

Fighting organized crime and terrorism

Regarding the fight against organized crime and terrorism little progress has been made. The law on witness protection has not been approved, and the number of judges to handle cases of organized crime needs to be increased as well. The establishment of the Agency for Administration of Sequestered and Confiscated Wealth remains of significance importance on closing chain of preventing organized crime. Other challenges remains lack of capacities and resources, cooperation from the judiciary, lack of sanctioning, lack of effective cooperation mechanisms among mechanisms and institutions for anti-corruption - such as between the Anti-Corruption Agency, Public Procurement and EULEX. The signing and implementation of the memorandum of understanding with the Kosova Prosecution is foreseen. Overall, Kosova relevant bodies and actors continue to lack capacities to fight and prevent organized crime and corruption.

About the organizations that prepared the Progress Report *Made in Kosova*

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The Institute for Advanced Studies GAP is a Think Tank organization established in 2007 in Kosova. GAP's main purpose is to attract professionals by creating a professional research and development environment commonly found in similar institutions in Western countries. This will include providing Kosovars with an opportunity to research, develop and implement projects that would strengthen Kosova society.

<http://institutigap.org/>



Kosova Democratic Institute - KDI

KDI's mission is to support democratic development in Kosova by empowering nongovernmental organizations and citizens to enhance the transparency, accountability and responsiveness of governing institutions and improve the efficiency of these institutions through citizen participation in decision-making. KDI aims to be regional organization that influences political processes by offering assistance in the process of democratization.

<http://kdi-kosova.org/>



Foreign Policy Club - FPC

The Foreign Policy Club is a nongovernmental organization that assembles intellectuals, politicians and distinguished activists of civic society that demonstrate affinity in foreign policy. The club's objective is to contribute through debate by recommendations in generating foreign policies in Kosova, peace functions in Kosova, region and the world.

<http://foreignpolicyclub.org/>



Kosovar Center for Security Studies - KCCS

KCCS has been established with the aim of studying, researching, organizing conferences and seminars in the field of security in the Republic of Kosova. Considering the lack of non-governmental institutions covering this domain, KCCS is the strong voice towards studies on the security field. The activities undertaken so far triggered the civil society experts and media in fostering oversight of the security sector.

<http://kcss.org/>



Balkan Policy Institute - IPOL

The Balkan Policy Institute is an independent and not-for-profit think tank that seeks to initiate and deepen public policy debate at all levels of decision making. Based in Pristina, Kosova, the Balkan Policy Institute works to promote sustainable development and good governance through pragmatic policy making that works for the welfare of the citizens.

<http://policyinstitute.eu/>



Speak UP Movement

The organization has been established to strengthen the good governance in the Republic of Kosova, through contributing to the improvement of transparency and accountability, preventing the abuse of the public authority as well as supporting citizens' participation in decision-making processes. Conflict of Interest, Access to Official Documents, Assets of the High Public Officials, Citizens' Engagement, Functioning of Independent Institutions and the culture of Debate are the core focus areas of Speak UP.

<http://levizjafol.org/>



Mission

KIPRED's mission is to promote and strengthen democracy and democratic values in Kosovo and the region. KIPRED is organized around two main pillars: a) policy research and b) training of political parties and government.

KIPRED's aims are:

- To support the consolidation of democracy within public institutions and political parties in Kosovo;
- The development of independent public policy research in the field of governance, the development of political parties, and the development of inter-ethnic, regional and international relations;
- To influence processes in the creation of public policy;
- To offer forums for the discussion and exchange of experiences in institution and democracy building;
- To increase research capacities for students and young researchers;
- To offer resources for scientific and public policy research.

The rule of a democratic spirit; impartiality towards political entities and ethnic groupings; cooperation with public institutions and citizens groups that propagate democracy; cooperation with institutions of a similar character, local or foreign are core principles upon which KIPRED works.

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KOSOVAR INSTITUTE FOR POLICY RESEARCH AND DEVELOPMENT
Policy Paper 2010/8

STRENGTHENING RULE OF LAW IN KOSOVO: THE FIGHT AGAINST CORRUPTION AND ORGANISED CRIME

Prishtina, November 2010

www.kipred.net

This publication has been supported by Kosovar Civil Society Foundation (KCSF). Content and views expressed in this publication are those of KIPRED and should not be considered as the views of KCSF.

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Published by



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www.kipred.net

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Abbreviations

EC	European Commission
ESDP	European Security and Defence Policy
EU	European Union
EULEX	European Union Rule of Law Mission in Kosovo
EUSR	European Union Special Representative
ICO	International Civilian Office
ICR	International Civilian Representative
IJPC	Independent Judicial and Prosecutorial Council
ISG	International Steering Committee
KACA	Kosovo Anti-Corruption Agency
KIPRED	Kosovar Institute for Policy Research and Development
KJC	Kosovo Judicial Council
KP	Kosovo Police
KPC	Kosovo Prosecutorial Council
MMA	Monitoring Mentoring Advising
MoJ	Ministry of Justice
MTPT	Ministry of Transport and Post-Telecommunication
OECD DAC	Organisation for Economic Co-operation and Development
PVPT	Centre to Protect Victims and Prevent Trafficking in Prishtina
SPKO	Kosovo Special Prosecution Office
Task Force	Anti-Corruption Task Force
THB	Trafficking in Human Beings
TIP	Trafficking in Persons
UN	United Nations
UNMIK	United Nations Administration Mission in Kosovo
UNSCR	United Nations Security Council Resolution

I. INTRODUCTION

Since its declaration of independence in 2008, Kosovo has undergone a number of state-building processes. In strengthening its capability and legitimacy towards citizens, it has been failing to meet up with societal expectations, particularly in ensuring rule of law governance. Fragile states struggle with development, weak economic investments and face difficulties in their democratic performances. In order to build a resilient state for its citizens, states should undertake continuous check efforts and evaluations to measure the level of their performance.¹ In this regard, KIPRED has analysed Kosovo's current response to organised crime and corruption, in order to support the process of building a resilient state for its citizens.

The past United Nations administration (UNMIK) failed to offer Kosovo's citizens an administration that prioritised respect for the rule of law. In the post-independent Kosovo there are increasing calls by civil society, media and international community players that Kosovo should strengthen its rule of law performance in order to strengthen its capability and legitimacy. Societal expectations in particular have been rising with the recent developments in the investigation of organised crime and corruption in Kosovo. The raising of expectations has come as a consequence of almost 10 years of hesitation by the UN mission to investigate and fight organised crime and corruption leading to the impunity of criminals. The UN justified its failure to fight organised crime and corruption because of the pressures exercised by powerful foreign countries in order to preserve 'peace and stability' in Kosovo.² In addition, the recent investigations kicked off by the EULEX Rule of Law Mission in Kosovo and their declarations on the hunt against 'big fishes' further increased social expectations and support for their acts.³ These actions also spurred debates around the will and the capacities of the mission and of Kosovo authorities to end almost 10 years of impunity in fighting organised crime and corruption.

KIPRED has undertaken this analysis in order to evaluate the current response of Kosovo's authorities and the EU Rule of Law Mission towards organised crime and corruption in ensuring full respect for rule of law in Kosovo. At this crucial phase of its state building process, Kosovo

¹ Organisation for Economic Co-operation and Development (OECD DAC), *State Building in Situations of Fragility*, August 2008.

² See UNMIK former Special Representative of Secretary General Mr. Soren Jessen Petersen interview for Balkan Investigating Reporting Network 'I was stopped from investigating corruption' at <http://www.balkaninsight.com/en/article/jessen-petersen-i-was-stopped-from-investigating-corruption> (accessed June 21, 2010).

³ See for example the petition in support of the work of then Acting Chief Prosecutor of EULEX Mr. Johannes Van Vreeswijk with more than 5.000 online petitions and changing the name table in one of the main Prishtina streets by a group of unknown with the name of Johannes Van Vreeswijk. At <http://www.facebook.com/home.php?#!/group.php?gid=120818897938391> (accessed September 7, 2010)

will need to seriously show that it will tackle the problems of organised crime and corruption. This all has to happen in order to ensure full respect for rule of law that will remain as one of key priorities for a Kosovo aiming European Union accession in the coming years.⁴

This policy paper looked at the level of current response by analysing the regulation and enforcement capacities existing in Kosovo' judicial, prosecutorial and police services to investigate and fight organised crime and corruption. It closely looked at the executive government response and support provided to judicial, prosecutorial and police services. It does not evaluate the administrative capacities to fight corruption in depth but rather focuses on the judicial and prosecutorial capacities. The paper also identifies main challenges and proposes practical ways forward in overcoming the gaps identified.

METHODOLOGY

The research for this paper was conducted from April 2010 until November 2010. During this period, KIPRED met with stake-holders in Kosovo involved in rule of law issues by conducting semi-structured interviews. The main informants were officials from the government, judicial, prosecutorial and police services including staff of international missions and donors. The drafters also collected and consulted secondary data and materials, such as (1) the relevant literature, reports and statistics on rule of law in general and on the situation in Kosovo; (2) strategic papers and legislation; and (3) information available from international donors supporting rule of law related projects in Kosovo. The report also looked at the ongoing developments at the central level including the legislative and executive initiatives and their implementation.

The paper firstly looks at the current structural capacities of the main stake-holders. It follows with a section analysing current developments on the fight against organised crime and corruption by focusing on senior level corruption and trafficking in human beings for purposes of sexual exploitation. The policy paper ends with main findings and recommendations for stake-holders based on the deficiencies identified.

⁴ See Commission of the European Communities Report "Kosovo under UN SCR 1244/99 2010 Progress Report" (November 2010).

II. SHORT BACKGROUND

The international community and Kosovo government acknowledged that rule of law should be a priority for Kosovo after its declaration of independence. UNMIK's legacy of almost 10 years of impunity in fighting organised crime and corruption ended with the deployment of a EU Rule of Law Mission - EULEX. The deployment of the mission started in 2008 and was also supported by the newly elected Kosovo authorities acknowledging the weaknesses of Kosovo's state in ensuring the rule of law and inviting the international community to deploy a rule of law mission.⁵ Accordingly, EULEX has been mandated to “monitor, mentor and advise the competent Kosovo institutions on all areas related to the wider rule of law,” as described in the mandate, “whilst retaining certain executive responsibilities” and “execute these jointly with Kosovo government support in the fight against corruption and organised crime in Kosovo.”⁶ The mission should also ensure that Kosovo will properly investigate, prosecute, adjudicate and enforce the law in war crime cases, terrorism, organised crime, corruption and other serious crimes.

However, almost three years after Kosovo's declaration of independence, rule of law continues to be seen as one of the weakest areas of governance in Kosovo. In particular, the fight against corruption and organised crime has been evaluated amongst weakest processes Kosovo has been undergoing affected by lack of political will contributing to Kosovo's weak performance in fighting organised crime and corruption.⁷ Lack of track records on the investigation, prosecution and convictions in corruption and organised crime cases have been identified as weaknesses for Kosovo in ensuring and upholding rule of law.⁸ The situation created increasingly affects on foreign investment and on Kosovo's overall economic development.⁹ There is a growing feeling of distrust by Kosovo's citizens in the will of Kosovo's institutions to fight corruption and organised crime.

⁵ Paragraph 5 of Kosovo's Declaration of Independence, 17 February 2008 at http://www.assembly-kosova.org/common/docs/Dek_Pav_e.pdf

⁶ See *The Joint Action Plan of the Council of European Union, 2008/124/CFSP* (2008) and Comprehensive Status Settlement Proposal for Kosovo, Chapter II. Paragraph 12 and Article 3, paragraph 3 of the Kosovo Assembly Law No.03/L-053 on the Jurisdiction, Case Selection and Case Allocation of EULEX judges and prosecutors in Kosovo.

⁷ Commission of the European Communities Report “Kosovo under UN SCR 1244/99 2010 Progress Report” (November 2010).

⁸ *Supra* note at 7.

⁹ See for example Information by the US Department of State, 2009 Investment Climate Statement for Kosovo-Bureau of Economic, Energy and Business Affairs at <http://www.state.gov/e/eeb/rls/othr/ics/2009/117388.htm>, February 2009 (accessed September 14, 2010).

III. THE INSTITUTIONAL OVERVIEW

Mixed and perplexed structures exist in Kosovo in safeguarding the function and delivery of the rule of law. Kosovo's law enforcement agencies, judicial and prosecutorial institutions have the lead supported by the EULEX-Rule of Law Mission as a European Security and Defence Policy Mission (ESDP). The EU structures are also supported by the International Civilian Representative (ICR) heading the International Civilian Office with a double-headed mandate as EU Special Representative (EUSR) to Kosovo. The level of accountability gets even more perplexing with the ICR enjoying certain corrective powers and reports to the International Steering Group,¹⁰ whilst the EUSR reports to Brussels. Even though EULEX is a technical mission, it receives political guidance on the implementation aspects of its executive mandate from the EUSR.¹¹ The mission is 'status neutral' towards Kosovo's independence, in accordance to the UN Security Council Resolution 1244, as five European Union states have still not recognised Kosovo as an independent state.

The largest mission ever of the ESDP kicked off very slowly, facing multiple challenges most of which the mission has been learning to deal with. The EULEX mission declared to have become fully operational on April 6, 2009, four months after beginning its operational phase.¹² Its final target staff was planned to be around 3200 with 1950 international judges, prosecutors, police and customs officers including 1250 of local staff.¹³ Due to the slow pace of deployment and especially due to the global financial downfall, the current "full operational capacity" contains 1382 international staff and 1100 local staff, showing a decreasing tendency.¹⁴ Struggling with its political framework and operating as a technical mission it is the leading international mission in Kosovo in relation to rule of law.

Ownership and sustainability of both MMA and executive powers will be guaranteed through the lead by Kosovo institutions on rule of law issues in Kosovo.¹⁵ The mission's current operational

¹⁰ The ISG was formed after the formal request of Kosovo leaders in February 2008. It is formed of 25 states that have recognized the independence of Kosovo including main western powers that also should encourage rule of law governance in Kosovo. The ICR amongst other can annul decisions or laws by Kosovo authorities and remove public officials if their actions are inconsistent with the settlement provisions. See <http://www.ico-kos.org/pdf/presseng28.pdf> and 'Comprehensive Status Proposal' at <http://www.ico-kos.org/d/Ahtisaari%20Comprehensive%20Proposal%20in%20English.pdf>

¹¹ See Council Decision 2010/466/CFSP on "Extending the Mandate of the European Union Special Representative in Kosovo," (11 August 2010) at <http://www.eusrinkosovo.eu/d/LexUriServ11082010.pdf>

¹² EU Press Release at <http://www.eulex-kosovo.eu/en/pressreleases/0049.php> (accessed October 3, 2010)

¹³ At <http://www.eulex-kosovo.eu/en/info/whatisEulex.php> (accessed August 27, 2010)

¹⁴ An illustrative example is the United Kingdom, one of key supporters to the EULEX mission, which decided to cut its staff by half. See *Global Crisis Boosts Kosovo Independence*, *Balkan Insight*, March 27, 2009, <http://www.balkaninsight.com/en/article/global-crisis-boosts-kosovo-independence> (accessed September 29, 2010). KIPRED e-mail communication with EULEX Programme Office, May 2010.

¹⁵ See EULEX Programme Report 2009.

structures have 62% of its international staff engaged in various executive responsibilities including crowd/riot control and policing. Practicing a double-headed mandate in the MMA and executive areas,¹⁶ their judges and prosecutors jointly with Kosovo judges and prosecutors should uphold the fight against organised crime, serious financial crime and war crimes amongst other.

With its current structure, the prosecution services and courts in general, as one of the main rule of law pillars in Kosovo, continue to be heavily neglected with EU member states bringing to Kosovo only around 60 judges and prosecutors. In comparison, the special police department has more than 550 police officers deployed in EULEX containers prepared to react for crowd and riot control if needed. On one hand, the current support by the EULEX mission with judges and prosecutors composes less than 10% of its international staff and on the other hand more than 550 police officers remain in Kosovo for crowd and riot control.¹⁷ Kosovo police capacities have been evaluated by the recent EU Progress Report as increased in riot and crowd control¹⁸ whilst the judiciary and prosecution struggles to deliver on its mandate.

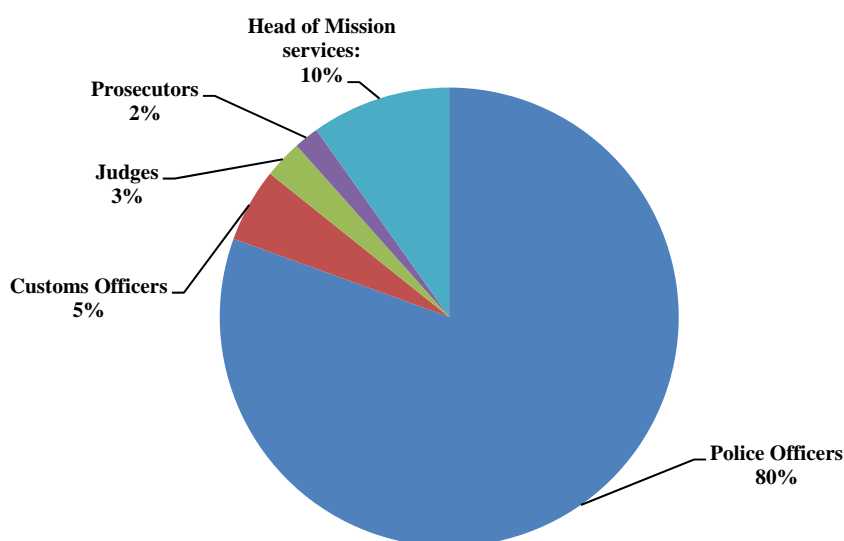


Figure 1 - EULEX staff

The mission claims to have faced difficulties in the recruitment of a higher numbers of judges and prosecutors, as individual EU member states face difficulties in the recruitment or

¹⁶ The mission also drafted MMA Tracking Mechanisms in areas of police, justice and customs with specific objectives and recommendations for Kosovo institutions to fulfil in line with European Best Practices. See EULEX mission website at <http://www.eulex-kosovo.eu/en/tracking>.

¹⁷ See Table 1. Figures taken from KIPRED e-mail communication with EULEX programme office, May 2010 and October 2010.

¹⁸ Commission of the European Communities Report “Kosovo under UN SCR 1244/99 2010 Progress Report’ (November 2010), pg 55.

deployment of judges and prosecutors for lengthier periods.¹⁹ The current staff structure of EULEX is different from the priorities of the mission. Its MMA activities can have more long-term impact turning into more durable and sustainable efforts whilst the executive competencies are less durable in impact.

a) Kosovo institutions

The judicial, prosecutorial and police are amongst the main institutional pillars in Kosovo mandated with the investigation, prosecution and sentencing of war crimes, organised crime, economic crimes and corruption, amongst others. By 2006, Kosovo had also created the Anti-Corruption Agency which was made functional in February 2007. This independent agency reports to the Kosovo Assembly by also requesting and managing its budget independently.²⁰ By the end of 2009 the Agency's staff has been approved for additional financial remuneration to enable them to deliver on their role. The Agency conducts administrative investigations into official's or public servants' activities by also referring cases for prosecutorial investigations if suspicion of corruptive behaviour exists. In the past months the challenges that the Agency was facing by lacking support by the executive and legislative bodies in funding its human and financial resources have been overcome.²¹ The Kosovo Assembly approved higher funding of the Agency by also increasing substantially the financial remuneration of staff.²² The Agency has advanced its role by also signing memorandums of understanding with various institutions such as the Kosovo Police. There is increasing understanding of the role and mandate of the Agency.

For example, the Kosovo Police recently cancelled a tender call after the Agency expressed concerns that the case was suspected of corruptive behaviour.²³ The Executive Director of the Agency, Mr. Preteni, and a Senior EULEX Prosecutor supported the preventative role that the Agency has to play in reducing the impact on Kosovo's budget if potential corruption

¹⁹ KIPRED interview with Deputy Head of EULEX Mr. Roy Reeve, May 2010.

²⁰ See also the Kosovo Assembly Law on Suppression of Corruption Law Nr. 2004/34 and Kosovo Assembly Law on Anti-Corruption Agency, Law. No 03/L-059 at <http://www.assembly-kosova.org/?cid=2,193>.

²¹ The Assembly of Kosovo approved the Strategy and Action Plan against Corruption and promulgated Law on Anti-Corruption Agency, Law on Amending and Supplementing the Law No. 02/L-133 on Preventing Conflict of Interest in Exercising Public Function, and Law on Declaration and Origin of the Property and Presents of Public Senior Officials. See Kosovo Assembly website at <http://www.assembly-kosova.org/?cid=2,193>.

²² Executive Director of Kosovo Anti Corruption Agency, Mr. Preteni, appraised to KIPRED the promulgation of necessary laws, approval of the budget in total by the Kosovo Assembly as suggested by the agency in the value of € 514,338, the reallocation of the Agency from rented premises in state owned premises. From beginning of 2010 officials of the Agency receive additional monthly payments due to their exposure to risk.

²³ The case involved the purchasing of new vehicles for the Kosovo Police through a public procurement procedure. The officials of Kosovo Agency Against Corruption after analysing the tender call noticed that the specifications for the tender and the design of criteria were drafted in such a way that would have led to the procurement committee deciding upon and promoting a specific dealer/producer of vehicles. As contrary to the Kosovo Law on Public Procurement, the Agency called for the tender call to be cancelled which was followed through by the KP management.

behaviours are observed and prevented in a timely manner.²⁴ Accordingly, the provision of the human and financial resources to support the preventative role of the agency is appraisable.

Differently, even though its human and budgetary resources have been adequately met during 2009, the Agency failed to react timely in conducting its administrative investigations over the declaration of assets by senior officials. The discrepancy in between senior-official incomes and declared assets has also been reflected in the EU 2010 Progress Report. The development of administrative investigations has been limited and shows the difficulties of the Agency to adapt accordingly to new legal requirements as foreseen by the Law on the Declaration of Assets of Public Officials.

Furthermore, the reimbursement of losses to the Kosovo budget, which have occurred or may occur from corruptive behaviours, should be investigated properly. In KIPRED's view, the administrative investigative capacities within Kosovo in recent years have been gaining increased attention rather than the judicial, prosecutorial and police services. Kosovo's government failed to ensure sufficient human and financial resources for the judiciary and prosecutors in order to enable them to deliver independently and professionally on their competencies.

b) Judicial and Prosecutorial services

Kosovo's justice system is managed by the Kosovo Judicial Council (KJC) as an independent body that should ensure the independence and impartiality of the judicial system.²⁵ The KJC is also in charge of the prosecutors, as only recently the Kosovo Assembly promulgated the Law on Kosovo Prosecutorial Council (KPC) which is still not operational. Until the KPC is not functioning, the Ministry of Justice (MoJ) continues to manage the administration of the prosecutorial services together with the KJC in charge of prosecutorial services.

The slow response by the Kosovo government and Kosovo Assembly to promulgate the basic laws on the judiciary and prosecution such as the Law on Courts, Law on Kosovo Prosecutorial Council, Law on State Prosecution have hampered the development of these crucial institutions in the last three years. With this said, Kosovo has managed to kick-off a reform of its judicial and

²⁴ KIPRED interviews with Executive Director Mr. Hasan Preteni, May 2010 and Senior EULEX prosecutor, June 2010.

²⁵ For more detailed overview of the judicial and prosecutorial services mandate see KIPRED Policy Brief 'The Fragile Triangle: Police, Judges and Prosecutors coordination during criminal proceedings in Kosovo' (February 2010) at http://www.kipred.net/web/upload/The_Fragile_Triangle.pdf.

prosecutorial system. The implementation of these recently promulgated laws²⁶ has increased considerably the financial remuneration for judges and prosecutors. It remains to be seen whether these commitments will be projected in the Kosovo Annual Budget for 2011, by the new government set to be elected²⁷ at Kosovo's Parliamentary elections. Public prosecutors complain that they will have to continue to work without genuine and professional guidance as the Kosovo Prosecutorial Council has yet to be made functional, foreseen to be created under Kosovo's Constitution already in 2008.²⁸

Post-independence, Kosovo's prosecutorial services have continued to deliver their functions with around 70% of its foreseen human capacities.²⁹ By 2008, Kosovo had approved 122 prosecutorial positions. The vetting and re-appointment process of judges and prosecutors was set to be finalised by end of 2010.³⁰ As of June 2010,³¹ there were 78 prosecutors working at municipal, district and Public Prosecution of Kosovo including the Special Prosecutors Office of Kosovo *with 3.53 prosecutors per 100.000 inhabitants*. During 2009, the District Public Prosecution Office in Prishtina, one of the key prosecutorial services in investigating and prosecuting the majority of complex cases in Kosovo,³² has been operating with only 3 prosecutors *with 1.57 prosecutors per 100.000 inhabitants covering Prishtina's District*.³³ In comparison to other countries, Kosovo remains with the lowest percentage of prosecutors per 100.000 inhabitants. KIPRED has also observed that there has been a decline in the numbers of prosecutors during 2010, impacted by the vetting and re-appointment process pointing to a decrease from 88 to 78

²⁶ Kosovo Assembly enacted the Kosovo Law on Prosecutorial Council, Law on State Prosecution, the Law on Kosovo Judicial Council and Law on Courts during July-October 2010. At <http://www.ks-gov.net/GazetaZyrtare/GZ2010.aspx>

²⁷ The new parliamentary elections have been set for 12 December 2010, after the voting of the vote of no-confidence by the Kosovo Assembly on 2 November 2010. The no-confidence vote was followed with the Kosovo Assembly disbursement, a result of the political crises occurring in Kosovo after the withdrawal of the Democratic League of Kosovo (LDK) party from the governing coalition with Democratic Party of Kosovo (PDK) in October 2010.

²⁸ KIPRED communication with the Kosovo State Prosecutor, October 2010.

²⁹ Out of this number only 78 prosecutors are working with 3 prosecutors under suspension, 2 Serb prosecutors left the services after the declaration of Kosovo's independence. Also the District Court of Mitrovica continues to be non-functional as a result of Kosovo Serb riots in the aftermath of Kosovo's declaration of independence. See 'Annual Report' 2009 of the Kosovo State Prosecutors Office and 'Report on Human Resources of the Public Prosecution of Republic of Kosovo - 2nd quarter of 2010', Statistical and Analysis Office, Ministry of Justice.

³⁰ Delays for entry of new generation of judges and prosecutors were also caused by two years and a half delays of the Kosovo Assembly in functionalizing the conditions for the bar exam procedure. Interview with Kosovo Bar Exam Commission member and Head of Independent Judicial and Prosecutorial Commission, August 2010.

³¹ Ministry of Justice, six months report

³² The District Court of Prishtina covers the largest territorial jurisdiction with an approximate number of 1 million inhabitants. See OSCE Legal System Monitoring Section Monthly Report June 2009, pg.2.

³³ In accordance to the 'annual norm' calculated by the Ministry of Justice based on the number of criminal charges and number of inhabitants covered by respective courts, Kosovo Recent Ministry of Justice (MoJ) calculations suggest that Kosovo should have 171 prosecutors in total at all instances with 7.74% prosecutors for 100.000 inhabitants. The calculations are approximate to regional practices of neighbouring countries such as Montenegro that has 13.4, Bosnia and Herzegovina with 7.3 and Hungary with 17.3 prosecutors per 100.000 inhabitants. ³³ Only France has 2.9 prosecutors per 100.000 inhabitants. See further KIPRED Publication "The Fragile Triangle" February 2010.

prosecutors. This is a worrisome fact for the efficient delivery of prosecutorial functions and safeguarding of rule of law.³⁴

Number of Prosecutors		
	Dec 2009	June 2010
Public Prosecution Office	6	5
Municipal Prosecution Office	48	37
District Prosecution Office	28	26
Special Prosecution Office	6	10
TOTAL	88	78

Table 1 - Total Number of prosecutors 2009 and 2nd Quarter 2010

The lack of prosecutorial staff further hampers the development of specialized prosecutors on investigating and prosecuting specific crimes in relation to corruption and organised crime. The current prosecutorial system is more or less generic with few special prosecutors appointed as members of the Kosovo Special Prosecution Office (SPKO). Additionally, ten public prosecutors have been appointed to be part of the Anti-Corruption Task Force (Task Force) within the SPKO.

Key prosecutorial institutions continue to work in inadequate buildings such as the Kosovo Judicial Council placed in former UN containers or continue to rent inadequate buildings. In the words of the Kosovo State Prosecutor, human and financial resources are more than important to enable prosecutors to deliver on their mandate ‘... [t]he work of my office costs the Kosovo institutions approximately 6.094 Euro per month...I don’t understand how a battle can be fought without ‘soldier[s]’...’³⁵ KIPRED also observed a decrease in the budgetary support after 2008 in strengthening the judicial and prosecutorial institutions. For example the Kosovo Judicial Council support decreased annually on average in between 0.10-0.15 % from the total budget.³⁶ The average Kosovo annual budget as of 2008 for the KJC amounted approximately 1% of the total annual budget. During 2010, the KJC was supported with 1.16% of Kosovo’s total budget. In comparison, the Ministry of Transport, Post and Telecommunication, which is currently

³⁴ Ensuring sufficient human and financial capacities of prosecution is requirement in strengthening prosecutorial capacities to safeguard rule of law. See Council of Europe, Recommendation (2000) 19 of the Committee of Ministers to Member States on the Role of Public Prosecution in the Criminal Justice System, 6 October 2000.

³⁵ KIPRED interview with the Kosovo State Prosecutor, June 2010. This statement was quoted from the meeting of the State Prosecutor with the Kosovo Prime Minister on discussing the needs of the prosecutorial services in Kosovo.

³⁶ See Table 2.

under investigation by the EULEX Mission in Kosovo for suspected corruptive behaviours of some of its officials, in 2010 was allocated with 17% of the Kosovo's total annual budget.

In reality, the governmental priorities have been directed at a different level by increasing capital investment projects in road building and reconstruction leaving amongst others the support for efficient judicial and prosecutorial services for another possible term in the 12th December 2010 parliamentary elections.

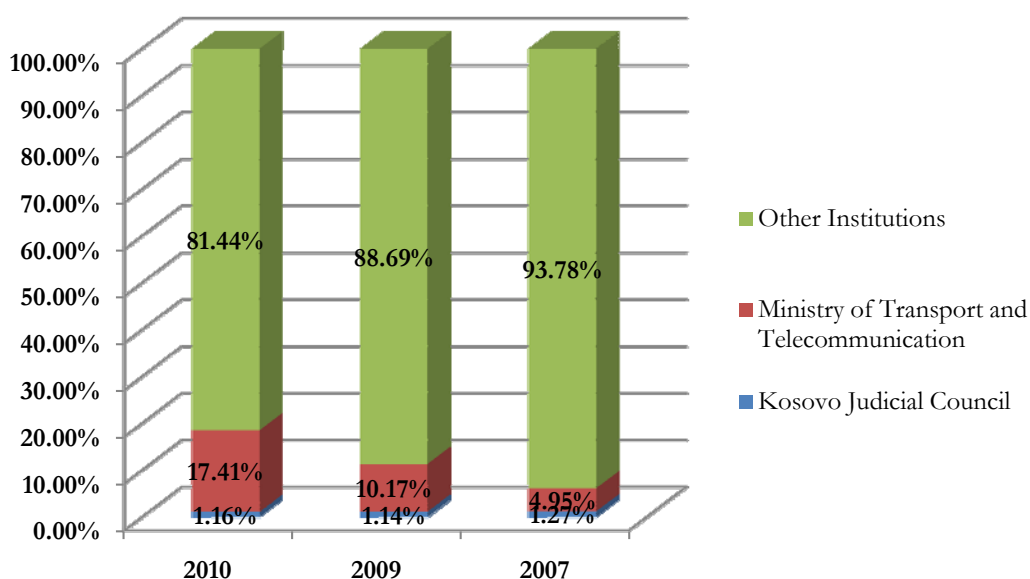


Figure 2 - Kosovo Annual Budget, 2007-2010

Conditions ranging from the insufficient number of staff, inadequate financial remuneration and financial stimulus for special prosecutors including inadequate working conditions will continue to follow the work of the prosecutorial services that will have to work with what they have at disposal which is the current much criticised system. Adequate political attention and support of the government and the legislative branch should set the conditions for prosecutors to deliver on their mandate and safeguard the rule of law in Kosovo.

c) EULEX support

The mission currently accounts for 20 prosecutors that also practice their MMA mandate. Out of the total number of 1382 international staff, less than 20% of the mission is composed of judges,

prosecutors and executive police staff working directly on its exclusive mandate.³⁷ Even though the lead on the investigation and prosecution of serious crimes is with the Kosovo authorities, due to the sensitivity of the cases involved as well as past unwillingness of Kosovo prosecutors to deal with major organised crime and corruption cases, the numbers that the EULEX mission currently has at their disposal is very low. This fact has been acknowledged by the mission that has aimed to increase and recruit a higher number of prosecutors.³⁸ The recruitment process has been slow and has not yielded with the intended result. Furthermore, the rotation of international judges and prosecutors has been an obstacle to the efficient investigation and prosecution of crimes, in particular of organised crime cases. As stated to KIPRED one prosecutor had been the fourth prosecutor to go through a file of an investigated organised crime case.³⁹ In average one EULEX prosecutor stays in Kosovo from six to twelve months causing delays in timely investigation of cases.

Further, breaking up family links that have been build up for years with many interests at stake involving the investigation and prosecution of senior-officials have been evaluated amongst some of the obstacles to fight corruption in particular of senior-officials.⁴⁰ Witness cooperation in cases of corruption is essential. With Kosovo lacking the law on witness protection and the geographic size of Kosovo being small, it will be an obstacle to further deliver results without documented evidence and strong intelligence investigations. The mission has also continued to work mainly independently on investigating cases of corruption in particular. The Kosovo State Prosecutor stated to KIPRED that the investigation against the officials of the Ministry of Transport and Telecommunication were communicated by EULEX the same day when the investigation was starting.⁴¹ This negligence of EULEX towards Kosovo state prosecution is worrying, as it doesn't align with the EULEX mission to build capacities of Kosovo rule of law institutions.

d) Judicial services

KIPRED has viewed similar problems for judicial services as insufficient number of judges and professional support staff, inadequate financial remuneration and working conditions. Even with

³⁷ There are 199 international staff working in the Justice Component of EULEX mission. E-mail communication with Chief Prosecutor Office of EULEX October 2010.

³⁸ KIPRED interview with EULEX former deputy-head, Mr. Roy Reeve, May 2010.

³⁹ KIPRED interview with a EULEX former Justice policy advisor, October 2010.

⁴⁰ KIPRED e-mail interview with Chief Prosecutor of EULEX, June 2010.

⁴¹ Interview with Kosovo State Prosecutor, July 2010.

the vetting and re-appointment process almost at end,⁴² Kosovo remains with an insufficient number of judges. With the ending of the vetting procedure, Kosovo has 12.41 judges per 100,000 inhabitants. In comparison to other countries in the region, Kosovo continues to have almost three to four times less judges.⁴³ Further, EULEX judges face similar difficulties in staffing within courts. There are in total 37 of EULEX judges supporting the Kosovo judicial authorities.⁴⁴ In Peja/Pec, Gjilan/Gnjilane and Prizren courts EULEX during 2009 has had only one EULEX criminal judge working, which impacted the establishment of trial panels. The initially intended number of judges within the EULEX mission is far from being reached. In most regions there is not sufficient space in district court buildings and some of EULEX judges stay in former UNMIK building away from their local counterparts.⁴⁵ These inadequate number of staff and working conditions have affected the team-work and coordination of cases with local judiciary.

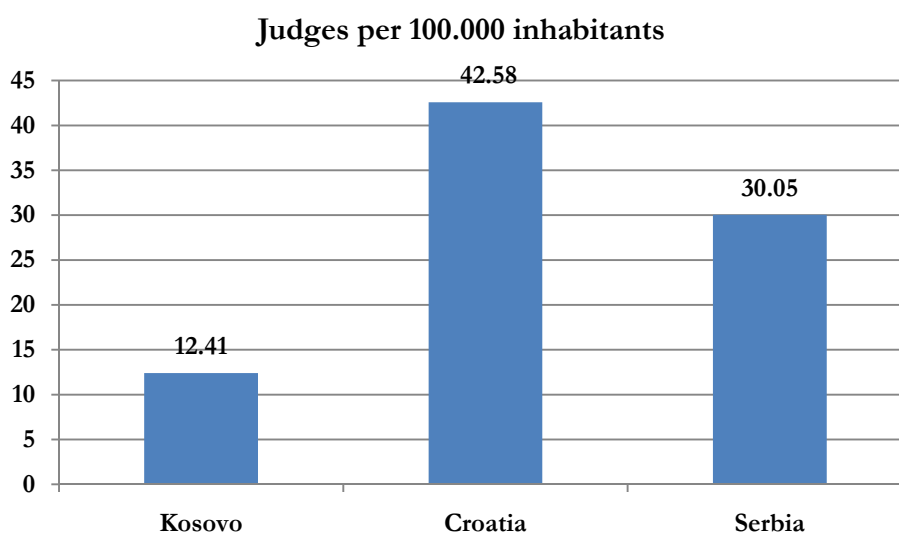


Figure 3 - Comparison of number of judges with countries in region

Kosovo has also finished the vetting and re-appointments process of judges and prosecutors.⁴⁶ The foreseen effects of the vetting and re-appointment process have also been to reduce the negative perceptions of citizens for judges in particular, as they are often perceived as least satisfying amongst Kosovo institutions, susceptible of corruptive behaviours and of political

⁴² The KJC jointly with the International Judicial and Prosecutorial Commission has finalised the re-appointment of the judges throughout Kosovo. More than half of judges have been newly selected at different levels.

⁴³ For example Croatia at the end of 2009 had 42.48 judges and Serbia had 30.05 judges per 100.000 inhabitants.

⁴⁴ The whole Justice Component of the mission includes judges, prosecutors and executive police which make only 16% of EULEX's total capacity.

⁴⁵ EULEX Judges Annual Report 2009, at <http://www.eulex-kosovo.eu/docs/justice/annual-report2009/ANNUAL%20REPORT%20English%20FINAL.pdf>.

⁴⁶ The last appointments finished by the KJC in October 2010.

interferences.⁴⁷ The detailed vetting procedures included by the IJPC investigation into the immovable property owned by judges and prosecutors, bank-accounts and in-depth interviews with candidates and witnesses.⁴⁸ Set as a positive example, in overcoming the often perceived role of corrupt judiciary, the process will create additional effects in the human and professional capacities of judges.

The vetting and re-appointment process has left the judicial system fragile with a considerable number of newly appointed judges and prosecutors. This will imply additional trainings under the direction of the Kosovo Judicial Council that will need to be coordinated with the Kosovo Judicial Institute. It will however cause considerable time delays for courts to become efficient. In supporting the development of knowledge on special crimes such as organised crime and corruption cases is a continuous challenge for the KJC as well. The KJC will have to develop a training strategy for newly appointed judges in order to meet to the new requirements of the judicial reform.

e) Police capacities

Among the main state pillars on rule of law, the Kosovo Police (KP) has been so far most praised for its commitment and professionalism, in international and national reports. As a young service, the KP has reached a satisfactory level in overall policing and also recently in riot control.⁴⁹ The EU has rated the KP in its recent 2010 report in regards to maintaining public peace and order and combating minor crimes as satisfactory. Despite the above mentioned deficiencies of the judicial and prosecutorial services, a considerable number of the personnel that the EU continues to keep in Kosovo continue to be police officers for riot and crowd control.

In spite of the above and of the MMA activities of the EULEX Mission, in past months the KP professional performance has been declining. This has also been affected by the weakly planned structure of EULEX that continues to support the police mainly in the executive areas.⁵⁰ In comparison, the EU has brought into Kosovo only 48 customs officers,⁵¹ despite the fact that the absolute majority of Kosovo's budget is collected from taxes applied in the customs, and

⁴⁷ UNDP Kosovo Quarterly Early Warning Reports and EC Progress Report for Kosovo 2010.

⁴⁸ Interview with Head of KJC and IJPC, September 2010.

⁴⁹ *Kosovo 2010 Progress Report, Commission of the European Communities, Brussels, November 2010*

⁵⁰ Some 563 EULEX police officers out of 1382 international staff remain based in EULEX containers waiting to act on crowd and riot control. In total there are 1,100 EULEX police officers out of the total of 1382 international staff of the mission. KIPRED communication with EULEX Programme Office, October 2010.

⁵¹ There are 72 customs staff deployed out of which 48 are executive and 24 MMA. Communication with EULEX Programme Office, October 2010.

despite criticism of Kosovo authorities⁵² to crack-down organised crime smugglings. These failures are causing considerable damages to Kosovo's budget and upholding of effective rule of law in Kosovo.

The KP's biggest challenges in the fight against organised crime and corruption remain its structural and professional capacities. This has been affecting their crime investigation that remains limited in intelligence-lead investigation, proactive investigations and covert operations in investigating organised crime cells.

From 2009, the EULEX police component has worked on implementing through its MMA activities an UNMIK sponsored programme⁵³ aiming to increase intelligence lead policing capacities of the KP and the creation of a single crime intelligence strategy. A detailed programme plan aims to enhance the intelligence gathering culture, use of forms and collection including collation of data and analysis to plan proactive operations. The importance of data collection and standardization of data management is crucial, however, the KP has continuously faced difficulties in its structural and professional capacities in relation to investigations.

The lack of adequate equipment and staffing within its recently created Directorate Against Economic Crime and Corruption and Directorate Against Organised Crime has been observed.⁵⁴ Additionally, proactive planning and execution of intelligence-lead operations including covert operations and use of covert methods such as mobile tapping remains impossible for all mobile phone providers in Kosovo.⁵⁵ In 2010, the European Commission reported that the Directorate Against Economic Crime and Corruption that should lead on police investigations on economic crimes and corruption, has been prone to political interferences.⁵⁶ KIPRED also observed changes in the KP management structure and appointments of senior management within the respective directorates, influenced by nepotism or connections to the main political party in charge of the Ministry of Internal Affairs.⁵⁷ Complaints have arisen also on the internal restructuring and promotions which have been made based on political preferences and not based on professional experience or performances.⁵⁸

⁵² Supra note at 49.

⁵³ MMA on Intelligence Lead Policing has been developed on a model of OSCE Mission in Kosovo part of UNMIK administration in Kosovo.

⁵⁴ Forum for Civic Initiative and Kosovo Law Institute, 'Rule of Law: institutional capacities and functioning', November 2010.

⁵⁵ There is still no possibility to tap mobile phones of IPKO operator in Kosovo for investigative purposes.

⁵⁶ Pg.12 and 56 of EC 2010 Kosovo Progress Report.

⁵⁷ KIPRED interview with former Acting Director of Kosovo Police and representative of foreign embassy in Kosovo, September 2010.

⁵⁸ KIPRED interview with two mid-level management officers of KP, August 2010.

The EULEX mission with its mentoring, monitoring and advising mandate was not able to prevent or point out to the occurrence of these situations in order to ensure ways that such re-appointments within the KP occurred based on professional criteria's, free of political interferences. The situation should be remedied by the implementation of the MMA tracking actions specifically drafted for KP on performance based promotions.⁵⁹ In addition to this performance based promotion and restructuring, the KP supported by its partner EULEX, should be more proactive in finding necessary human and financial resources to support the work of the Directorate of Economic Crime and Corruption and Directorate Against Organised Crime.

These direct ways of support by EU member states would contribute proactively in strengthening the mandate of KP in the investigation of organised crime and corruption and may become one of the major contributions to Kosovo's success in the rule of law area. If the contrary happens, these weaknesses identified within the police, be it structural or professional, will continue to undermine police performance.

IV. THE STATE OF CORRUPTION AND ORGANISED CRIME

The current state of the judicial and prosecutorial response to organised crime and corruption comes due to a previous wrongly projected structure, the one of the UNMIK, which until June 15, 2008, was solely responsible for the domain of war crimes, inter-ethnic crimes and organised crime, all three being crucial threats to the rule of law in Kosovo. As a result of UNMIK's inefficiency, some 500 files out of which 150 criminal files, remained unresolved for years. Most of the 150 files that EULEX inherited from UNMIK are within the domain of EULEX's exclusive competence, meaning they are war crime, organised crime or inter-ethnic crime cases. During 2009, EULEX mission focused mainly on war-crime cases, murder and other crimes. Only 1 corruption case and 4 organised crime cases were reported.⁶⁰ These old files alone have been enough to keep the EULEX Justice Component busy for 2009, leaving lesser space for fast processing and new investigations. During 2010, the mission has paced his investigations on corruption and organised crime.

⁵⁹ The KP developed job descriptions of its senior management and the new structure of the police that were approved and signed by the Minister of Internal Affairs after the internal promotions occurred. Ibid.

⁶⁰ See pg.51 of EULEX Judges Annual Report 2009, at <http://www.eulex-kosovo.eu/docs/justice/annual-report2009/ANNUAL%20REPORT%20English%20FINAL.pdf>

The level of corruption and organised crime in Kosovo is ambiguous as often supported by anecdotal information due to lack of track records of investigations, charges and verdicts.⁶¹ Further, corruption is reported to be prevalent in different areas in Kosovo remaining as a serious concern for Kosovo's state-building processes. The recent 2010 Progress Report for Kosovo points out to some of these deficiencies by concluding that the recent asset declarations of high officials in Kosovo have shown "...discrepancies between the income and properties of senior Kosovo officials. *This indicates widespread corruption at high levels in Kosovo persist.*"⁶² Main stakeholders interviewed by KIPRED, viewed that anti-corruption efforts so far have been minimal in its aims and results. There is an impression that senior-officials or their associates have been immune from investigation and prosecution. As one Kosovo Special Prosecutor stated:

'...[K]osovo has had many reporting's by media on the abuse of the public procurement system especially with tenders...It has created a state of tender mania... the investigations we have seen in that regard have been minimal, we only see some small fishes being investigated and sentenced in order to fill out the norm...'

Other international reports have also continuously pointed out to deficiencies deriving from policy, legislative and institutional framework which needs strengthening with multi-faceted structures requiring better co-ordination and communication mechanisms.⁶³ Lack of political will to tackle corruption and organised crime as well as political interferences with the structures to tackle corruption are worrisome.

V. RECENT DEVELOPMENTS IN THE FIGHT AGAINST CORRUPTION

In November 2009, the EULEX Rule of Law Mission narrowed down its focus to deal mainly with corruption and organized crimes cases, announcing its 'big-fish' hunt, after almost 10 years of impunity of investigation and prosecution of organised crime cases.⁶⁴ In moving from words to action, on 28 April 2010, the mission raided premises of the Kosovo Ministry of Transport and Post-Telecommunications (MTPT).⁶⁵ The actions came at the time when EULEX was being criticized for adapting itself to Kosovar reality, instead of delivering concrete results in

⁶¹ US State Department HR Report 2008.

⁶² Supra note at 46, pg. 12.

⁶³ See "Rule of Law in Post-Independent Kosovo," ICG July 2010.

⁶⁴ On November 3 2009, in an interview with Koha Ditore local newspaper, the EULEX Chief Prosecutor Theo Jacobs announced that the mission is hunting 'the big fish' and that the results will be shown in spring of 2010. Interview available at <http://www.koha.net/index.php/?cid=1,7,17622>

⁶⁵ Private premises of than Minister Limaj, his family and his associates were also raided. EULEX stated that Minister Limaj and Head of Procurement, Nexhat Krasniqi, could face up to 55 years in jail, if found guilty on corruption charges. Interview with Acting EULEX Chief Prosecutor Johannes van Vresswijk at <http://www.balkaninsight.com/en/main/news/27936>

combating corruption.⁶⁶ These spectacular raids, conducted by heavily armed EULEX police, were lead solely by EULEX, with no involvement of local prosecution representatives. The Kosovo State Prosecutor stated to KIPRED, that when the investigation started, on 28 April 2010, he had received a phone call from EULEX Acting Chief Prosecutor that informed him that the investigation into the premises of the MTPT will start. EULEX justified this initial approach of an independent operation due to the sensitivity of the case in matter.

EULEX actions were followed with different sentiments and statements of Kosovo officials. The original statements by the Kosovo Prime Minister and the President of the Assembly of Kosovo appeared that the government would open a new front with EULEX and ICO instigation involving senior-officials. However, after almost a month a sudden alternation of the political discourse by the Kosovo government and its legislative branch underwent change. The Kosovo Prime Minister declared to fully support EULEX investigations and that himself personally is leading on the fight against corruption in Kosovo.⁶⁷ The investigated minister did not resign or was called in for resignation, but quite the opposite, the officials of the leading political party in government announced the creation of a fund for protection of the Minister under investigation subsequently confirmed by senior party officials.⁶⁸ Further, ministers or associates under investigation, have also been put on the political party lists for the early general elections of 12 December 2010. This has been seen as a move by parties to ensure moral immunity from the public.⁶⁹

From words to action the Kosovo Prime-Minister decided the creation of an Anti-Corruption Task Force within the Kosovo Special Prosecution Office in order to lead with the investigations and combating corruption trends in Kosovo. Differently, the EULEX Programmatic Report 2010 states that the Task Force was created by the SPKO on the same date when the Prime-Ministers decision was issued i.e. 26 February 2010.⁷⁰ Nevertheless, the recently created Anti-Corruption Task Force within the Special Prosecutors Office of Kosovo (SPRKO) involved

⁶⁶ Letter of 14 Kosovo NGO's to the High Representative of European Union for Foreign Affairs and Security Policy Lady Catherine Ashton on the rule of law in Kosovo <http://kipred.net/web/eng.php?cid=2,10&id=23>

⁶⁷ This switch came as a result of convincing of the diplomatic missions in Kosovo. For example on two consecutive days after the raid happened, a number of meetings were held including Kosovo Government meeting and a meeting of Prime Minister Thaci with international diplomats in Kosovo including US Ambassador in Kosovo Mr. Chris Dell and Minister Limaj. "Extraordinary meeting of Government and PDK", *Koha.net* [KS], April 28, 2010, (<http://www.koha.net/index.php?cid=1,7,19712&sqr=limaj>)

⁶⁸ Democratic Party of Kosovo (Partia Demokratike e Kosoves-PDK) member and Member of Parliament Mr. Nait Hasani, "PDK sets up a fund for protection of Mr. Limaj", *Koha.net* [KS], April 28, 2010, (<http://www.koha.net/index.php?cid=1,22,23043&sqr=limaj>)

⁶⁹ KIPRED interview with former Balkan diplomat/civil society expert, November 2010.

⁷⁰ Decision 02/110, passed by the Government of Kosovo and signed by the Prime-Minister Hashim Thaci, on February 26, 2010. See also EULEX Programmatic Report 2010, pg.43.

minimal consultation with Kosovo's state prosecution services.⁷¹ The Task Force has 30 police investigators and 10 special prosecutors. The police investigators to the Task Force have been seconded by the KP Directorate on Economic Crime and Corruption. The 2010 EC Progress Report has found the Directorate to be prone to political interference in conducting its investigations.

Securing the independence of the investigations that the Task Force will undertake will remain a challenge. In its initial investigations initiated by the Task Force, the information on on-going investigations leaked into media.⁷² The professionalism and independent work of prosecutors and police investigators will continue to face many challenges with the structures at disposal in ensuring efficient investigations and prosecution including sensitive cases of alleged senior-officials corruption behaviours.

Slowly the Task Force overcame its initial difficulties and coordination between EULEX, Kosovo Police and SPKO. Its role got clarified step by step with Kosovo Police investigators and prosecutors of SPKO supported with international prosecutor's part of the Task Force. A joint investigation with the Kosovo institutions has led to the charging and arrest of Kosovo's Bank Governor. As the independence of the Task Force has been jeopardised by the decision issued by the Prime Minister with minimal consultation of the Kosovo's state prosecution, its terms of reference and structure will have to be reconsidered once the Kosovo Prosecutorial Council is made functional.

Furthermore, KIPRED has observed that the requirements for the establishment of the Task-Force have been followed through only partially. The government has been reluctant in providing financial and other types of support to this task force almost eight months after its establishment. The special prosecutors continue to face challenges of logistical nature by lacking appropriate vehicles in conducting investigations.⁷³ Physical protection in order to ensure independent and autonomous investigations into serious crimes of corruption can be done on case by case basis. Financial stimulation divided for special prosecutors was not delivered in accordance to the government decision of 26 February 2010.

⁷¹ KIPRED interview with Kosovo State Prosecutor and KJC Head, June and September 2010.

⁷² KIPRED interview with Special Prosecutor, June 2010.

⁷³ KIPRED interview with special prosecutor of Anti-Corruption Task Force, July 2010.

Further, the 2010 Kosovo Progress Report⁷⁴ critiques the lack of investigations into the declared assets of senior-officials that revealed discrepancies between income and properties owned. This has so far not been followed-up by the Task Force showing a lack of willingness of existing structures to investigate corruption in particular the cases involving senior-officials.

During 2009-2010 the EULEX mission delivered 3 verdicts in organised crime cases and 4 cases of corruption.⁷⁵ The expectations rising with the hunting of the 'big fishes' declared by the mission so far have proven to be minimal in results. The governor of the Bank of Kosovo has been charged for abuse of an official position including money-laundry, bribery, trading influence and tax evasion.⁷⁶ In regards to the Ministry of Transport investigations one IT administrator has been charged with obstruction of evidence. The long-awaited charges of investigated current or former senior-officials have yet to occur.

The current structure and operational trends of EULEX will need to be adapted with its mandate. KIPRED is concerned that following the current trend the mission may become just another money-spending international mission funded by taxpayers of EU member states or yet another peace-keeping mission. Further, as primary responsibility lies with Kosovo institutions, holding them accountable will be difficult with the executive competencies played by the EULEX rule of law mission. The current structure and operations will need to show results by making charges against the investigated 'big fishes' and drafting of an exit strategy after some track records of charges and verdicts in organised crime and corruption are made. The mission will slowly need to restructure to act solely in the MMA component by reducing its executive competencies. In KIPRED's view this will increase the level of direct accountability to Kosovo's institutions that will need to be accountable towards their citizens and show political willingness to uphold rule of law in Kosovo.

a) Confiscation of material benefits gained from criminal activities

The material benefits gained from criminal activities cannot be retained and should be confiscated.⁷⁷ The money or property that is acquired from criminal activities by Kosovo applicable law can be confiscated either by a court judgement establishing the commission of a

⁷⁴ Ibid.

⁷⁵ KIPRED email communication with Chief EULEX Prosecutors office, October 2010.

⁷⁶ EULEX official website.

⁷⁷ Kosovo Criminal Code, CHAPTER VII on Confiscation of Material Benefits Acquired by the Commission of Criminal Offences and grounds for Confiscating of Material Benefits, Article 82, paragraphs 1 and 2. Article 82

criminal offence or by a request of a public prosecutor before a panel.⁷⁸ Police and other authorities can also participate in the investigation of circumstances that can determine the profits of the crime.⁷⁹ Money or property that has been rewarded, accepted or benefited from the commission of a criminal offence by, for example, unjustified acceptance of gifts, taking or giving of bribery and trading in influence over the decision making of an official person, shall be confiscated.⁸⁰ If the proceeds of the crime get transferred to close relatives they should be confiscated as well.

These measures have not been used in any of the cases under investigation or trial by the local judiciary or EULEX. Prosecutors claim that there is hesitance by judges to apply such measures due to potential security threats they might occur and lack of interest, whilst for judges such measures are not being proposed by prosecutors for similar reasons.⁸¹ Lack of a special law on the confiscation of property from criminals, has also often been mentioned as a reason of hesitance by courts to apply such measures, even though sufficient legal provisions exist. The Ministry of Justice is currently working on drafting the special law and has created an organisational structure of the agency that will be responsible for managing the confiscation and sequestrated criminal assets.⁸² The agency, however, still has to be made functional.

In this regard, the capacities of courts and prosecutors should be strengthened to work on the confiscation of material benefits from criminals or criminals charged when investigation and prosecution of corruption cases start. This seems to have not been the practice so far for Kosovo institutions or the EULEX mission. Confiscation of a material benefit gained by the commission of criminal activities should be seen as a punitive measure to ensure that proceeds of crime will not be used against the financial interests of the state of Kosovo but also preventative in order not to leave these proceeds in the hands of criminals to commit other crimes. Confiscation of the materials of benefit also gives a clear message to the persons proceeding from crime that crime will not pay off.

⁷⁸ Kosovo Criminal Procedure Code, Article 498.

⁷⁹ Ibid. Article 499, paragraph 3.

⁸⁰ Article 83 of the Kosovo Criminal Code.

⁸¹ KIPRED interviews with special prosecutor and head of KJC, July and October 2010.

⁸² 2010 Progress Report, pg. 56.

VI. THE FIGHT AGAINST ORGANISED CRIME

From 1999 onwards, Kosovo continues to be a transit, destination and origin country for trafficking in persons (TIP).⁸³ Kosovo's Criminal Code requires higher sanctions for persons committing trafficking in persons and organizing of groups with the sentence ranging to a fine up to 500.000 euro and by imprisonment from seven to twenty years. As most lucrative business together with arms and drugs trafficking,⁸⁴ financial interests are vast and Kosovo is no exception to the rule.⁸⁵ Kosovo has been predominantly seen as a country whereas trafficking of persons for purpose of sexual exploitation has particularly targeted women and girls.

In particular, the fight against trafficker's part of organized crime cells, confiscation of property acquired from this type of criminal acts, and reparation and compensation for victims of trafficking has been paid minimal attention.⁸⁶ Kosovo has enacted a number of policies, protection mechanisms and legal guarantees in order to react to the phenomenon of trafficking. However, reactions have been reactive rather than proactive. Despite Kosovo's Strategy and Action Plan to Combat Trafficking (2008-2011), set to end soon, results have been scarce. In order to prevent and eliminate this type of organised crime, Kosovo authorities should speed up their fight against trafficking through the aggressive prosecution of organised criminal networks. Aggressive investigation, prosecution and higher sentencing by local prosecution and judiciary with appropriate sentencing are seen as means to prevent and eliminate the occurrence of the TIP crime.⁸⁷ Further, international and regional investigations of and fighting organized crime remains at low levels. Local prosecutorial services and judiciary seem to be hesitant in providing the adequate investigation, prosecution and sentencing of traffickers.

Women NGOs continue to provide alarming figures on the level of trafficking of women and girls in Kosovo. The centre to Protect Victims and Prevent Trafficking in Prishtina (PVPT) sheltered 19 victims of trafficking during 2009 and assisted another 32 potential victims in its day-care centre with a slight increase in comparison to 2008. As the identification of victims of trafficking remains a challenge, the numbers are much higher.

⁸³ Kosovo has been reported for Trafficking in Persons of women and girls for purposes of sexual exploitation and child labour. See US State Department Global Report on Trafficking in Persons, 2010 at <http://www.state.gov/g/tip/rls/tiprpt/2010/>

⁸⁴ See for example the UNODC website at <http://www.unodc.org/>

⁸⁵ In 2008, the US State Department reported that anecdotal evidence existed in financial and kinship relations between few political leaders and organised crime networks in trafficking of persons in Kosovo. See US State Department Bureau of Democracy, Human Rights and Labor, 2008 Country Reports on Human Rights Practices, 2009.

⁸⁶ Ibid.

⁸⁷ US State Department Global Report on Trafficking in Persons, 2010.

Results in the prosecution of organised criminal cells of traffickers remain low. For example, during 2009 there have been only 4 cases of sentenced traffickers with over five years of imprisonment whilst out of 22 sentenced traffickers only two began to serve their prison sentences with others remaining free on appeal.⁸⁸ Further, EULEX mission approaches the crime as a subsidiary competence on trafficking in human beings in accordance to the Law on Kosovo Special Prosecutors Office.⁸⁹ However, in cases when there is reasonable belief or facts pointing out to an organised crime case, the Head of SPKO can exercise the exclusive competencies in accordance to the law on SPKO.⁹⁰ It has acted so in few recent cases of trafficking with organs in Kosovo however, has been hesitant to act pro-actively in investigating cases involving trafficking of women and girls for purpose of sexual exploitation.

Other factors that have contributed to the low number of aggressive prosecution of the crime of trafficking for purpose of sexual exploitation include the low capacity of the Kosovo police in intelligence-based policing to actively identify the strategies used by organized crime networks. For example, it took several months in the past for the police to respond to the trafficking pattern changed by traffickers in keeping victims in hotels or bars but rather in private homes.⁹¹ During the first six months of 2010, the Kosovo Police was less efficient in submitting cases to Prosecutors as they have submitted only 22 cases during this period, while in 2009 during the same period of year KP submitted to prosecutors' offices 32 cases. During first six months of 2010, the police conducted 373 raids with only 7 private homes searched. The classic methods of bar raids are not showing sufficient results for investigating and discovering organised crime networks as traffickers change into trafficking methods constantly.

Further, the existence of a witness protection programme for victims of trafficking would encourage victims to cooperate with authorities and also allow for investigation into alleged links between trafficking organised criminal cells. Lack of a special law on witness protection does not allow for witness statements to be free of any outside interference or fear of possible consequences. Intelligence led policing and joint actions between Kosovo police and EULEX mission to investigate and prosecute the crime of trafficking of women and girls continue to be missing. It is of serious concern lack of readiness of Kosovo judges and prosecutors for years now to act pro-actively in the prosecution and appropriate sentencing of organised criminal cells of traffickers.

⁸⁸ Supra note at 21.

⁸⁹ In accordance to Article 9.1, paragraph (f) of the Law on SPRKO.

⁹⁰ Sub n) of paragraph 1 of Article 5, of the Law on SPRKO.

⁹¹ KIPRED interview with shelter provider.

VII. MAIN FINDINGS

The justice system in Kosovo continues to be affected by structural weaknesses, fragile from political and other interferences. There are more than 200.000 civil and criminal cases that remain unresolved. The checks and balances system is weak, with the government branch often interfering in the initiatives of the legislative branch and judicial institutions. The corruption debate dominated the public discussions of Kosovo's society throughout 2010. Lack of track records in the prosecution and sentencing of organised crime and corruption cases continued throughout 2010.

Anecdotal information exists on the level of corruption in Kosovo. The debates have been partially fuelled with the statements and investigations of the EULEX mission, namely on the hunt against the 'big fishes' alluding to high-profile cases involved in corruption activities. While this mission has continued to struggle in between its political and technical mandate, the European Commission Progress Report for Kosovo reaffirmed the persistence of high level corruption. Attempts to eliminate the involvement of the political elite in the economic life and investigations of senior official's corruptive behaviours have been overall weak.

Albeit the existence of mechanisms and strategies against corruption and organised crime, the political will to support effective implementation remains weak. The Anti-Corruption Agency has not succeeded in following administrative investigations into the discrepancies of public officials' asset declarations and their actual incomes. Follow up investigations and prosecution by the police and prosecutorial services has not been observed so far. Sanctions for corrupt behaviours foreseen by the law are weak as sentences are only of administrative nature and need to be amended to become a criminal offence. This contributes to the lack of anti-corruption mechanisms to hold officials accountable for their actions, as administrative and prosecutorial investigations overlap without a clear cut division of responsibilities and mandates. Due to weak legal provisions and overlap in mandates, the suspicion of involvement of administrative and political staff in corruptive behaviours will continue.

Although rule of law remains a priority for Kosovo's EU perspective and the fight against corruption and organised crime are seen as weakest link in the effort to create and uphold effective rule of law in Kosovo, the authorities invested only 1,5 per cent of the budget for Kosovo's judiciary. This budget allocation is minuscule when compared to the 17 per cent of the budget invested in infrastructure capital investments run by the Ministry of Transport, Post and

Telecommunications that is currently under investigation by the EULEX mission in Kosovo for abuse of Kosovo's budget.

The societal expectations for a successful fight against corruption and organised crime have been rising, especially following the spectacular raids and initiation of investigations by EULEX. The results in this aspect, however, have been minimal. By October 2010, the EULEX mission delivered verdicts only in 3 cases of organized crime and 4 cases of corruption.

The current Anti-Corruption Task Force within the SPKO has been jeopardised in its independence by the decision issued by the Prime Minister with minimal consultation of the local prosecutorial services. Its current composition might be fragile from political interferences as the secondment of the police investigators has been done by the Directorate of Organised Crime and Corruption which's investigations have been found prone to political interferences by the 2010 EU Progress Report.

Kosovo continues to lack legislation on witness protection and regional cooperation agreements for witness protection involving cases of trans-national organised crime and corruption. The confiscation of material benefits gained from criminal activities including high-profile corruption has not occurred in any of the cases investigated or prosecuted by Kosovo's institutions or the EULEX mission.

Kosovo managed to adopt a number of important laws that were hampering the independence and autonomy of judicial and prosecutorial services. The laws also started Kosovo's in-depth judicial reform. The Law on Courts, Law on State Prosecution, Law on Kosovo Prosecutorial Council and Law on Kosovo Judicial Council were adopted almost three years after the requirements foreseen by Kosovo's Constitution. The Law on Courts has created conditions for in-depth structural and court system reforms however the new structure of courts will start implementation only in 2013. The Kosovo Judicial Council continued to work on the management of the judicial and prosecutorial services as the Kosovo Prosecutorial Council has yet to be put into function.

Part of the judicial reform will start in January 2011. It includes higher financial remuneration for judges and prosecutors equalizing their salaries to the salaries of the executive branch. The increase of salaries will directly influence the situation of judges and prosecutors. In 2011,

however, necessary arrangements will have to be made by the government to allocate sufficient budgetary resources for implementing the reforms.

The Kosovo Judicial Council and its autonomous body the Independent Judicial and Prosecutorial Commission continued the vetting and re-appointment process of judges and prosecutors in Kosovo. By end of October 2010, the vetting and re-appointment process officially ended. Nevertheless, the process will not resolve the insufficient number of judges and prosecutors in Kosovo's courtrooms. Kosovo will continue to have 3 to 5 times less judges and prosecutors compared to other countries in the region such as Serbia, Montenegro or Croatia. The KJC will need to strategically assess the capacities of Kosovo's judiciary and come up with a budget proposal and planning to support the effective work of the judiciary in Kosovo. Until October 2010, the KJC failed to act upon strategic issues such as the huge backlog of cases, staffing, budget and training needs of judges and prosecutors. The future Kosovo government formed after the 12 December 2010 general elections will need to fully support the KJC and KPC strategies on human and budgetary resources to implement the judicial reform by also increasing the number of judges and prosecutors.

EULEX judges and prosecutors continue to have an executive mandate in the fight against organised crime, war crimes and corruption. The main verdicts recorded so far by EULEX judges were war-crime cases inherited by the former UN administration. The mission's proactive investigations into cases of corruption and organised crime have been very slow in delivering results. The investigation of senior-officials has been announced by the mission as a priority for 2010 and 2011. The EULEX justice component is not sufficiently resourced with some 20 prosecutors and 30 judges deployed throughout Kosovo. With its current operational structure it will struggle to deliver of what it is mandated to deliver.

Judges and prosecutors continue to work under weak protection system, based on case by case requests. This has led to a situation where judges and prosecutors, due to outside interferences or fear of possible repercussions, hesitate to initiate sensitive cases, in particular cases related to war-crimes, organised crime and corruption. The judicial system continues to be dependent of the executive mandate of EULEX judges and prosecutors. Overall, the vision to strengthen the independence of the judiciary and autonomy of the prosecutorial services seems to have improved slightly due to the recently initiated judicial reforms. However, these processes predominantly depend on the will and support of donors. The government has failed to provide

sufficient budgetary support to increase the capacities of judicial and prosecutorial services, showing the lack of will to strengthen the judicial framework and its independence.

Other law enforcement agencies such as the Kosovo Police have struggled with the lack of expertise, equipment and professional independence in conducting investigations into organised crime and corruption cases. Investigation of trafficking in human beings for sexual exploitation as part of organised crime or senior-official corruption remains a challenge. Recent changes in the senior-management of the police tasked to investigate suspected cases of corruption and organised crime will continue to hamper the independence of the investigations. Appropriate restructuring and performance-based promotions lacked. Weighting and ensuring balanced investigations into cases of corruption including investigations into corruptive behaviours of senior-officials will be difficult to achieve. Kosovo will need to re-assess its current structures it has developed on prosecutorial investigations, in order to strengthen the role of its prosecutorial services and of Kosovo Police to fight corruption and organized crime. It currently stands at a cross-road in offering its citizens a resilient state based on rule of law principles. The fight against organised crime and corruption should stay free of political interferences.

VIII. RECOMMENDATIONS

The EU member states should double the number of judges and prosecutors for the EULEX mission in order to match the executive and MMA functions of the ESDP mission. This should serve as a part of strategy to increase both executive and MMA operations in order to proceed with high-profile cases investigation and prosecutions. At the same time they should enable Kosovo judges and prosecutors to continue their work independently with the mission drafting an exit strategy by withdrawing from its executive powers by end of 2012 and beginning of 2013.

The EU member states should decrease the role of anti-riot and crowd control police by end of 2011. At the same time, the EU states should strengthen the role of specialised police on investigation of organised crime and corruption by increasing deployment of police officers from countries with experience in combating organised crime and corruption.

EULEX should immediately deliver results in prosecuting cases of political corruption. This would send a strong signal to the newly elected authorities and increase the overall political willingness of Kosovo institutions to support combating corruption and organised crime. The

development of track records on charges and verdicts in these cases will support Kosovo to improve its rule of law performance and not to become a failed state.

EULEX should refrain from making analysis of short-term political stability and not allow political influence in their work against corruption and organised crime. Short-term stability will cause longer-term effects on Kosovo's statehood. By strengthening of mechanisms for proactive investigation and prosecution including intelligence led policing mechanisms Kosovo could benefit from the rule of law mandate of the mission.

The Kosovo Judicial Council should be strengthened with adequate budgetary support to deliver on its mandate. The support amongst other should include adequate office spacing, adequate financial remuneration for judges, judicial protection and proactive strategies of the judicial services.

The KCJ should re-assess its current approach and structures at disposal in the fight against corruption and organized crime. This should include developing of a strategy in lieu of current findings and results in the fight against organised crime and corruption. The strategy should also consider appointments of judges that should prioritise cases on organised crime and corruption including offering of special protection to judges. The initiative should go hand in hand with KJC's human and budgetary strategy to increase the number of judges in Kosovo as per their estimations.

The Kosovo Prosecutorial Council should immediately be operational with adequate human and budgetary resources in order to deliver on its mandate. Its autonomous budgetary planning should be followed through by the Ministry of Economy and Finance in line with the provisions of the new law on the KPC. Further, the KPC should revise and accordingly draft new terms of reference and structure for the Anti-Corruption Task Force after made functional.

The Ministry of Justice should immediately proceed for adoption the draft law on witness protection. The adoption of the law should also include detailed planning on bi-lateral and multi-lateral agreements for cooperative witnesses with sufficient budgetary resources. The budget collected from confiscation of material benefits gained from criminal activities should support the programme for witness protection.

The use of legal provisions on confiscation of material benefits from criminal activities should start immediately. The Agency for Management of Confiscated and Sequestered Criminal Assets should be immediately made operational. The appointment of staff for the Agency should be free of political interferences.

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Supported by:



**Xavier Bout de Marnhac,
Head of EULEX Kosovo**

Date of birth: 7 July 1951

Nationality: French

Profession/Rank: Retired army general



Education:

National defence high studies institute, Paris, France
Ecole Supérieure de Guerre (Joint Staff College), Paris, France
US Army Command and general staff college, Fort Leavenworth, USA
Ecole Spéciale Militaire de Saint-Cyr (Military Academy), France

Professional experience:

Present:

Head of Mission EULEX Kosovo

2008 to 2010:

Commander Army district South-East, Lyon, France

2007 to 2008:

Command of the NATO KOSOVO Force (KFOR), Pristina, Kosovo

2005 to 2007

Commander Army Operational HQ (EMF 2), Nantes, France

1999 to 2004:

Director, Operations Directorate, National intelligence service, Paris, France

Before 1999:

Various positions of command and responsibility in the French Army, including several deployments in the Balkans, Africa, Middle East and Central Asia

Hajredin Kuçi
Minister of Justice



Education:

PhD in International Law

Current position:

Deputy Prime Minister of the Republic of Kosova,
Head of the Constitutional Commission of the Republic of
Kosova

Political party:

Democratic Party of Kosova (PDK)

Previous posts:

- Deputy President of the Democratic Party of Kosova
- Deputy Rector of Prishtina University in charge of external relations
- Member of the Kosova Parliament, three mandates
- Head of the Education, Science and Technology Committee of the Assembly of Kosova (2001-2004)
- Head of the Committee on the Regulation of Work of the Assembly of Kosova (2004-2007)
- Member of Kosova Delegation in negotiations between Kosova and Serbia mediated by international factors
- Professor at Prishtina University and some other universities in and out of Kosova



- **Lamberto Zannier**

Special Representative of the Secretary-General

Dates served: 20 June 2008 - present

Most recently, Mr. Zannier, who presently holds the rank of Ambassador, has worked for the Italian Ministry of Foreign Affairs on EU Common Foreign and Security Policy issues, headed the OSCE Conflict Prevention Centre, and was the Italian Representative in the Executive Council of the Organization for the Prohibition of Chemical Weapons. Mr. Zannier's extensive experience with politico-military issues dates back many years; he has been Chairman for negotiations on the Adaptation of the Treaty on Conventional Armed Forces in Europe (CFE), and he has also been seconded by the Italian Government to NATO as Head of the Disarmament, Arms Control and Cooperative Security Section.

Mr. Zannier joined the Italian Ministry of Foreign Affairs in 1978 as a career diplomat and served the Italian Embassies in Abu Dhabi, Vienna and The Hague. He has also worked for the FAO Legal Office in Rome. Mr. Zannier holds a Doctorate in Law from the Trieste University, and is married with two sons and two daughters.



Europass Curriculum Vitae

Personal information

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Nationality Kosovan, British
Date of birth 11/10/1979
Gender Male

Work experience

Dates April 2010 – ongoing
Occupation or position held Secretary – General
Main activities and responsibilities

1. Coordination of the Stabilization and Association Process Dialogue between Kosovo and EU;
2. Coordination of the European Partnership Action Plan and approximation of national legislation with *acquis*;
3. Coordination of foreign assistance;
4. The overall administration and management of the Ministry;
5. Providing of proper guidance and accurate, impartial and expert advice to the authority over him.

Name and address of employer Ministry of European Integration, Scanderbeg Square, Governmental Building, Prishtina, Kosovo
Type of business or sector Public Administration

Dates February 2009 – March 2010
Occupation or position held Chief Executive Officer
Main activities and responsibilities

1. Coordination of the Stabilization and Association Process Dialogue between Kosovo and EU;
2. Coordination of the European Partnership Action Plan and approximation of national legislation with *acquis*;
3. Coordination of foreign assistance;
4. The overall administration and management of the Agency
5. Providing of proper guidance and accurate, impartial and expert advice to the authority over him.

Name and address of employer Agency for European Integration, Office of the Prime Minister; Scanderbeg Square, Governmental Building, Prishtina, Kosovo
Type of business or sector Public Administration

Dates October 2008 – February 2009
Occupation or position held Political Advisor
Main activities and responsibilities

1. Advising on Policies in European affairs;
2. Focal point of Information between Civil service and Political level in MFA;
3. Liaison person between accredited Diplomatic corpus in Pristina and MFA.

Name and address of employer Ministry of Foreign Affairs, Scanderbeg Square, Governmental Building, Prishtina, Kosovo
Type of business or sector Public Administration

Education and training

Dates Sept 2005 - Sept 2006
Title of qualification awarded MSc Political Theory

Principal subjects/occupational skills covered XXth Century European Thought, Multiculturalism, Nationalism and Citizenship, European Political Economy.

Name and type of organisation providing education and training London School of Economics- LSE, United Kingdom

Level in national or international classification *ISCED 6*

Mother tongue(s) Albanian

Other language(s)

Self-assessment

European level ()*

English

Serbo-Croat

Understanding				Speaking				Writing	
Listening		Reading		Spoken interaction		Spoken production			
C2	Proficient User	C2	Proficient User	C2	Proficient User	C2	Proficient User	C2	Proficient User
C2	Proficient User	C2	Proficient User	C2	Proficient User	C2	Proficient User	C2	Proficient User

(*) *Common European Framework of Reference for Languages*

Social skills and competences

- Good ability to adapt to multicultural environments, I have lived, worked and studied for 9 years in London.
- Good communications skills
- Very flexible

Organisational skills and competences

- Very concise and organised
- Able to perform under pressure and deadlines
- Leadership

Technical skills and competences

- In general very good ability to understand and use electronic equipment.

Computer skills and competences

- Able to operate Microsoft Office Tools and Graphic design applications.

Artistic skills and competences

- Good knowledge and ability in photography
- Basic ability to play the Guitar

Driving licence

Category B

Safete Hadergjonaj

Born 1964, Deçan Municipality.

Education

- Economic Faculty
- Post University Studies – Management in Public Health
- Currently attending phd studies on Finance in Economic Faculty in Tirana.

Professional experience

- Currently - President of the Commission for Budget and Finance
- Vice President of the Commission for Public Finance Supervision
- Member of the Commission for Economy, Trade, Industry, Energy Transport and Telecommunication
- Member of the Budget and Finance Commission
- Vice-President of the Parliamentary Group of PDK
- Vice-President in the Commission for Budget and Finance
- MEP in the Kosovo Parliament
- Administrative Director in the Ministry of Trade and Industry
- Officer for Political Matters in the Prime Minister's Office
- Adviser in the Municipal Assembly of Decani

Curriculum Vitae

Name: Ali Sadriu

Date of birth: 20 August 1950

Education: Economic Faculty of Pristina University

Work experience:

- Economic professor in Economic High School of Ferizaj;
- accountant in the Factory of Economic Tools in Ferizaj;
- Financial Director in the Medical Faculty of Pristina University;
- Financial Director of United Bank of Kosovo – BANKKOS;
- Four times elected Deputy at Kosovo Assembly;
- Cochairman of Centre Fiscal Authorities (2000-2001);
- Minister of Economy and Finance (2001-2004);
- Executive Director in University Medical Center in Pristina (present);

- Deputy of Kosovo Assembly (current position);

- Chairman of Financial Surveillance Committee

Foreign languages:

- English (poor)
- Russian
- Serbo-croatian



Opening of the EU Information Point in North Mitrovica

North Mitrovica, 6 April 2011

The EU Information Point (EUIP) in North Mitrovica was inaugurated on 6 April 2011 by Khaldoun Sinno, Acting Head of European Commission Liaison Office and Momčilo Arlov, Director of Centre for Civil Society Development. This was the opening of the second information point following the opening of the EU Information and Cultural Centre in Pristina in October last year. The two centres are part of one initiative and serve the common objective – provide information on the European Union, its institutions and policies, the relations between Kosovo and the EU, EU financial assistance, the integration process and its implications.



The EU Information Point in North Mitrovica



EU Information Point
An EU funded project managed by the EC Liaison Office
Implemented by KCSF and CCSD

Str. Sutjeska 20, North Mitrovica, Kosovo
www.euicc-ks.com, 044 925 946, info@euicc-ks.com

The official opening of the centre was attended by the EU member states representatives, including Italian Ambassador and EU Facilitator for the North Michael Giffoni, German Ambassador Hans-Dieter Steinbach, Hungarian Ambassador Lóránt Balla, Slovenian Ambassador Jožef Help, French Ambassador Jean-François Fitou, Dutch Ambassador Robert Bosch, Charge d’Affaires of Swedish Embassy Ingrid Johansson, representatives of EULEX, as well as many other international and local dignitaries, media and civil society representatives.



Acting Head of EC Liaison Office, Khaldoun Sinno giving the opening speech

In his opening speech, Mr Sinno stressed the importance of bringing the EU closer to people. "The EU's commitment to the North is unquestionable: both in terms of the staff we commit to look at the pressing issues in the related context, as well as in terms of the substantial assistance allocated to projects which improve the every-day lives of the citizens in this area. We are now moving a step further in advancing our communication efforts in this area to explain what the EU is about and how all citizens can benefit from the prospect of integration."

Mr Arlov in his speech said: "The EU Info Point that we are opening today, aims to serve to the local stakeholders, civil society activists, young people and community members within this area as a specific resource pillar where, at one place, interested parties will have access to skills, tools and knowledge needed for their better understanding of the EU integrations at the local level."



EU Information Point

An EU funded project managed by the EC Liaison Office
Implemented by KCSF and CCSD



Acting Head of EC Liaison Office, Khaldoun Sinno and Momčilo Arlov, Director of CCSD unveiled the EUIP plaque inside the building

The EUIP in North Mitrovica offers a space with internet corner, reading corner, publications area where many books, brochures and leaflets are on display. In order to improve understanding and enrich debate on the integration process, EUIP will organise and host informative and cultural events with civil society actors and other partners. The EUIP is also open for EU Member States' offices in Kosovo and other EU presences to organise events.



Inside the EU Information Point



EU Information Point
An EU funded project managed by the EC Liaison Office
Implemented by KCSF and CCSD

Str. Sutjeska 20, North Mitrovica, Kosovo
www.euicc-ks.com, 044 925 946, info@euicc-ks.com

The EUIP is implemented by the Kosovo Civil Society Foundation and the Centre for Civil Society Development. The Centre will be open to the public Monday to Friday from 10.00 – 17.00 and Tuesdays until 19.00. More information on both Centres can be found at their joint website www.euicc-ks.com.



EUIP implementing staff, EU member states' Ambassadors and Acting Head of EC Liaison Office, Khaldoun Sinno

Media coverage

All Kosovo media were invited to cover the opening ceremony. Local media from northern Kosovo attended and reported on the event, such as: TV Most, Radio Kontakt Plus, Radio Kiss, as well as Serbia based Tanjug and Beta news agencies. The opening of the EUIP was also reported by national media: RTK website, TV Klan Kosova, Kosova Press website and RTV 21 website.

Mr Sinno also gave a short interview to all present media, where he explained the role of the EUIP and highlighted that Mitrovica and north Kosovo citizens will as of now have easy access to all EU related information.



EU Information Point
An EU funded project managed by the EC Liaison Office
Implemented by KCSF and CCSD

Str. Sutjeska 20, North Mitrovica, Kosovo
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Title of the Action: **EU – Mitrovicë/a RAE Support Initiative (EU-MRSI)**

Location: Mitrovica municipality

Total Action Cost: €5.0 M (all EU contribution)

Implementing Agency: Mercy Corps Scotland NGO

1.1. Summary

Total duration of the action	30 months Start date: 01 February 2010
Objectives of the action	<p><i>Overall objective</i> of this action is to contribute to the closure of the lead-contaminated Cesmin Lug and Osterode Camps in Mitrovica municipality.</p> <p><i>Specific objective</i> of this action is to facilitate successful resettlement of up to 90 RAE families from Cesmin Lug and Osterode IDP Camps to Roma Mahalla or other location and their economically productive, secure and healthy reintegration.</p>
Partner(s)	Kosovo Agency for Advocacy and Development (KAAD)
Target group(s)	(i) up to 90 RAE IDP families from Cesmin Lug and Osterode camps; (ii) Mitrovica Municipal authorities in relevant departments—minority, communities/return, health, education.
Final beneficiaries	Roma Mahalla population, receiving community, wider Mitrovica Municipality residents of majority ethnicity, municipal authorities.
Estimated results	<ol style="list-style-type: none">1. Rights-based resettlement of up to 90 RAE IDP families on the basis of principles and procedures outlined in the newly revised Manual for Sustainable Return.2. Improved health and healthy living environment for up to 90 resettled families in Roma Mahalla and other sites.3. Up to 90 returnee families and 10 receiving community families participate in economic development and livelihoods initiatives to support a more durable reintegration.4. Improved access to basic social services such as education, civil registration and legal assistance provided for up to 90 returnee RAE family beneficiaries.5. Improve the capacity of municipal-level government structures in Mitrovica to lead the long-term peaceful reintegration of RAE families to Roma Mahalla and other locations.6. Community development activities mitigate the potential for conflict and facilitate sustained, peaceful reintegration and reconciliation between returnees and receiving community.

Main activities	<ul style="list-style-type: none">- Community outreach and information dissemination activities- Facilitate design, select contractor and monitor construction- Facilitate physical relocation of up to 90 families- Medical screening and lead poisoning testing- Health education- Economic livelihoods assessment- Vocational training- Facilitation of apprenticeships- Increase access to formal education- Provide legal support- Conduct gap analysis with municipality- Create and implement training and capacity building plan for municipal officials- Engage municipality in job placement for RAE community- Facilitate open community meetings for constructive dialogue- Conduct joint trainings for returnee and receiving communities- Community development social and micro-infrastructure activities
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EUROPEAN UNION

THE EUROPEAN COMMISSION LIAISON OFFICE TO KOSOVO

OPERATIONS SECTION

Project Fact Sheet

Project Name:	EU KOSVET VI-Development of Vocational and in-company training and accreditation initiative
Project Value:	Total cost of the project €1,898,000
Duration:	24 months
Implementing Agency / Contractor:	ECLO/Hifab (Sweden), Concord Consulting Group (France), ADSZ (Germany)
Direct Beneficiary:	Unemployed persons in particular youth unemployed and those from most disadvantaged communities; MLSW, MCYS, MEST, VET Centres, VET schools Companies/vocational trainers
Partners:	N/A
Target Area:	Kosovo
Overall Objective:	To support the Kosovo Government in improving the quality and efficiency of the provision of education and training services in a life-long learning and employability perspective.
Project Purposes:	To improve the employability of job seekers, notably young people, long-term unemployed persons and disadvantaged persons, by means of a comprehensive system of vocational education and training (VET) responsive to labour market needs, to involve use of in-company/on-the-job training schemes and the provision of entrepreneurship skills training.
Project Strategy:	
Activities:	Component 1: <i>1.1 Assessment of current in-company training</i> Review of skills needs Preparation of selection criteria Determining the legal and formal basis to govern the involvement of employers Devising a marketing campaign Develop incentive measures to promote company participation (to include companies based in Kosovo and companies based in the EU) in the in-company/on-the-job trainings (OJTs); Implementation of strategies to involve EU-based companies <i>1.2 Review current VET programmes</i>

Design core programmes
 Support partnership employers-VET institutions
 Prepare certification arrangements
 Explore possibilities for short-term in-company placements for VET School Students working in collaboration with all key stakeholders;
1.3-Preparation of material
 Organisation and carrying out of workshops
1.4 Define targets/quotas for different target groups
 Preparation of information and promotion material to potential participants
 Carrying out of promotion campaigns
 Selection of trainees
 Development of individual training plans (1200-1500)
1.5 Planning and carrying out of workshops for in-company trainers
 Setting up devices for support during in-company training
 Development and implementation of an in-company training of trainers (TOT) programme taking into consideration existing activities in this field;
 Support to employer representatives during the in-company training period
1.6 Preparation of and handling out of certificates
 Development and distribution to all trainees of a handbook on job search techniques
 Distribution of information on the in-company training graduates to potential employers, press and other media
1.7 Establish and maintain trainee database
 Development of evaluation forms to be used after each training
 Preparation and carrying out of tracer studies
 Regular progress reviews
 Undertake Tracer and Impact Assessment Reports to measure the effectiveness of the in-company training action and submit the findings and recommendations to the PSC.
1.8-Preparation of policy and operational manual of competency-based training courses within companies for dissemination of experience.

Component 2

2.1 Stocktaking of existing training and material
 Design of programme, development of materials
 Development of promotion campaign
2.2 Development of selection criteria
 Training and information of selecting staff
 Establishment of database for applicants
 Carrying out of information campaigns
 Selection of trainees
2.3 Organisation and delivery of minimum 20 programmes
 Evaluation of programmes by trainees immediately after finalisation
 Support the relations with business organisations
 Promotion of the programme to banks and potential financing sources
2.4 Preparation and carrying out of tracer studies
 Regular progress reviews
 Development of a practical guide for entrepreneurship education
 Preparation of policy and operational manual for dissemination of experience

Results:

Component 1: In-company training

To train between 1200-1500 young unemployed persons through incompany/on-the-job trainings (both in Kosovo and in EU based companies) to raise their skills and employability in particular for the most disadvantaged groups of unemployed persons.

To bring about the employment of a large number of the trainees within the companies that have provided training for them and at least 20% of participants.

To improve the capacity and skills of the Kosovo companies delivering the training to assure they deliver training to EU standard and in areas of labour market need

To raise awareness among employers about their role in vocational training

To improve the connection between VET schools training and on-the-job training

Component 2: Creating entrepreneurs

- to train a minimum of 450 young people in business planning and start-up of a business
- a business plan to be produced by each participant
- a minimum of 350 trainees to have successfully completed the course with 10% coming from disadvantaged groups
- successful business start ups achieved by at least 50% of participants/trainees.

**Former Yugoslav
Republic of
MACEDONIA**

3. BACKGROUND INFORMATION ON THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

3.1 Basic data on FYRoM



General topographic map¹

Total area:	25,713 sq km										
Border countries:	Albania 151 km, Bulgaria 148 km, Greece 246 km, Kosovo 159 km, Serbia 62 km (total: 766 km)										
Population:	2,077,328										
Capital:	Skopje (480,000)										
Main towns:	<table> <tr> <td>Kumanovo</td> <td>103,200</td> </tr> <tr> <td>Bitola</td> <td>86,400</td> </tr> <tr> <td>Prilep</td> <td>73,400</td> </tr> <tr> <td>Tetovo</td> <td>70,800</td> </tr> <tr> <td>Veles</td> <td>57,600</td> </tr> </table>	Kumanovo	103,200	Bitola	86,400	Prilep	73,400	Tetovo	70,800	Veles	57,600
Kumanovo	103,200										
Bitola	86,400										
Prilep	73,400										
Tetovo	70,800										
Veles	57,600										
Ethnic groups:	Macedonian 64.2%, Albanian 25.2%, Turkish 3.9%, Roma 2.7%, Serb 1.8%										
Main languages:	Macedonian (official), Albanian (official), Turkish, Roma, Serbian										
Religions:	Eastern Orthodox 65%, Muslim 29%, Catholic 4%										
Currency:	<p>Macedonian Denar (MKD)</p> <p>Approximate rate: 1 Euro = 61,1 denars</p> <p>The denar was introduced on May 10th 1993</p>										
Natural resources:	low-grade iron ore, copper, lead, zinc, manganese, nickel, tungsten, gold, silver, asbestos, gypsum, timber, arable land										

¹ <http://www.state.gov/r/pa/ei/bgn/26759.htm>; Macedonia- Country Report, Economist Intelligence Unit, May 2011; <http://www.mfa.gov.mk/default1.aspx?ItemID=288>;

3.2 Political structure - overview²

Official name:	The former Yugoslav Republic of Macedonia (provisional, internationally recognized, pending resolution of name dispute with Greece)
Form of state:	Democratic parliamentary republic
Legal system:	Based on the constitution of November 17th 1991
National legislature:	Unicameral Assembly (Sobranie) of 120 members
Electoral system:	universal suffrage over the age of 18 years
National elections:	Last parliamentary election: June 1st 2008; next election due on June 5th 2011 Last presidential election: March 22nd and April 5th 2009 ; next election due in 2014
Head of state:	President; currently Gjorge Ivanov (inaugurated on May 12th 2009)
National government:	Council of Ministers, headed by the prime minister. A coalition government led by the Internal Macedonian Revolutionary Organization-Democratic Party of Macedonian National Unity was approved by parliament in July 2008
Main political parties:	<u>Governing parties:</u> Internal Macedonian Revolutionary Organization-Democratic Party of Macedonian National Unity (VMRO-DPMNE), Democratic Union for Integration (DUI), Socialist Party (SP), Party of United Macedonian Democrats (PODEM). <u>Opposition parties:</u> Social Democratic Alliance of Macedonia (SDSM), Democratic Party of Albanians (DPA), Party for a European Future (PEI), New Democracy (ND), New Social Democratic Party (NSDP)
Prime Minister:	Nikola Gruevski (VMRO-DPMNE)
Speaker of the Assembly:	Trajko Veljanoski (VMRO-DPMNE)
Key ministers:	Agriculture, forestry & water supply Ljupco Dimovski (SP) Defence Zoran Konjanovski (VMRO-DPMNE) Education & science Nikola Todorov (VMRO-DPMNE) Economy Fatmir Besimi (DUI) Environment & physical planning Nexhat Jakupi (DUI) Foreign affairs Antonio Milososki (VMRO-DPMNE) Health Bujar Osmani (DUI) Internal affairs Gordana Jankulovska (VMRO-DPMNE) Justice Mihajlo Manevski (VMRO-DPMNE) Labour & social policy Xhelal Bajrami (DUI) Local self-government Musa Xhaferi (DUI) Transport & communications Mile Janakieski (VMRO-DPMNE)
Central bank governor :	Dimitar Bogov
Administrative divisions:	84 municipalities

² Macedonia- Country Report, Economist Intelligence Unit, May 2011; <http://www.vlada.mk/?q=frontpage>; http://news.bbc.co.uk/2/hi/europe/country_profiles/1067125.stm; <http://www.state.gov/r/pa/ei/bgn/26759.htm>; <http://www.mfa.gov.mk/default1.aspx?ItemID=288>; <http://www.sobranie.mk/en/default-en.asp?ItemID=9B4480A1C962224CBE177A3E5B3710E0>

3.3. Economy overview³

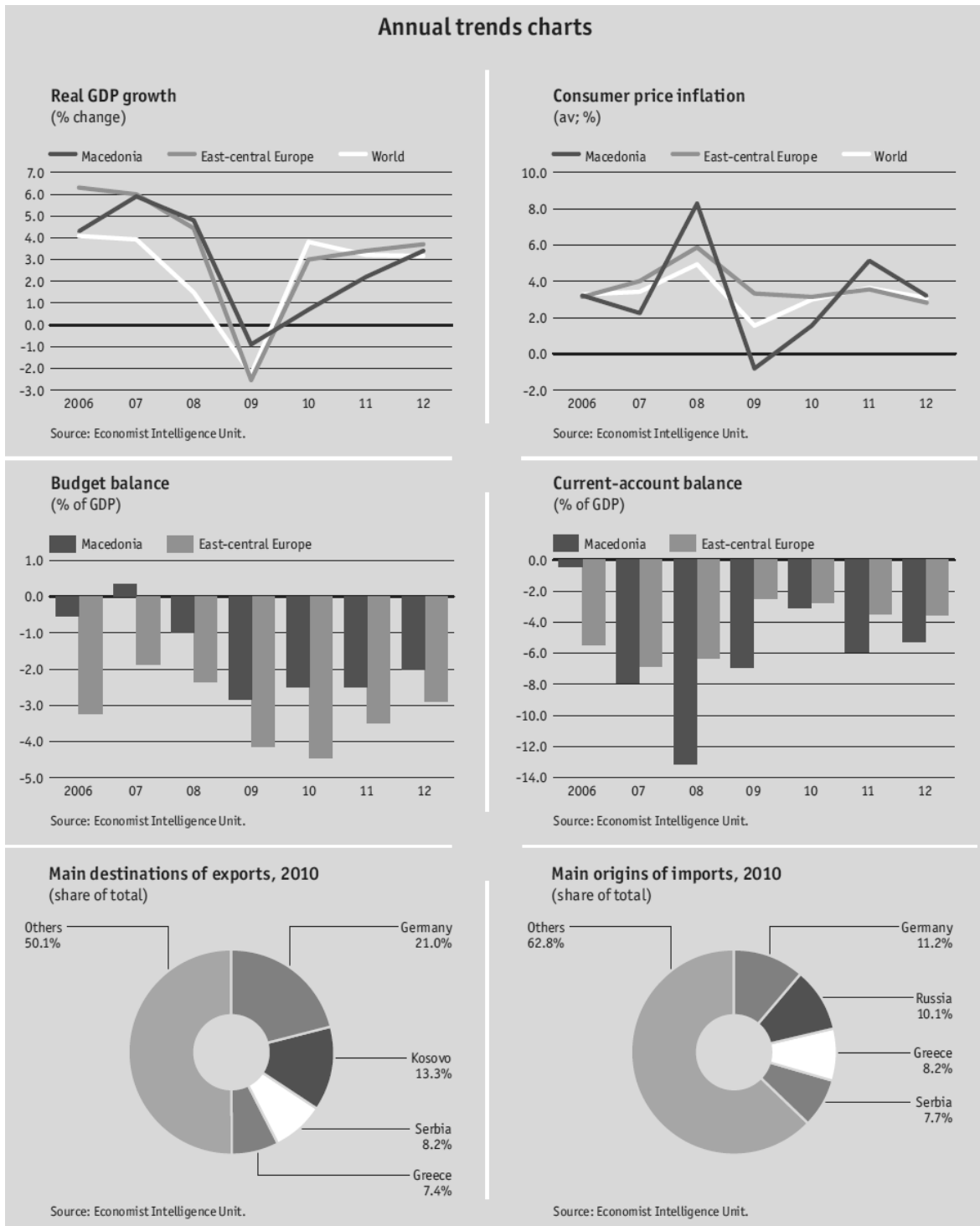
The former Yugoslav Republic of Macedonia is a small economy with a GDP of about EUR 6.86 billion in 2010. Agriculture and industry had been the two most important sectors of the economy in the past, but the services sector has gained the lead in the last few years. Macedonia undertakes structural reforms to finish the transition to a market-oriented economy. Modernization of the largely obsolete infrastructure is happening slowly, and foreign investment has not kept pace with neighbouring economies. Labour force education and skills are competitive in some technical areas and industries but significantly lacking in others. Without adequate job opportunities, many with the best skills seek employment abroad. A relatively low standard of living, high unemployment rate, and modest economic growth rate are the central economic problems.

	2006	2007	2008	2009	2010	2011	2012
Real GDP growth (ann. % ch)	4.3	5.9	7.1	-0.9	0.8	2.4	3.4
Origin of GDP (%):							
Agriculture	0.6	0.6	1.5	3.5	1.0	2.5	3.5
Industry	3.6	1.7	4.0	-0.1	1.3	1.8	2.1
Services	6.9	6.4	5.9	-2.2	0.5	2.7	4.1
Unemployment (%)	36.0	34.9	33.8	32.2	32.3	31.9	31.4
Inflation (ann. %)	2.9	6.1	4.1	-1.6	3.0	3.3	3.3
Government balance (% of GDP)	-0.5	0.3	-1.0	-2.8	-2.5	-2.4	-2.0
Current account balance (% of GDP)	-0.4	-7.1	-12.7	-7.2	-3.3	-	-
Direct investment (% of GDP)	6.8	8.8	6.3	3.7	-	-	-
Export of goods and services (% of GDP)	46.9	52.4	50.9	38.8	-	-	-
Import of goods and services (% of GDP)	66.5	70.8	76.2	60.2	-	-	-

Labour force by occupation:	services-58%; industry and commerce-22.1%; agriculture-19.9%
Agriculture products:	grapes, tobacco, vegetables, fruits; milk, eggs
Industry:	food processing, beverages, textiles, chemicals, iron, steel, cement, energy, pharmaceuticals
Exports products:	food, beverages, tobacco; textiles, miscellaneous manufactures, iron and steel
Export partners (2009):	Germany 20.31%, Greece 13.09%, Italy 11.08%, Bulgaria 10.61%, Croatia 7.74%
Imports products:	machinery and equipment, automobiles, chemicals, fuels, food products
Import partners (2009):	Germany 15.11%, Greece 14.88%, Bulgaria 9.08%, Italy 7.68%, Turkey 7.59%, Slovenia 6.26%, Hungary 4.31%

³ Macedonia- Country Report, Economist Intelligence Unit, May 2011; Progress towards meeting the economic criteria for accession: the assessment of the 2010 Progress Report and the Opinion, DG for Economic and Financial Affairs, December 2010; <http://www.state.gov/r/pa/ei/bgn/26759.htm>; <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsieb020>;

Main economic trends:⁴



⁴ Macedonia- Country Report, Economist Intelligence Unit, May 2011;

3.4 The EU financial assistance to FYRoM

The pre-accession assistance strategy for the period 2007-2009 was concentrated on four areas of activity: Support Institution Building, Improve cross-border cooperation, Prepare the beneficiary for participation in the Community's cohesion policy and rural development instruments 4. Prepare for decentralised management of EU funds.⁵

IPA 2007:⁶

Due to the urgent need to continue the support the police reform which began under the CARDS programme, it was decided to split the IPA 2007 national programme for the **former Yugoslav Republic of Macedonia** into two parts. The first part (for EUR 12 million) included projects linked to the police reform and a project preparation facility. The second part (EUR 22.94 million) was adopted by the Commission on 16 November 2007. This second part aims at supporting the implementation of the public administration reform strategy, the judicial reform as well as capacity building for the decentralised management of EU funds. Under socio-economic requirements the programme will assist municipalities with building the essential infrastructure to support both social and economic development. As regards the EU acquis related activities, substantial support will be given to tax administration, the statistical office and customs. Additionally, the programme supports the participation of the country in certain Community programmes.

The following table provides the 2007 IPA allocations to FYROM in million EUR by component:⁷

	2007
I. Transition Assistance and Institution Building	41.6
Of which:	
National Programme I	12.0
National Programme II	22.9
Nuclear Safety Programme	0.5
Customs Programme	0.5
Tempus and Erasmus Mundus Programme	5.7
II. Cross-Border Cooperation	4.2
Of which:	
CBC former Yugoslav Republic of Macedonia and Bulgaria	0.7
CBC former Yugoslav Republic of Macedonia and Greece	0.8
CBC former Yugoslav Republic of Macedonia and Albania	2.2
CBC participation in ERDF SE Europe programme	0.5
III Regional Development	7.4
Of which:	
Transport Priority	5.6
Environment Priority	1.4
Technical Assistance Priority	0.4
IV Human Resources Development	3.2
V Rural Development	2.1

⁵ <http://www.delmkd.ec.europa.eu/en/bilateral-relations/eu-assistance/IPA.htm>; <http://www.ipard.gov.mk/en/programa>; http://ec.europa.eu/enlargement/candidate-countries/the-former-yugoslav-republic-of-macedonia/index_en.htm;

⁶ 2007 Annual IPA Report, Report From The Commission To The Council, The European Parliament And The European Economic And Social Committee, Brussels, 15.12.2008, Com(2008) 850 Final;

⁷ 2007 Annual IPA Report, Commission Staff Working Document, Technical Annexes To The Report From The Commission To The Council, The European Parliament And The European Economic And Social Committee, Brussels, 15.12.2008, Com(2008) 850 Final

The IPA 2007 Annual Programme Part II contained the following projects:⁸

Priority Axis	Projects	Budget (EUR million)
Priority axis 1: Good governance and the rule of law		5.1
	Public Administration Reform - PAR	2.0
	Support to the Judicial Reform	1.1
	Capacity Building for the Management of EU funds	2.0
Priority axis 2: Economic development and social cohesion		7.0
	Local infrastructure for social and economic cohesion	7.0
Priority axis 3: Implementation of the Acquis		9.0
	Energy Regulatory Commission and Insurance Supervisory Agency	2.0
	Tax Reform	2.0
	The State Statistical Office	2.0
	Customs Reform	3.0
Priority Axis 4: Programming Support and Community Programmes		1.84
	Community Programmes and Agencies	0.94
	Preparatory measures for the Lifelong Learning and Youth in Action programmes	0.9
Total		22.9

With the support of IPA component II, "**Cross Border Cooperation**" in 2007 the former Yugoslav Republic of Macedonia participated in a bilateral programme with Albania and in two bilateral programmes with neighbouring Member States Bulgaria and Greece. IPA component II also finances the participation of the former Yugoslav Republic of Macedonia in the ERDF European Territorial Co-operation transnational programme "South-East Europe".

Component III "**Regional Development**" for 2007-2009 was adopted by the Commission on 29 November 2007. Its overall objective is to support the sustainable development of the country through the improvement of transport and environment infrastructure. Assistance in the transport sector focuses on the continuation of the development of the South East Europe Core Regional Transport Network. Concerning assistance in the environment sector, clearly targeted investments focus on waste water treatment and solid waste management where the impact to the population and natural environment is the greatest.

Concerning *component IV* in the former Yugoslav Republic of Macedonia, the OP "**Human Resources Development**" was adopted on December 2007. It encompasses three priority axis: "Employment – Attracting and retaining more people in employment", "Education and Training – Investing in human capital through better education and skills", and "Social Inclusion – Promoting an inclusive labour market".

The former Yugoslav Republic of Macedonia multi-annual programme for **Rural Development** 2007-2013 consists of three priority axes: "Improving market efficiency and implementation of Community standards", "Preparatory actions for implementation of the agri-environmental measures and local rural development strategies" and "Development of the rural economy".

⁸ COMMISSION DECISION of 16 November 2007 adopting a National Programme (Part 2) for the former Yugoslav Republic of Macedonia under the IPA-Transition Assistance and Institution Building Component for 2007; ANNEX: IPA 2007 National Programme - Component I (Part 2); <http://www.delmkd.ec.europa.eu/en/bilateral-relations/eu-assistance/IPA-components.htm>;

IPA 2008:

The 2008 National Programme for the former Yugoslav Republic of Macedonia was adopted by the Commission on 11 December 2008. The programme aims at strengthening the administrative capacity of the relevant institutions to ensure sound and efficient management of EU funds and to strengthen central and local administrative capacity to implement the decentralisation process. It also supports the development of an independent and efficient judicial system, and promotes an active civil society sector. Under the socio-economic criteria the aim is to reinforce the institutional capacity to regulate and supervise fully funded pension system institutions and to promote the transition to market economy.

The following table provides the 2008 IPA allocations to FYRoM in million EUR by component:⁹

	2008
I. Transition Assistance and Institution Building	41.12
Of which:	
National Programme	37.12
Nuclear Safety Programme	0.50
Tempus Programme	3.50
II. Cross-Border Cooperation	4.1
Of which:	
CBC former Yugoslav Republic of Macedonia and Bulgaria	1.23
CBC former Yugoslav Republic of Macedonia and Greece	1.34
CBC former Yugoslav Republic of Macedonia and Albania	1.00
CBC participation in ERDF programmes – Translational	0.50
The former Yugoslav Republic of Macedonia/ northern border with Serbia and Kosovo	1.20
III. Regional Development	12.30
Of which:	
Transport Priority	9.25
Environment Priority	2.31
Technical Assistance Priority	0.74
IV. Human Resources Development	6.00
Of which:	
Reducing Unemployment	2.69
Education and Training	1.80
Social Inclusion	1.20
Technical Assistance	0.30
V Rural Development	6.70
Of which:	
Market efficiency and Implementation of Community Standards	5.22
Development of Rural Economy	1.20
Technical Assistance	0.26
Total:	70.20

⁹

2008 Annual Report On The Implementation Of The Instrument For Pre-Accession Assistance (Ipa), Background Document To The Report From The Commission To The Council, The European Parliament And The European Economic And Social Committee, Brussels, 23.12.2009, COM(2009)699 final;

Component I - Transition Assistance and Institution Building 2008 for the former Yugoslav Republic of Macedonia (in million EUR):¹⁰

Priority Axis	Projects	Budget (EUR million)
Priority axis 1: Political Criteria		14.10
	DIS	1.60
	Support to fiscal decentralisation	1.35
	Further support to Judiciary	1.60
	Integrated Border Management	5.95
	Democracy and Fundamental Rights	2.40
	Civil Society	1.20
Priority axis 2: Socio-Economic Development		3.10
	MAPAS	1.00
	BAS- TAM	2.10
Priority axis 3: ACQUIS		14.90
	Free Movement of Goods	1.80
	Public Procurement	1.20
	Customs	3.50
	Agriculture	2.00
	Veterinary	3.30
	Environment	3.10
Priority Axis 4: Supporting Programmes		5.02
	Project Preparation and Support Facility	3.02
	Community Programmes and Agencies	2.00
Total		37.12

With the support of IPA Component II, in 2008 **the former Yugoslav Republic of Macedonia** participated in a bilateral programme with Albania and in two bilateral programmes with neighbouring Member States: Bulgaria and Greece. IPA Component II also finances the participation of the former Yugoslav Republic of Macedonia in the ERDF European Territorial Co-operation transnational programme "South-East Europe".

The Regional Development OP for 2007-2009 was adopted by the Commission on 29 November 2007. Its overall objective is to support the sustainable development of the country through the improvement of transport and environment infrastructure.

The Human Resources Development Operational Programme 2008 was adopted in December 2007. It encompasses three priority axis: Employment – Attracting and retaining more people in employment, Education and Training – Investing in human capital through better education and skills, and Social Inclusion – Promoting an inclusive labour market.

A multi-annual programme for the Rural Development for 2007-2013 was adopted in 2008¹⁴. The programme consists of 3 priority axes: Improving market efficiency and implementation of Community standards, Preparatory actions for implementation of the agri-environmental measures and local rural development strategies, and Development of the rural economy.

¹⁰ 2008 Annual Report On The Implementation Of The Instrument For Pre-Accession Assistance (Ipa), Background Document To The Report From The Commission To The Council, The European Parliament And The European Economic And Social Committee, Brussels, 23.12.2009, COM(2009)699 final; Report From The Commission To The Council, The European Parliament And The European Economic And Social Committee, 2008 Annual Report On The Implementation Of The Instrument For Pre-Accession Assistance (Ipa), Brussels, 23.12.2009, Com(2009)699 Final

IPA 2009:¹¹

The IPA 2009 National Programme for the former Yugoslav Republic of Macedonia, which was adopted by the Commission on 12 November 2009, was the first to be programmed based on decentralised management (i.e. implementation managed by the beneficiary, with *ex-ante* controls by the EU Delegation), as it was assumed that conferral of management could be granted before the end of 2009. This assumption proved premature and resulted in no Financing Agreement for this programme being signed in 2009.

The following table provides the 2009 IPA allocations to FYRoM in million EUR by component:¹²

	2009
I. Transition Assistance and Institution Building	39.31
Of which:	
National Programme	37.06
Nuclear Safety Programme	0.50
Tempus Programme	1.75
II. Cross-Border Cooperation	4.37
Of which:	
CBC former Yugoslav Republic of Macedonia and Greece	1.47
CBC former Yugoslav Republic of Macedonia and Bulgaria	1.34
CBC former Yugoslav Republic of Macedonia and Albania	1.00
CBC participation in ERDF programmes	0.56
III. Regional Development	20.80
Of which:	
Transport Priority	15.70
Environment Priority	3.90
Technical Assistance Priority	1.20
IV. Human Resources Development	7.10
Of which:	
Reducing Unemployment	2.85
Education and Training	1.42
Social Inclusion	2.13
Technical Assistance	0.70
V Rural Development	10.20
Of which:	
EU Standards	7.96
Development of Rural Economy	1.84
Technical Assistance	0.41
Total:	81.78

¹¹ Commission Staff Working Document, Background Document To The Report From The Commission To The Parliament, The Council And The European Economic And Social Committee, 2009 Annual Report On The Implementation Of The Instrument For Pre-Accession Assistance (IPA), Brussels, 1.12.2010, SEC(2010) 1430 final/2

¹² 2009 Annual Report On The Implementation Of The Instrument For Pre-Accession Assistance (IPA), Commission Staff Working Document, Background Document To The Report From The Commission To The Parliament, The Council And The European Economic And Social Committee, Brussels, 1.12.2010, SEC(2010) 1430 final/2

The IPA 2009 National Programme for Component I provides support to the following priority areas:¹³

Priority Axis	Projects	Budget (EUR million)
Priority axis 1: Political Criteria		8.75
	Support in the Implementation of the Reform of the Criminal Justice System	1.27
	Capacity Building of the Law Enforcement Agencies for Appropriate Treatment of Detained and Sentenced Persons	1.80
	Support to the National Police and Criminal Law Reform	1.03
	Support to Enhancement, Sustainability and Development of an Active Civil Society	1.50
	Building effective and democratic local government	0.99
	Technical Assistance to the Civil Servants Agency and Strengthening the Implementation of the National System for Training Coordination	0.99
	Conservation and Revitalization of the Cultural – Tourist Site St.George – Staro Nagorichane	1.17
Priority axis 2: Socio-Economic Development		4.04
	Strengthening the Capacity of the Ministry of Finance for Macroeconomic Analysis and Policy Formulation	1.22
	Review of Legal, Organizational and Resource Requirements for the National Bank	0.40
	Support to the State Statistical Office	1.47
	Assistance to the Commission for Protection of Competition	0.95
Priority axis 3: ACQUIS		17.93
	Enhancing the Administrative Capacity of Telecom and Media Authorities	0.81
	Institution Building of the Administrative Capacity for Agriculture and Rural Development	2.60
	Capacity Building for the Authorities for Food Safety, Phytosanitary and Veterinary Policy	1.74
	Strengthening the Capacity of the Transport Inspectorate	0.72
	Strengthening the Capacity of the Energy Department in the Ministry of Economy and the Energy Agency	1.70
	Strengthening the Capacity for Approximation and Implementation of Environmental Legislation	2.98
	Strengthening the Capacity of the Customs Administration	2.91
	Strengthening the Blood Safety System	0.90
	Integrated Border Management	3.57
Priority Axis 4: Supporting Programmes		6.34
	Participation in EU Programmes and Agencies	1.63
	Project Preparation and Support Facility	2.71
	Preparatory measures for Life Long learning and Youth in Action	2.00
Total		37.00

¹³

Commission Staff Working Document, Background Document To The Report From The Commission To The Parliament, The Council And The European Economic And Social Committee, 2009 Annual Report On The Implementation Of The Instrument For Pre-Accession Assistance (IPA), Brussels, 1.12.2010,

Briefing on
EU PRE-ACCESSION FINANCIAL ASSISTANCE
to
the former Yugoslav Republic of Macedonia

A. Overview of the Instrument for Pre-accession Assistance (IPA)

Regulation (EC) No 1085/2006 of 17 July 2006 established an Instrument for Pre-Accession Assistance (IPA)¹, which provides for a coherent framework for Union financial assistance for candidate countries and potential candidates.

Multi-Annual Indicative Planning Documents (MIPD) set out the EU's priorities and allocations for assistance to the former Yugoslav Republic of Macedonia for the different programming periods. The MIPDs are based on the needs identified in the Accession Partnership of the country as well as the Progress Report (latest adopted in November 2010 as part of the Enlargement Package) and with the country's own strategies.

Pre-accession assistance for the period 2007-2011 has been concentrated on three strategic objectives:

(1) Support to Institution Building; (2) Improve cross-border cooperation; (3) Prepare for participation in the Union's cohesion and rural development policies

The IPA Programme is divided in **five Components**:

1. **Institution Building** is the core activity of **Component I**. Within this component, support is provided mainly to meet the "political criteria" and "socio-economic criteria", reflecting the key priorities set out in the Accession Partnership, and reinforce the ability to assume the obligations of EU membership. Last but not least, support is given to programming and participation in Union programmes and agencies.
2. **Cross-border cooperation (CBC)** under **Component II** aims at fostering good relations between regions and countries and familiarising future member states with rules and procedures governing the European Territorial Cooperation objective under Structural Funds.

IPA assistance under Components III and IV aims at supporting candidate countries in policy development, as well as preparation for the implementation and management of the Union's cohesion policy, in particular in their preparation for the European Regional Development Fund, the Cohesion Fund and the European Social Fund

3. Under **Component III, Regional development**, the strategy for assistance which was identified in 2007 for the former Yugoslav Republic of Macedonia, focusing on environment and transport sectors will be maintained until 2012.
4. **Component IV, Human Resources development**, is implemented through a single Multi-annual Operational Programme 2007-2013, covering the three separate pillars of intervention of this component: employment, education and training, and social inclusion.
5. **Component V, Rural development**, sets out priorities for the sustainable development of rural areas for the period 2007-2013 and the implementation of the *acquis* concerning the common agricultural policy and related policy areas, as well as help to the beneficiary country to get ready for effective implementation of programmes under the European Agricultural Fund for Rural Development (EARD) upon accession.

¹ OJ L 210, 31.7.2006, p.82

EU assistance for all five components of IPA shall be implemented under the *decentralised implementation system (DIS)* once the European Commission has conferred its management on the national authorities (Art. 10-15 of the IPA IR). To this end, substantial assistance for capacity-building across the relevant national structures is being provided through CARDS and IPA programmes.

The establishment of the management and control systems for DIS was decided by the Government in October 2005; the National Fund (NF) and the Central Financing and Contracting Department (CFCD) were established and the Programme Authorising Officer (PAO), the Competent Accrediting Officer (CAO) and the Senior Programme Officers (SPOs) nominated in 2006. In the first half of 2007 a Gap Assessment to comply with the new IPA Implementing Regulation was carried out and the National Authorities submitted a Gap Assessment report to the Commission. In a subsequent step, gap plugging was done during the second half of 2007-beginning of 2008.

Following a compliance assessment and the accreditation of the system, the Minister of Finance (CAO) submitted the application to the Commission for conferral of management of Component I in January 2009. In parallel to the already granted conferrals of management powers for Components III, IV and V (approved during the second half of 2009), a number of actions were on-going for mitigating the risks identified by the auditors for IPA component I. The final verification mission took place in February 2010, after which the conferral of management powers was granted in December 2010.

As regards Component II, the National IPA-CBC Coordinator is expected to further strengthen capacities during 2011 in order to be in the position to send the request for conferral of management to the Commission by the end of the year.

The approved IPA financial envelopes 2007-2010 amount to **302.8 million EUR**, divided as follows.

COMPONENT	2007	2008	2009	2010	TOTAL	%
I – Institution building	41.6	39.9	38.1	36.3	155.9	51.5%
II – Cross-border cooperation	4.2	5.3	5.6	5.7	20.8	7%
III – Regional Development	7.4	12.3	20.8	29.4	69.9	23%
IV – Human Resources Development	3.2	6.0	7.1	8.4	24.7	8%
V – Rural Development	2.1	6.7	10.2	12.5	31.5	10.5%
TOTAL	58.5	70.2	81.8	92.3	302.8	100%

The **Framework Agreement** between the country and the European Commission laying down the principles of the administrative cooperation for implementation of External Aid was signed on **October 30th 2007** and ratified by the Parliament on January 31st.

B. IPA implementation - state of play per Component

B.1. Component I

All projects included in National Programmes 2007 and 2008 are contracted now, with the exception of the 2008 Integrated Border Management - Terrestrial Trunked Radio (TETRA) II Supply project, for which the contracting deadline was extended by 6 months (from February to August 2011).

The value of the current total portfolio managed under centralised de-concentrated management by the EUD for Components I and II (including CARDS 04-06 and IPA 07-08-09) is EUR 115Mio: EUR 98

Mio have already been contracted. Only for IPA 2007 and 2008, the total amount allocated is 79.5 Mio EUR, and 72 Mio EUR have already been contracted, in line with the forecasts made by the EUD. As of 31 March 2011, actual disbursements for all open budget lines have also largely matched forecasts. Nevertheless RAL (*reste à liquider*) still represents 48% for IPA 2007 and 67% for IPA 2008, Component I.

The National Programme 2009, adopted in November 2009, is the first one to be managed under DIS. Preparatory activities related to different tender dossiers are on-going in the CFCD since January 2011, under the supervision and ex-ante controls of the EUD.

The 2010 National Programme was adopted by EC on August 25, 2010 and the Financing Agreement has not been signed yet (*see Annex 2 for the list of signed FAs*). The 2011 National Programme is under preparation and its final adoption is expected in November 2011.

Status of implementation of IPA financial assistance (Component I) as at 31st December 2010 (in million EUR) per annual programme

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	34.9	31.9	91%	19.8	62%
IPA 2008	37.1	34.2	92%	8.7	25%
IPA 2009	37.1	33.4	90%	16.3*	49%
IPA 2010	36.9	0	0	0	0
TOTAL	146.0	66.1	91%	44.8	45%

* Pre-financing disbursed by the EC to be implemented under decentralised management

Twining

Regarding institution building, the twinning instrument financed under Component I continues to be the preferred implementation modality in the country for all transposition or legal approximation-related projects where the relevant expertise lies within the Member States.

Number of TWs in Component 1 per programming year

	Total number of Projects	Total Number of Twinning Contracts in the Projects	Total costs of the Twinning Projects
2007	12	4	1.212.050
2008	15	4	3.950.000
2009	23	6	5.870.000
2010	18	9	9.012.736
2011¹	17	9	9.215.000
Total	68	32	29.259.786

¹ Not approved yet

MS Involvement in TWs								
Member state	2000	2003	2004	2005	2006	2007	2008	Total
Germany			2	1			1	4

Holland		1JP⁴	1		1		1	4
Italy				1			1JP	2
Austria				1JP		3	1JP	5
Spain				1			1	2
France						1	1	2
Slovakia					1			1
Hungary		1						1
Finland				1		1	1	3
Slovenia	1			1JP				2
Litvania						1		1
Czech						1		1

JP- Junior Partner

Participation in Union Programmes and Agencies

The country has since 2004 expressed a continuous interest in participating in the Union Programmes and Union Agencies. Currently it has become a member of 7 Union Programmes and has started the process of accession towards 4 more, as shown in the table:

Union Programme	Status
7 th Framework Programme for Research (FP7)	MoU signed on June 13, 2007
Competitiveness and Innovation Framework Programme Enterprise and Innovation Framework Programme (CIP-EIP)	MoU signed on October 18, 2007
Competitiveness and Innovation Framework Programme Intelligent Energy Europe Programme (CIP-IEE)	MoU expected to be signed during 2012
Competitiveness and Innovation Framework Programme ICT Policy Support Programme (CIP-ICT)	MoU expected to be signed by Q3 2011
Progress	MoU signed in December 2007
Europe for Citizens	MoU signed in March 2009
Lifelong learning Programme & Youth in Action	National Agency for European Educational Programmes and Mobility is established and operational since beginning of 2008 and there is an ongoing accreditation process ² . Full participation is envisaged in 2012

² The State Anti-Corruption Commission initiated in January 2011 criminal procedures against Mr Nelkoski, former director of the National Agency for European Educational Programmes and Mobility. Last year, the

Culture	MoU signed in January 2008
Customs 2013	MoU signed in April 2009
Fiscalis 2013	MoU signed in April 2009
Civil Protection Mechanism and Civil Protection Financial Instrument	MoU signed in January 2010. Ratification ongoing

Component I co-finances the costs of the "entry-tickets" which the beneficiary has to pay for the participation in Union Programmes. Co-financing of entry tickets for participating in a certain programme will only be progressed once a respective MoU between the European Commission and the beneficiary has been signed. The IPA funds are transferred to the country as reimbursement after it has paid its entry-tickets, on the basis of a request for funds by the beneficiary together with proof of payment.

The process of preparation for participation in the **Union Agencies** is supported through the IPA Multi Beneficiary (MB) programme. The overall objective of the assistance provided through IPA MB is to ensure that the beneficiaries (the former Yugoslav Republic of Macedonia, Croatia and Turkey) can participate effectively in the activities of the Union Agencies either if permitted prior to accession or following accession to the EU.

So far, the following Union Agencies which received a grant from the IPA MB contacted their counterparts in the former Yugoslav Republic of Macedonia to start preparing a work plan: European Environmental Agency (EEA), European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), and the European Chemicals Agency (ECHA).

Besides, the country participates as observer, inter alia, in the European Training Foundation (ETF), the European Centre for the Development of Vocational Training (Cedefop), the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) and the European Chemicals Agency (ECHA)

IPA Multi-beneficiary (Regional and horizontal) Programme

The aim of this programme is also to support Transition Assistance and Institution Building, promoting regional cooperation and exchange of knowledge and experiences between the beneficiary countries, as well as support of joint initiatives. The focus of this programme is, inter alia, on democracy, stabilization, political and judicial cooperation, implementation of the Stability Pact for Southeast Europe, private sector development and support to an integrated approach on human rights, minority protection and social inclusion.

The country participates in four annual multi-beneficiary programmes already adopted – for the years 2007, 2008, 2009 and 2010 for which the implementation is ongoing. The Financing Agreement for the horizontal programme on Nuclear Safety and Radiation Protection under IPA 2009 was signed separately on September 2010.

F. IPA Component II – Cross-Border Cooperation (CBC)

IPA CBC contributes to the improvement of the relations between enlargement countries and between them and the EU: (i) it contributes to the process of reconciliation and reconnection which is ongoing in the Western Balkans; (ii) it prepares the national structures that will manage Structural Funds upon

European Commission stopped all programmes that the Agency was implementing with EU funds after it had been established that the director distributed funds in a contentious manner.

accession, and (iii) it creates valuable links and contacts between the beneficiaries and between them and the EU Member States.

As IPA CBC rules emulate the rules and the procedures of Structural Funds, their implementation provides an important learning opportunity for national and local authorities and prepares them for a better absorption of the funds that will become available upon accession. The cross-border programmes are largely implemented by national authorities jointly sitting in the programme's management structures. In particular, in programmes between candidates/potential candidates, the joint management structures, under the supervision of the EU Delegation, prepare and publish the calls for proposals and select the projects to be financed. Grant contracts are then signed by the Commission (where assistance is managed in centralised mode) or by the national authorities (where management powers have been conferred to national authorities). All programmes include a Technical Assistance (TA) priority that accounts for up to 10% of the annual financial allocation.

Due to those rules and requirements for joint management structures Component II is experiencing substantial problems and delays in the first years.

The country participates in the following programmes:

- **Cross-border programme with Albania:** under centralised management (by the EUDs). Regrettably, EUR1,4 Mio were lost out of the 2007 allocation contracting deadline was 28/03/2011). Considerable delays have occurred under the 1st and the 2nd Call for proposals of the same programme, whose evaluation is under course in order to absorb the 2008 allocation before the (extended) contracting deadline of 27 April 2012.
- **Cross-border programme with Bulgaria:** implemented in Shared management (by the Member State) under the responsibility of DG REGIO.
- **Cross-border programme with Greece** –under Transitional arrangements, i.e. from the side of the former Yugoslav Republic of Macedonia it is implemented through centralised management, whilst from the Greek side through Shared management. Progress in implementation is still very slow, particularly from the side of the Greek Managing Authority, but evaluation of the 134 applications received under the first Call for proposals is under course and first contracts are expected to be signed during the second half of 2011.
- **Transnational Territorial Cooperation programme *Southeast Europe 2007-2013 (ERDF):*** It is implemented through centralised management, under the responsibility of DG REGIO. Under the first Call 5 contracts were signed with partners of the former Yugoslav Republic of Macedonia for a value of 260 000 EUR.
- **New Cross-border programme with Kosovo*:** approved in December 2010; it is planned to implement through centralised management (by EUD and ECLO).

Status of implementation of IPA financial assistance (Component II) as at 31st December 2010 (in million EUR) per annual programme

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	4.878	0.269	5.52 %	0.215	4.41%
IPA 2008	5.308	0	0	0	
IPA 2009	5.716	0	0	0	
IPA 2010	5.067	0	0	0	
TOTAL	20,969				

G. IPA Component III – Regional Development (*extensive briefing already sent by DG REGIO*)

The Commission granted to the national authorities the conferral of management with ex-ante controls regarding this Component in July 2009. Furthermore, through the extension of the Operational Programme in November 2010, the EU would double its assistance to the country under IPA

Component III (from €40.5M to about €109M for 2007-2011). However, there have been serious delays and implementation of the two major projects is relatively non-existent (only one interim payment of approx. €127,000 for a technical assistance contract).

1. Construction of new motorway section Demir Kapija - Smokvica as part of Pan-European Corridor X.

The risk of de-commitment (at stake: €7.4 million) at the end of 2011 is very high. The risk is particularly critical due to the fact that, by far the greatest share of the allocations is earmarked for this major project "completion of the Corridor X motorway," for which the Commission has, in principle, agreed to allocate €45 million.

Contract Forecasts for construction and supervision were published, with suspension clause, on 15th February 2011. The EUD in Skopje is proceeding with the assessment of the tender documents, in collaboration with EIB and EBRD, the other co-funders of the project. The EIB Board of Directors in January 2011 approved the loan in the amount of EUR 130 million, and the EBRD approved in April 2011 a loan of EUR 107 million.

2. Improvements in waste water collection and waste water treatment in Prilep

Contract Forecasts for construction and supervision were published by CFCD, with suspension clause, on 28th January 2011. The process of land expropriation is completed, while the procedure for obtaining construction permit is expected to be completed in the first half of 2011.

Status of implementation of IPA Component III as at 31st December 2010 (in million EUR) and distribution of total committed funds (2007-2010 allocations) by priority axes

	Committed	Paid	% Paid
IPA 2007-2010³	69,900,000	12,150,000	17.4 %

Priority Axes ⁴	% of 2007-2009 allocations	
Transport	66,575,600	61%
Environment	37,330,400	34.2%
Regional Competitiveness	N/A	N/A
Technical assistance	5,294,000	4.8%
TOTAL		100%

H. IPA Component IV – Human Resource Development

The Operational Programme for Component IV (OPHRD) 2007-2013 is made up of 4 priority axis and 15 measures, and financial allocations amount up to 39.4 Mio€ for the period 2007-2011. The Commission Decision for conferring management of IPA assistance with ex-ante controls regarding this Component was adopted in October 2009. The CFCD (Central Financing Contracting Department) has a major role to play under DIS in the programming/procurement pipeline and has the overall responsibility to guarantee -in time- the procurement and completion of the activities and the technical assistance Priority axis.

In November 2010 the first direct grant Agreement was signed within IPA Component IV with the Agency for Employment to implement active employment measures (EUR 1.3Mio). This is the flagship measure of the OPHRD to tackle the serious structural unemployment problems in the country. On the other hand, the most important project so far under Technical Assistance is a twinning project (EUR 700.000) with the Finnish administration to support the capacities in the two IPA units at

³ According to Commission decision C(2007)5721 OP "Regional Development" comprised allocations 2007-2009 (€40,5M) whereas modifying decision C(2010)7569 extended allocations 2010-2011 to the same OP, bringing total commitments to €109,200,000.

⁴ The OP Regional Development, " has 4 axes, of which two are dedicated to transport, one to environment, and one to TA. So the entries above for transport show the total of the two axes, road and rail. The amounts shown are those determined by modifying Decision C(2010)7569, which, however, includes the 2010 and 2011 allocations as well.

the Ministry of Labour and Social Policy and the Ministry of Education. A number of other procedures for award of contracts are in progress.

Status of implementation of IPA Component IV as at 31st December 2010 (in million EUR)

	Committed	Paid	% Paid
IPA 2007-2010	24.70	4.89	20%

(Paid amount includes the prefinancing)

I. IPA Component V – Rural development

The Commission Decision for conferring management without ex-ante controls relating to three measures⁵ of Component V – Rural Development - of the Instrument for Pre-Accession Assistance (IPA) was granted on December 18th 2009 (2009/987/EU).

The process for preparation of the Operating Structure for further conferral of management of new measures continues, with a focus on the preparation for measure Technical Assistance (TA). During April 2010, it was agreed with the national authorities that DG AGRI will perform an advisory mission for preparation of conferral of management for the measure TA as soon as possible.

According to the IPARD Operating Structure the measures that are planned for accreditation in the short-term period are: Vocational Training and Rural Infrastructure and for the long-term period: LEADER, Agro-environmental measure and implementation of the activities from the Local Rural Development Strategies. The preparation of the comprehensive roadmap will follow for every single measure accordingly.

The Multi-annual Financing Agreement 2007 – 2010 for IPARD was signed by regular procedure of Exchange of Letters. The date of entry into force of MFA is 12 April 2010. The National Fund sent the Pre-financing Application on May 7th 2010 (30 % of the EU financial allocations for the first three years).

Maximum annual amounts of EU contribution under IPA Component V for 2007-2010 (in Euros) - budget line 050502

2007	2008	2009	2010	2011	2012	2013	TOTAL 2007-2013
2.100.000	6.700.000	10.200.000	12.500.000	16.000.000	19.000.000	21.028.000	87.528.000

The national contribution is planned in approximately 25% of the total amount (around 22 million EUR).

IPA assistance is mainly granted in the form of support for private investments undertaken by natural or legal persons such as farmers, food processing and marketing enterprises, co-operatives and producer groups.

Since the accreditation on December 18th 2009, three public calls have been announced. The first call for proposals was published on December 23rd 2009 and was closed on March 17th 2010, with a total

– ⁵ Measure 101 “Investments in agricultural holdings to restructure and to upgrade to EU standards” – Priority axis 1;
 – Measure 103 “Investments in processing and marketing agriculture and fishery products to restructure and to upgrade to EU standards” – Priority axis 1;
 – Measure 302 “Diversification and development of rural economic activities” – Priority axis 3.

amount of around 24 million EUR (funds from 2007-2009 allocations). 133 applications⁶ were submitted to the IPARD Agency amounting to 18.5 million EUR. The evaluation finished in July 2010 and 27 contracts have been concluded for a value of only 1.97 million EUR (Measure 101 = 15 contracted applications, EUR 764.458; Measure 103 = 11 contracted applications, EUR 1.180.595; and Measure 302 = 1 contracted application, EUR 26.582). Although a satisfactory number of successful applications passed the first administrative phase, the rejection rate due to non compliance with eligibility criteria was very high.

The second call was launched in September 2010 and finished in December 2010. 112 applications have been received and contracts should be signed after the summer 2011. And the third Call has been just closed in April 2011.

Status of implementation of IPA Component V as at 31st December 2010 (in million EUR) and distribution of total committed funds (2007-2010 allocations) by priority axes

	Committed	Paid	% Paid
IPA 2007-2010	31.5	2.85	9.05 %

Priority Axes	% of 2007-2010 allocations
Market efficiency and EU standards	75%
Agri-environmental measures and Leader approach	3%
Development of rural economy	18%
Technical assistance	4%
TOTAL	100%

J. Monitoring of IPA programme

Sectoral monitoring committees (SMC) for all the Operational/National Programmes are organized regularly. As an example: the SMC on Component I has taken place once per year since 2008 in Skopje; each bilateral programme under Component II has been organizing twice per year Joint Monitoring Committees since 2009.

The Sectoral and Joint Monitoring Committees for IPA components III and IV have started to be held as official meetings as per the respective Decisions on Conferral of Management powers to the national authorities (the first *official* (after conferral of management powers) SMC for Component III on November 26th 2009 and for Component IV on December 10th 2009 in Skopje).

However, being in the initial implementation phase of all IPA projects, the monitoring arrangements will still have to be fully applied in the forthcoming period to be able to offer their first indications.

ANNEX 1

⁶ 58 applications for Measure 101 - *Investments in agriculture holdings to restructure and to upgrade to EU standards* amounting to 4.8 million EUR; 41 for Measure 103 - *Investments in the processing and marketing of agricultural and fishery products to restructure these activities and to upgrade them to EU standards* in amount of 9.7 million EUR, and 33 for Measure 302 - *Diversification and development of rural economic activities* amounting to 4 million EUR.

Indicative Financial Allocation per Sector (€ million)			
2011-2013	<i>Period 2007 - 2010</i>	<i>Period 2011 - 2013</i>	
Public Administration Reform	28.00	21.33	7 %
Justice, Home Affairs and Fundamental Rights	44.00	24.38	8 %
Private sector development	45.50	45.71	15%
Agriculture and rural development	46.40	67.04	22%
Transport	52.50	60.95	20%
Environment and climate change	28.30	54.85	18%
Social development	37.30	30.47	10%
TOTAL	282.00	304.76	100%

* Allocations for CBC programmes (Component II) not included

Annex 2

List of key Financing Agreements (FA) signed between the Government and the European Commission (in chronological order):

- 1 FA between the Government of the former Yugoslav Republic of Macedonia and the European Commission concerning the 2007 *National Programme* under the Instrument for Pre-accession Assistance (IPA) - Transition Assistance and Institution Building (TAIB) component, part 1, centralised management signed on **October 30th 2007**.
2. FA for the IPA CBC with Albania **for 2007** signed on **March 28th 2008**.
3. FA concerning the 2007 *National Programme* under the Instrument for Pre-accession Assistance (IPA) - Transition Assistance and Institution Building component, part 2, centralised management signed on **May 13th 2008**.
4. FA between the Government of the Republic of Macedonia and the European Commission for the participation of the Republic of Macedonia in the ERDF European Territorial Cooperation Transnational Programme *South-East European Space for 2007* signed on **July 1st 2008**.
5. FA for the CBC Programme with Bulgaria for 2007-2009 signed on **October 13th 2008**.
6. **The Sectoral Agreement for IPARD** setting the rules and procedures for implementation of the IPA component for rural development was signed in **October 23rd 2008**.
7. FA for the CBC Programme with Greece for **2007 allocation** was signed in **December 31st 2008**.
8. FA concerning the country's participation in the ERDF European Territorial Cooperation Transnational Programme *South-East Europe for 2008* signed on **February 23rd 2009**.
9. FA concerning the 2008 *National Programme* under the Instrument for Pre-accession Assistance (IPA) – TAIB component, signed on **February 23rd 2009**.
10. FA concerning the Multi-annual Operational Programme *Regional development* under the IPA *Regional development* component (IPA Component III) was signed on September **14th 2009**.
11. FA for the CBC Programme with Albania **for 2008** signed on **November 26th 2009**.
12. FA for the CBC Programme with Greece **for 2008** was signed on **November 26th 2009**.
13. FA concerning the Multi-annual operational programme *Human resources development* for community assistance under the IPA *Human resources development* component (IPA Component IV) was signed on **November 26th 2009**.
14. **Multi-Annual FA 2007–2010** for IPA Component V (Rural Development) signed on **February 19th 2010**. 15. FA for the participation in the ERDF European Territorial Cooperation Transnational Programme *South-East Europe for 2009* signed on **May 26th 2010**.
16. FA for the CBC Programme with Albania **for 2009**, signed on **December 6th 2010**.
17. FA for the CBC Programme with Greece **for 2009**, signed on **December 6th 2010**.
18. **Agreement modifying the FA** between the Government and the European Commission concerning the Multi-annual Operational Programme for the *Regional Development* component (IPA Component III), signed on **December 21st 2010**.
19. **Two FAs** concerning the 2009 *National Programme* under IPA Component 1 – TAIB, Centralised and Decentralised management, signed on **December 21st 2010**.
20. FA for the CBC Programme with Bulgaria **for 2010-2011** signed on **February 2nd 2011**.

Briefing, former Yugoslav Republic of Macedonia

1. Basic Country Details

Key Statistics (*)

GDP (million EUR) (2009)	5 791
GDP PPS per capita (EUR, 2009)	8 400
GDP (PPS per capita EU-27 = 100, 2009)	35.6
Population (2009)	2 049 000
Gross fixed capital formation (% of GDP, 2008)	21.0
Net Foreign Direct Investment (million EUR, 2009)	172
Inflation rate (Consumer Price Index, % change on previous year, 2009)	-0.8
Balance of payments: current account total (million EUR, 2009)	- 483
General government debt (% of GDP, 2009)	24.1
Labour productivity (GDP in PPS/person employed, EU-27 = 100, 2008)	57.9
Unemployment (% , 2009)	32.2

* Statistical annex to the Commission Staff Working Document, "the former Yugoslav Republic of Macedonia 2010 Progress Report", SEC (2010) 1332 9.11.2010

The most notable development in economic statistics is that since 2007 there has been a continuous and after 2008 sharp decrease in net FDI (2007: 507 MEUR; 2008: 422 MEUR; 2009: 172 MEUR).

Government: IPA Strategic Coordinator (responsible for ensuring overall coordination of the IPA Components III and IV) is currently Mr. Vladimir Pesevski, Deputy Prime Minister for Economic Affairs.

2. Instrument for the Pre-accession Assistance Facts

MIFF(Multi-Annual Indicative Financial Framework), Regional Development Component (IPA-III) FYROM, Annual breakdown

2007	2008	2009	2010	2011	2012	2013
7,400,000	12,300,000	20,800,000	29,400,000	39,300,000	42,300,000	51,800,000

Operational Programmes and Financial Allocations

Operational programme	Financial allocations 2007-2011 MEUR	Financial allocations 2012-2013 MEUR ¹
Regional Development OP (the only OP under IPA component III)	109.2	94.1
Total IPA (all components)	400.2	222.2

OP "Regional Development," Allocation breakdown by priority axis

Priority	IPA Funding	National co-financing	Total funding	Co-financing rate

¹ 2012-2013 financial allocations may be added to the existing programmes in a future modification of OPs.

	(a)	(b)	(c) = (a) + (b)	(d) = (a)/(c)
Priority 1 – "Corridor X Motorway Completion"	45.000.000	7.941.180	52.941.180	85.00%
Priority 2 – "Upgrading and Modernization of the Transport Infrastructure"	21.575.600	3.807.462	25.383.062	85.00%
Priority 3 – "Improvement of Environmental Infrastructure"	37.330.400	6.587.724	43.918.124	85.00%
Priority 4 – "Technical Assistance"	5.294.000	934.240	6.228.240	85.00%
Total (2007-2011)	109.200.000	19.270.606	128.470.606	85.00%

3. Implementation Update

The possibility to start the effective implementation of the programme was opened only in mid-September 2009 as it was dependent on granting of conferral of management powers by the EC and the subsequent signature of a Financing agreement with the beneficiary country.

The process preceding the conferral of management powers took around 3 years. The Commission decision for conferring of management powers was adopted on 24/07/2009 and the Financing agreement forming the legal basis for the start of the actual implementation of the operational programme entered into force in September 2009 upon notification by the national authorities that all internal procedures in the country necessary for entering into force of the agreement were fulfilled. Pre-financing under the Operational Programme Regional Development amounting at 30% of Community contribution for 2007-2009 was paid on 21/10/2009. Following a request by national authorities, Commission Decision C(2010)7569 of 04/11/2010 incorporated into the budget of the Operational Programme (as shown in table above) the financial allocations of 2010 and 2011 (68.7 MEUR) and extended the final date of eligibility of the Operational Programme. Through this extension of the Operational Programme for fYROM at the end of 2010, the EU has doubled its assistance to the country under IPA Component III (from €40.5M to about €109M for 2007-2011). These significant funds could directly contribute to the economic growth of the country if it makes good use of them.

The current state of play shows a lot of delays and implementation is relatively non-existent (only a small payment of around €127 000 for a technical assistance contract was effected in January):

Operational programme	Payments (MEUR)	Commitments (MEUR)
IPA Component III Regional Development		
Regional Development OP (2007-2011)	12.257	109.2

The risk of losing funds through decommitment due to the N+3 rule at the end of 2011 is very high. The risk is particularly critical due to the fact that, by far the greatest share of the allocations is earmarked for the completion of the Corridor X motorway, for which the Commission has, in principle, agreed to allocate €45 M.

National authorities have progressed in setting-up necessary programme structures, work plans and processes for the identification and preparation of projects and have submitted to the Commission several Operation Identification Sheets, primarily in the transport sector. The authorities met the M+15 target for payments through the submission of their first interim payment on 18/01/2011, which REGIO approved in February 2011.

Decentralized Implementation System (DIS) - Management & Control Systems (MCS)

Assistance under IPA-Component III is implemented under **decentralised management system provisions (DIS), which has certain consequences on implementation**. The implementing structures have to be first accredited (and management conferred to beneficiaries by way of a Commission Decision) before implementation can commence. The pre-financing is paid only after the Financing Agreement enters into force (which can only be done after a Commission decision on conferral of management). The conferral of management powers was granted to the former Yugoslav Republic of Macedonia at the end of July 2009 after almost 3 years of preparation of the national accreditation being a pre-condition for such conferral. The Financing Agreement was revised in January 2011 revised following the modification of the operational programme on 4/11/2010 to include additional allocations for 2010 and 2011.

In the case of FYROM, Management Powers were conferred but **WITH ex-ante controls** by the Commission. This means that the Management and Control Systems were not deemed fully compliant with the relevant requirements, so **the Commission Delegation provides ex-ante controls on all procurement-related documents, which is a very important mitigating factor against irregularities**. The ex-ante controls on all procurement-related documents represent a crucial mitigating element in the frame of the overall assurance on the management and control systems. This is important, as there is a general lack of technical capacity both at the Ministry of Transport and at the Ministry of Environment. This has an impact particularly on preparation of tenders and the whole procurement and contracting process. On the other hand, the capacity of the CFCD (Contracting and Financing Department in the Ministry of Finance), has improved both in terms of staff and know how. To tackle the current problems, namely in terms of weak administrative capacity, the following actions are systematically being carried out:

- Technical assistance and twinning projects on capacity building financed under IPA;
- EU Delegation organizing regularly explanations meetings for national counterparts;
- Unit REGIOI.5 regular contacts ("consulting activity") and technical meetings / monitoring committees to discuss problems and propose solutions.

Although there has been very little expenditure generated so far, and despite the existence of ex-ante controls by the EU Delegation which mitigate risks, there are still significant weaknesses in the set up of the management and control system.

According to the **follow-up audit of the conferral of management (CoM)** carried out in June 2010 the national authorities have designed their internal control procedures of the management and control system in a manner that ensures that these may operate satisfactorily in practice except for the following findings which are ranked as 'high-risk':

- Inadequate project implementation
- Incomplete Management Information System (MIS)

- Inadequate Internal Audit function
- Insufficient organisational set-up of the Audit Authority (AA)

An action plan has been developed by the national authorities for the resolution of the aforementioned weaknesses. Additionally, as stated above, the effect of these weaknesses is substantially moderated by the EUD's ex-ante controls.

Management and control statements

	Received %	Overdue %	Accepted %
Conferral of Management (IPA Compliance Assessment)	100%	-	100%
Annual Audit Work Plan*	2	-	50%

*In line with IPA Implementing Regulation, Art. 29.2 audit work plan is prepared on annual basis.

Major projects – as of this date the situation is as follows:

First IPA applications for the **two major projects** envisaged in the indicative list of major projects under the OP were submitted at the end of 2008. Since then, more than one revised application have been submitted for each of the two major projects, due to initially insufficient maturity.

Concerning the "**Completion of Corridor X**" motorway major project, a third revised IPA application was submitted on 22/09/2010, reflecting the final Detailed Design. The IPA application was subjected to ISC in October-November 2010 and formal comments were submitted by the Commission to the national authorities in December 2010. Specifically, the Commission asked FYROM authorities to provide convincing arguments on how the economic benefits of the project would exceed the economic cost and to consider alternatives for improvement of the economic parameters of the project by reconsidering the levels and the time of the introduction of tolls on the motorway, which could bring back part of the diverted local traffic on the motorway and increase traffic demands and the economic benefits of the project.

On 4/2/2011 national authorities submitted a fourth revision of the IPA application, in which they failed to follow REGIO recommendations for scaling down the ambition of the project or for quantifying more parameters in order to adjust upwards the benefits-costs ratio. The feasibility of the project continues to rest on the overall importance of Corridor X as a TEN-T international transit route, supported by MOVE.

The financial architecture of the project has now been updated to a total investment cost of 265 MEUR, of which 257 MEUR is eligible public expenditure, composed of a maximum IPA contribution of 45 MEUR and national funds of 212.6 MEUR (to be provided through a loan of €130 million from EIB and a loan of € 84 million from EBRD).

Corridor X, Sources of financing			Of which (for information)
	Eligible expenditure		

Total investment cost	Community Assistance	National public/IPA funds	National private	Other sources	EIB/EBRD
a=b+c+d+e	b	c	d	e	f
265,329,097.76	45,000,000	212,677,877.76	-	7,651,220,000	214,177,877.76

REGIO is currently examining the compatibility between the financial data of the major project, as per the IPA application, and those of priority axis 1 in OP Regional Development, which contains the major project. Additionally, the status of progress of the necessary land expropriation needs to be clarified, so supplementary information has been requested and is still awaited from FYROM authorities. Upon finalization of the appraisal of the revised application, the latter has to be subjected to an intra-service and inter-service consultation, including the draft Commission decision adopting the major project. Once the decision is adopted a Bilateral Project Agreement should be signed with the country.

Due to the relative weight of this major project's budget in the operational programme, meeting its N+3/2011 target (amount at risk today: €7.4 million) hinges on the timely tendering and signature of the contracts for this project, which should therefore take place before the end of 2011.

This project has faced extensive delays in its preparation since it was first proposed to the Commission three years ago, mainly due to the absence of a mature project proposal, deficiencies in the original project design, several modifications to the plans, which resulted in very high end costs, and the difficulty for the FYROM authorities to find resources to meet the ensuing funding gap.

DG REGIO services are currently in the process of examining the latest project application documents submitted in February, although necessary information is still missing and the FYROM authorities have once again failed to take into account comments and requests for modifications by the Services. At the same time the EU Delegation in Skopje is proceeding with the assessment of the tender documents, in collaboration with EIB and EBRD, the other co-funders of the project. The idea is to launch the tendering procedure by June of this year once the tender documents have been approved following proper financial management rules.

Given the high cost of the tender and the potential number of bidders, the tendering process is expected to be rather lengthy and complicated. This makes the possibility of signing a works contract with the successful bidder, and paying the advance payment, extremely ambitious to achieve before the end of 2011 and thus save the €7.4M. At the same time the early elections which will be held on June 5, are likely to further delay the tendering process for Corridor X.

At this critical stage of time, authorities in FYROM should be encouraged to submit other mature projects for the approval of the Commission and launch the tendering procedures for them, in order to minimise as far as possible the risk of losing funds in 2011. Any funds decommitted at the end of this year will be deducted from the Commission's contribution to the Corridor X project, and hence FYROM will need to borrow additional funds to plug the ensuing gap. This would thus add to the already

low economic rate of return of the project and the high debts incurred by the country in building this stretch of motorway.

Concerning the major project "**Construction of the wastewater treatment plant (and extension and rehabilitation of the sewage network) of the municipality of Prilep,**" the IPA application was first submitted in October 2008. The project has been assessed by an external consultant in the framework of quick appraisal procedure. Environmental parts have been looked into by DG ENV. Revised application forms were submitted twice - in May 2009 and in August 2010 followed by a supplement at the end of October 2010. The expropriation procedure for the land necessary for the construction of the plant has been finalised, designs have been prepared by a TA provided under IPA Component I PPF contract (managed by the EU Delegation) and revised technical description and CBA have been submitted.

A draft project decision with technical annex has been prepared and can shortly undergo a second ISC together with the revised project application. Initially the IPA allocation to the project was fixed to 6.1 MEUR due to budgetary limitations in the initial OP. With the recent OP modification more funds are available for waste water measures and the national authorities have informally indicated their wish to request an increase of the IPA contribution to 14.5 MEUR. Upon receipt of such formal request consultations could be launched with other EC services based on revised drafts. Once the decision approving the project is adopted, a Bilateral Project Agreement should be signed with the country.

PRILEP WASTEWATER TREATMENT PLANT, Financing breakdown

Estimated Total Costs	Of which non eligible	Eligible Expenditure	Of which IPA Contribution	Public Contribution	Of which: National	IFI	Other
(1)=(4)+(5)	(2)	(3)	(4)=(3x co-financing rate)	(5)=(6)+(7)+(8)	(6)	(7)	(8)
19,560,209	1,577,404	17,263,493	14,500,000	5.060.209	4.210.209	0	850,000 ²

4. Current Issues

Planned programmes' modifications

Contrary to Structural Funds, IPA programmes run for an initial period of 3-years extended by subsequent variable periods. Following the submission of a proposal by the national authorities for the extension of the programme by 2 additional years, to cover 2010 and 2011 commitment resources, the Commission adopted a revised Operational Programme "Regional Development" in November 2010. As the revised multi-annual planning documents (MIPD) for the periods 2008-2010 and 2009-2011 essentially maintained the strategy and priorities of the previous period, the strategy and priorities expressed in the operational programme adopted in 2007 were maintained for the following two years in the revised operational programme. The corresponding Agreement modifying the Financing Agreement concerning Multi-annual Operational Programme Regional Development for Community assistance from Component "Regional Development" of the Instrument for Pre-accession Assistance, was signed in Brussels on 30 November 2010 and in Skopje on 21 December 2010 and entered into force on 10 January 2011.

² IPA Component I - Project Preparatory Facility

National authorities have not submitted yet a proposal for the extension/modification of the programme to cover 2012 and 2013 allocations.

Chapter 22 negotiations

Accession negotiations have still not been opened. The main comments that DG REGIO has put forward under chapter 22 in terms of the preparation of the progress report 2009 are related to the preparation of the country in terms of application of the cohesion policy acquis.

The main area of concern is the lack of administrative capacity necessary for the implementation of the Instrument for Pre-accession assistance as a precursor to the Structural Funds and the Cohesion Fund. Despite some progress made during 2010 in establishing the institutional framework, national authorities have to intensify efforts to establish stable and sustainable structures at national level able to face the challenges of the implementation of IPA Component III under a decentralised implementation system and to prepare a sufficient pipeline of mature projects able to absorb the planned allocations. This latter issue is of concern, as preparations in the line ministries for absorbing the 2010-2011 allocations are behind schedule.

The opening of negotiations will be a politically sensitive issue having in mind the persisting unresolved name dispute between the former Yugoslav Republic of Macedonia and Greece. Since independence of the country in 1991 the issue **of the official name of the country remains unresolved** due to Greece's objection to the use of what it considered a Hellenic name and symbols. This delayed international recognition, which occurred under the provisional designation of the **"former Yugoslav Republic of Macedonia."** This provisional denomination is used for all purposes within the EU in accordance with United Nations Security Council Resolutions 817/93 and 845/93. Negotiations continue between the two countries to resolve the name issue, although little progress has been made so far. According to latest information, DG ELARG does not consider likely the resolution of the name issue and the consequent opening of negotiations in 2011.

During his recent visit to Skopje on 9/4/2011, **President Barroso proposed the start of a high-level accession dialogue** with FYROM. Deputy Prime Minister Naumovski (NIPAC) confirmed that he would be in charge of the recently agreed high-level accession dialogue with the EU. Mr Naumovski stressed that dialogue proposed by President Barroso would increase the cooperation between the country and the EU, and would facilitate the future membership negotiations. The recent days saw different media interpretations of the accession dialogue, ranging from a 'useful (pre-screening) tool that would prepare the country for negotiations' to 'yet another proof of the seriously decelerated reform process'.

Commissioner Füle's spokesperson Ms. Butler stated that the accession dialogue is not a replacement for the screening process, which is part of membership negotiations and it cannot start without prior decision by the member states to open negotiations. The Commission decided to allow 'regular and structured discussions in order to support the reform process of the country, especially in the areas of judiciary, public administration, political dialogue, freedom of expression and fight against corruption'. Ms Butler could not say when the first meeting would take place, but the EC would be represented by Director-General Michael Leigh (DG ELARG).



EUROPEAN PARLIAMENT

2011 - 2012

TEXTS ADOPTED

at the sitting of

Thursday
7 April 2011



P7_TA-PROV(2011)04-07

PROVISIONAL EDITION

PE 463.374

EN

United in diversity

EN

P7_TA-PROV(2011)0151

2010 progress report on the former Yugoslav Republic of Macedonia

European Parliament resolution of 7 April 2011 on the 2010 progress report on the former Yugoslav Republic of Macedonia

The European Parliament,

- having regard to the European Council decision of 16 December 2005 to grant the former Yugoslav Republic of Macedonia the status of candidate country for EU membership and to the Presidency Conclusions issued following the European Councils of 15 and 16 June 2006 and 14 and 15 December 2006,
 - having regard to UNSC Resolutions 845 (1993) and 817 (1993), and to the 1995 Interim Accord between the Hellenic Republic and the former Yugoslav Republic of Macedonia,
 - having regard to the Commission's 2010 Progress Report on the former Yugoslav Republic of Macedonia (SEC/2010/1332) and the Commission Communication of 9 November 2010 entitled 'Enlargement Strategy and Main Challenges 2010-2011' (COM(2010)0660),
 - having regard to its resolution of 10 February 2010 on the 2009 progress report on the former Yugoslav Republic of Macedonia¹,
 - having regard to the recommendations of the EU – former Yugoslav Republic of Macedonia Joint Parliamentary Committee of 30 November 2010,
 - having regard to Council Decision 2008/212/EC of 18 February 2008 on the principles, priorities and conditions contained in the Accession Partnership with the former Yugoslav Republic of Macedonia²,
 - having regard to the conclusions of the General Affairs and Foreign Affairs Councils of 13 and 14 December 2010,
 - having regard to Rule 110(2) of its Rules of Procedure,
- A. whereas the process of EU enlargement is a powerful driver for peace, stability and reconciliation in the region,
- B. whereas in 2005 the European Council granted candidate status to the former Yugoslav Republic of Macedonia but has failed ever since to set a date for the opening of negotiations, in spite of the substantial progress made by that country on its path towards the EU; whereas bilateral issues should not represent and be used as an obstacle in the accession process, although they should be settled before membership; whereas continuation of the accession process would contribute to the stability of the former Yugoslav Republic of Macedonia and would further strengthen inter-ethnic dialogue,

¹ OJ C 341 E ,16.12.2010, p. 54

² OJ L 80, 19.3.2008, p. 32.

- C. whereas intensifying economic dialogue and cooperation with the enlargement countries enables the EU to focus together on overcoming the economic crisis and contributes to the Union's global competitiveness,
- D. whereas the 2010 enlargement strategy highlights as priorities the reform of public administration and the judiciary, the fight against organised crime and corruption, and the dialogue among political actors,
- E. whereas the EU operates comprehensive approval procedures that ensure new members are admitted only when they have met all requirements, and only with the active consent of the EU institutions and of the EU Member States,
- F. whereas freedom of expression and the independence of the media remain a concern in most of the enlargement countries,

Political developments

1. Shares the assessment by the Commission's 2010 progress report on the former Yugoslav Republic of Macedonia and regrets that the Council has not taken a decision on the opening of accession negotiations, as recommended by the Commission for a second year in a row and in line with previous Parliament resolutions; recalls its previous recommendation to the Council to start the negotiations immediately;
2. Notes the recent political developments leading to the early elections; calls on all political parties to play an active and constructive role in the process of preparing the elections; emphasises that free and fair elections conducted on the basis of full transparency and in line with international standards are an important element of a consolidated democracy; calls on all political parties actively to participate in the elections; is concerned at the current political situation and appeals to all political leaders to seek consensus on the basis of democratic institutions;
3. Points out that bilateral issues need to be resolved by the parties concerned in a good neighbourly spirit and taking overall EU interests into account; appeals to all the key players and parties concerned to step up their efforts and to demonstrate responsibility and determination for solving all outstanding issues which are not only hindering the accession process of the candidate country, and the EU's own policy in the region, but could also have repercussions on inter-ethnic relations, regional stability and economic development;
4. Congratulates the country on the 10th anniversary of the Ohrid Framework Agreement, which remains the cornerstone of inter-ethnic relations in the country, and calls on the government and all state institutions to use this landmark anniversary as a means to encourage the continuous fostering of inter-ethnic cooperation and trust; is, however, concerned by growing inter-ethnic tensions over the construction on the site of the Kale fortress in Skopje; appeals to all political and religious leaders and media outlets to act responsibly, refraining from any actions which could increase inter-ethnic tensions; notes with concern the risk of a growing isolationist mentality, which could develop as a substitute policy in the absence of a tangible EU perspective;
5. Calls on the government to foster a comprehensive dialogue between the ethnic communities, to take due account of the sensitivities of all the communities and minorities in its decisions, such as the urban plan for 'Skopje 2014', and to avoid acts and initiatives

aimed at strengthening the national identity at the expense of other communities; draws attention to the need for effective functioning of the parliamentary committee on inter-ethnic relations in the integration of the minorities in the legislative process and emphasises that additional efforts are necessary to take forward the decentralisation process in line with the Ohrid Framework Agreement;

6. Regrets that the UN mediation efforts to solve the name dispute have not yielded concrete results;

Democracy, the rule of law and human rights

7. Recalls that a healthy political culture is the foundation of democracy; calls on the opposition parties to end the boycott of the national parliament and resume the political dialogue within institutions; considers that it is the responsibility of the government and opposition to ensure immediate and open dialogue on all the existing challenges which the country is facing; points out that political instability could affect the European integration process, which should be a common shared priority for all the components of society; welcomes the adoption of the amendments to the rules of procedure of the parliament, allowing for stronger engagement by the opposition in its work; is, however, concerned that there is insufficient dialogue between the government and opposition parties and a general climate of distrust and confrontation; urges both sides to foster a climate of trust and to show strong commitment to using the new parliamentary rules of procedure in order to strengthen the political dialogue and constructive cooperation in the legislative process and in parliamentary scrutiny of the government's activities;
8. Welcomes the political will to complete the long overdue announcement of names of agents affiliated to the former Yugoslav secret services as a major step toward breaking with the old Communist era; however, notes insufficient progress with the full enforcement of the relevant laws; urges the government to complete the lustration process without delay, avoiding using it selectively for political purposes, such as political self-legitimation or the defamation of political opponents;
9. Pays tribute to the excellent work of the outgoing EU Special Representative/Head of EU Delegation; condemns the inappropriate attacks by politicians of the governing party on EU representatives and regrets that the government has not unequivocally and publicly dissociated itself from such insults; considers these incidents to be extremely detrimental to the country's image;
10. Draws attention to the need to improve the electoral legislation in order to bring it into line with the OSCE/ODIHR and the Venice Commission's recommendations set out in the report on the presidential and local elections of 2009;
11. Reiterates that free and independent media are a necessary precondition for the development of a stable democracy; notes the existence of a wide variety and mix of public and private media outlets in the country; expresses concern, however, at the politicisation of the media and interference in their work; is worried about the economic dependence and the concentration of political power of the media, which often result in a lack of editorial independence and in poor standards of journalism; is concerned at a considerable deterioration in media freedom in the country, as shown by the significant drop (from 34th to 68th position) in the Reporters Without Borders' 2010 press ranking; notes the fact that the Ministry of Interior posted on its home page a call to citizens to denounce 'non-

objective' press reports, calls on journalists to uphold high professional standards in their work, distance themselves from political influences and establish professional associations for journalists, while at the same time urging the authorities responsible to strengthen the independence and freedom of the media, applying equal standards to all of them and improving the transparency of their ownership;

12. Welcomes the numerous laws passed for judicial reform and calls for further intensive efforts in the reform of the judiciary, in order to ensure its professionalism, efficiency and independence from political pressures; to this end, underlines that the existing legal framework needs to be implemented swiftly and effectively; is concerned at the continuous role of the Ministry of Justice in the Judicial Council and at the criticism of the Constitutional Court by the government and parliamentarians, which create the risk of subjecting the judiciary to political interference; nevertheless, notes with satisfaction that, in spite of these disagreements, all court rulings have been implemented; welcomes the efforts to increase the efficiency and transparency of the court system, in particular the decreasing backlog of cases in most of the courts; equally, welcomes the entry into force of the law on legal aid;
13. Welcomes the continued efforts in the fight against corruption, manifested amongst other things by implementation of the second round of GRECO recommendations and the entry into force of the amendments to the Criminal Code; encourages the authorities to continue implementing legislation to combat corruption and improving the independence, efficiency and resources of the judiciary; however, recalls that corruption remains prevalent and calls for further intensive efforts to eradicate it; stresses the urgency of effective and impartial enforcement of anti-corruption legislation, in particular on the financing of political parties and on conflicts of interest; draws attention to the importance of ensuring that the court system functions free of political interference; welcomes the efforts to increase the efficiency and transparency of the court system; stresses the need to build up an enforcement record for prosecutions and convictions against which progress can be measured; calls for the unification of jurisprudence in order to ensure a predictable judicial system and public trust;
14. Calls on the Commission to prepare, with its next Progress Report, an assessment of the impact and results achieved from the allocation of EU funds to reform of the judiciary and the fight against corruption; calls on the Commission to provide the Council and Parliament with a more detailed assessment of the efficiency of anti-corruption measures taken by the former Yugoslav Republic of Macedonia in the case of public procurement and fraud, and to present it together with the next Progress Report;
15. Recognises the efforts made in public administration reform but calls for further efforts in the field, which continues to be politicised and lacks capacities and professionalism; welcomes the government's adoption of a National Strategy for Public Administration Reform and the creation of the Stabilisation and Association Agreement's subcommittee on public administration reform; is concerned at the non-transparent and ad hoc process of converting temporary posts into permanent ones, entailing further politicisation of the administration; calls for the development of a clear human resources strategy, defining the needs of administration in terms of capacities and skills and its implementation through merit-based recruitment and career development; welcomes the increased recruitment of non-majority communities but underlines that it should be carried out on the basis of assessment of needs in the administration, in order to ensure that the skills of new

employees match the job requirements;

16. Commends the continuing progress in the field of decentralisation; notes, however, that adequate budgets should accompany the transfer of responsibilities to lower authorities;
17. Welcomes the progress achieved as regards reform of the prison system; however, remains seriously concerned at the degrading conditions in some prisons, in particular overcrowding and an inadequate healthcare system; emphasises the need to respect the principle that persons in detention should be subject to appropriate treatment, in accordance with the UN principles;
18. Welcomes the adoption of the law on the 2011 population and household census, emphasises the need for adequate preparation and operational organisation in order to conduct an accurate census; calls on the government to allocate appropriate funds for its organisation and stresses the importance of de-politicising the issue in order to have an unbiased census with the widest possible participation;
19. Underlines the utmost significance of ensuring that the education system supports ethnic integration; to this end, welcomes the strategy of integrated education and calls for its swift implementation, amongst other things by phasing out segregation on ethnic lines and increasing the learning of all the official languages in the former Yugoslav Republic of Macedonia; calls on the government to improve the process for consulting the different communities and to cooperate with them closely in implementation of the strategy;
20. Identifies a lack of progress in the joint celebration of historic events shared with neighbouring EU Member States with the aim of contributing to a better understanding of history and good neighbourly relations, as stressed by the previous report; urges the introduction of school textbooks free of ideological interpretations of history;
21. Is seriously concerned at the situation of the Roma community, which continues to face dire living conditions and discrimination in access to the labour market, healthcare and social services; underlines particularly the difficult situation of Roma girls and women, who continue to suffer from double discrimination, based on both ethnicity and gender; calls on the government for a stronger commitment to implementing the Roma strategy and the action plan for the Roma Decade; in this regard, welcomes the government's activities aiming at political integration of the Roma, including having a minister of Roma ethnicity in charge of issues pertaining to the Roma community; commends the government for convening a meeting on the subject of Roma integration while holding the Presidency of the Council of Europe;
22. Welcomes the adoption of the anti-discrimination law as a vital step to combat discriminatory practices, which are still widespread, and calls for its swift and effective implementation; however, regrets that, contrary to European legislation, sexual orientation has been omitted from the law as a ground for discrimination; calls for the swift alignment of national provisions in this field with the *acquis* and for strengthening of the monitoring mechanisms, and emphasises that this is a prerequisite for accession; is concerned at the course taken by the selection procedure for members of the Commission for protection against discrimination; regrets that no representative from civil society has been appointed to the Commission; calls for further efforts to be made concerning the rights of women, to increase their participation in the labour market and in political and business decision-making and to protect women and children from domestic violence;

23. Calls for more efforts in the field of gender equality and women's rights; encourages the authorities to fully implement the Law on Equal Opportunities between men and women and to ensure that the national action plan for gender equality becomes more consistent; welcomes the adoption of the strategy in the fight against domestic violence; calls for the implementation of a victim support system; urges the government and the non-governmental sector to promote greater awareness of these issues;
24. Condemns recent cases of intimidation and direct attacks on civil society organisations and personal defamation of their leading activists; welcomes the mechanisms for consulting civil society organisations introduced by the government but is concerned that there is no systematic and transparent mechanism for consulting civil society on national development policies, legislation, programmes or other strategic documents; stresses the need to involve civil society organisations in the policy-making process in an unselective manner in order to stimulate effective public debate and include stakeholders in the accession process of the country; stresses the crucial role of civil society in contributing to enhanced regional cooperation on social and political aspects; commends the adoption of the new Law on Citizen's Associations and urges the authorities to implement the provisions on 'public benefit' organisations by securing funding schemes as soon as possible;
25. Notes with satisfaction that IPA assistance works well in the former Yugoslav Republic of Macedonia; encourages both its government and the Commission to simplify the administration procedure for IPA funding, with the aim of making it more accessible to smaller and non-centralised civil organisations, trade unions and other beneficiaries;
26. Emphasises that the former Yugoslav Republic of Macedonia has ratified the eight core labour rights conventions of the ILO; is concerned that only modest progress has been made in the field of labour rights and trade unions; calls on the authorities to further strengthen labour and trade union rights, in this regard also encourages the government to secure sufficient administrative capacity for the proper implementation and enforcement of the labour law; points to the important role of the social dialogue and encourages the government to step up its ambitions in and establish an all-inclusive social dialogue with relevant partners;
27. Underlines the importance of preserving and maintaining the cultural heritage, which is a pillar of European values and principles; notes with regret that numerous cemeteries, fresco inscriptions and artefacts, which belong to the Bulgarian cultural heritage, have been totally abandoned and ruined;
28. Welcomes the progress of the country towards a functioning market economy and a broad consensus on fundamental aspects of the country's economic policy; commends the government for maintaining macroeconomic stability, despite the negative impact of the global financial crisis, and notes the good prospects for economic growth in upcoming years;

Socio-economic developments

29. Is concerned at the persistent and very high unemployment, in particular among young people, which is common to many of the countries in the region; calls on the government to swiftly implement more efficient measures for improving public investment, focused on employment policies and employment of the labour force in high-quality, stable and decent jobs; calls on the Commission to assist the authorities with increased assistance from the

IPA;

30. Notes the improvement in the business climate as a consequence of the economic reforms undertaken over the past years and stresses the need for continuous structural reform in the country; notes at the same time that foreign investment has further decreased from an already low level, and that the situation was worsened by the global financial crisis; calls on the state agencies responsible for attracting foreign direct investment to strengthen their efforts to attract potential foreign investors;
31. Congratulates the government on the effective and smooth implementation of the Stabilisation and Association Agreement with the EU; to this end, welcomes the recent government decision to abolish the customs tariffs on over a hundred different products as a step towards full trade liberalisation with the EU; hopes that these changes will increase the competitiveness of domestic producers, thereby stimulating greater economic growth; considers this development to be an important milestone demonstrating the country's efforts to withstand the increased competition that it will face once it becomes EU member;
32. Emphasises the need to apply the principles of good governance in budgetary spending by improving free access to public information, consulting stakeholders in the budgetary procedure and establishing a reporting mechanism, thereby assuming accountability for the money spent; recalls that non-transparent budget spending leads to social exclusion and conflict, and questions the legitimacy of some national campaigns;
33. Welcomes the recent adoption of the Energy Act with the purpose of liberalising the country's electricity market, which is in line with the relevant European directives;
34. Stresses the importance of developing an efficient and reliable public transport system both inside the country and at regional level (including the Sofia-Skopje-Tirana railway link); to this end, reiterates its appeal to the authorities to invest in the maintenance and upgrading of the railway network as a viable alternative to the road system; regrets the government's decision to decrease investment in the annual railway infrastructure programme and calls on the Commission to provide the necessary technical and financial assistance within the framework of the IPA;
35. Calls on the authorities of the former Yugoslav Republic of Macedonia and Bulgaria to re-open the cross-border line for pedestrians and cyclists between Staro Konjarevo and Gabrene, in order to improve the section of the Iron Curtain trail between Strumica and Petric;
36. Welcomes the adoption of the national strategy for sustainable development, but calls for more effort to implement legislation in the field of the environment and to provide adequate funds to this end; in particular, draws attention to the challenges in the areas of water quality, waste management and nature protection; calls for closer cooperation on transboundary environmental issues, based on the EU standards; in this regard, reiterates its call for effective monitoring of the quality and level of the water in the border lakes Ohrid, Prespa and Dojran, as well as in the river Vardar; welcomes the initiative of the trilateral Prespa Lake Euro-region involving the former Yugoslav Republic of Macedonia, Greece and Albania; calls on the government to extend the successful experience of the Ohrid waste water collector system to the other lakes in the region; furthermore, welcomes the progress achieved in the construction of a waste-water treatment plant in Gevgelia;

37. Expresses deep concern over the soil pollution in the town of Veles, which the World Health Organisation has declared a dangerous place to live; calls on the government to address this issue and take adequate measures to protect public health in this area; invites the Commission to consider whether IPA funds could be used in this particular case;

Regional issues

38. Commends the country on its continuous stabilising role in the region; whilst highlighting its participation in EU civilian and military missions, nevertheless reminds the government of its obligation to adhere to the CFSP Common Positions, especially those referring to restrictive measures, notably as regards the particular case of Zimbabwe;

39. Welcomes the recent decision taken by the authorities of Serbia and of the former Yugoslav Republic of Macedonia to abolish the need for international passports for citizens travelling between the two states, with the purpose of establishing joint control of their shared border;

40. Strongly regrets the fact that the name dispute with Greece continues to block the country's road to EU accession, and recalls its recommendation to the Council to start the accession negotiations immediately; underlines the importance of good neighbourly relations and of understanding the sensitivities of neighbouring countries in this process; calls on the governments concerned to avoid gestures, controversial actions and statements which could have negative effects and could strain good neighbourly relations; notes the intensified dialogue between the two Prime Ministers and encourages them to show political wisdom and a willingness to compromise and to swiftly find a solution satisfactory to both sides;

41. Recalls that, in accordance with the General Affairs Council conclusions of 14 December 2010, maintaining good neighbourly relations, including a negotiated and mutually accepted solution to the name issue, under the auspices of the UN, is essential;

42. Calls upon the Commission and the Council to start developing a generally applicable arbitration mechanism aimed at solving bilateral issues between enlargement countries, between Member States and enlargement countries and between Member States;

43. Notes with concern the use of historical arguments in the current debate, including the phenomenon of so-called 'antiquisation', which threatens to increase tensions with neighbour countries and create new internal divisions;

44. Invites the High Representative and the Commissioner responsible for Enlargement and European Neighbourhood Policy to facilitate an agreement on the name issue and offer political guidance, with full respect for the ongoing process of negotiations and the provisions of the UN Charter; considers that finding a mutually acceptable solution as quickly as possible is a test case for the post-Lisbon common foreign policy, and for the Union's ability to solve long-standing international controversies on its borders;

45. Calls on the Council and the Commission to honour their commitments towards third countries and reward the progress and reform efforts of the countries that meet the requirements of the Union; notes that, otherwise, these countries' readiness to reform may decrease;

46. Takes the view that a further prolongation of the status quo regarding the name issue and other open questions with the neighbouring countries could undermine not only the stability

of the country and region but also the credibility of the enlargement policy, and therefore calls upon all the parties concerned to show goodwill, solidarity and responsibility in resolving the outstanding issues; in this regard calls on the authorities in the country to advance the initiative of establishing joint expert committees on history and education with Bulgaria and Greece;

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47. Instructs its President to forward this resolution to the Council, the Commission, the governments and parliaments of the Member States and the government and parliament of the former Yugoslav Republic of Macedonia.

Title of the Action: **Works contracts for refurbishing and renovation of Police Stations (PS)**

Location: Skopje municipality (Bitpazar, Chair, Gazi Baba, Karpos), Prilep, Gevgelija, Gostivar, Tetovo and Stip.

Total Action Cost:

POLICE STATIONS		
GRAND SUMMARY		
	TRADE WORKS	Amount (EUR)
Full renovation of the Police Stations with special attention of detention facilities, the premises for reception of persons and the premises for inspectors for prevention, in accordance to the EU standards and best practises		
	General Items for all police stations	116.000,00
	PS GAZI BABA	31.930,99
	PS KARPOS	30.119,92
	PS BIT PAZAR	36.861,44
	PS CENTAR	24.914,60
	PS PRILEP	27.853,26
	PS GOSTIVAR	69.730,58
	PS GEVGELIJA	43.552,90
	PS STIP	46.694,12
	PS TETOVO (including 5% discount)	406.620,58
	Contingency:	127.620.47
	GRAND TOTAL (Exclusive of VAT and other taxes)	834.278,39

Implementing Agency: " VIA" DOO Vevcani and GLOBOCKI LLC

1.1. Summary

Total duration of the action	20 months (8 months for construction and 12 months of defect liability period) Start date: 23 rd November 2009
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Objectives of the action	<p><i>Overall objective</i> of the proposed action is provision of advisory and material support to the Police Reform process to ensure consistency and continuity of approach, to consolidate progress already made and to maintain momentum. More specifically, the support to the Police Reform process will directly address the three pillars of the National Police Reform Strategy: STRATEGIC, TACTICAL, and OPERATIONAL at both central and local regional) level</p> <p><i>Specific objective</i> of this action is improvement of the police stations on the regional and local level including infrastructure support, and upgrade of the working conditions, with particular attention to the part of the detention facilities, the premises for reception of persons and the premises for inspectors for prevention, in accordance to the EU standards and best practises, responding to principles of the democratic society, based on rule of law, protection of citizens, and respect for their fundamental human rights and freedoms.</p>
Partner(s)	n/a
Target group(s)	Police Officers
Final beneficiaries	Ministry of Interior
Estimated results	<ul style="list-style-type: none"> - Improved and more efficient and effective functioning of the police services; - High level of international-standards/convention compliancy in all aspects of the police facilities; - Lower level of complaint by the public, NGO's and the International Community of the police facilities; - Improved motivation of Police personnel
Main activities	<p>The works included but were not limited to renovation of police stations with special attention to detention areas, the premises for reception of persons and the premises for inspectors for prevention.</p> <p>-Demolishing/dismantling existing elements of building such as: making opening for new doors, removing partitions, dismantling windows, doors, flooring, partially removing damaged plaster on the walls, roofing, electrical, mechanical and plumbing installations.</p> <p>-Flooring: In the offices, corridors, toilets and main staircase included in this project was installed fixed porcelain stoneware floor tiles, and in detention area epoxy coating.</p> <p>-Walls: in toilets was installed fix porcelain stoneware wall tiles and in detention area epoxy.</p> <p>-Doors: Security doors are mounted in the offices while for detention cells special designed and manufactured steel security doors are mounted. At entrance area aluminium doors glazed with tempered glass are mounted. In toilets special wood doors water resistant with metal frames are mounted.</p>

-Windows: All windows are aluminium made, glazed with thermal insulated double glass panes. In detention cells windows are metal made and glazed with security glass.

-Roofing: New concrete frame structure was foreseen only in police station in Gostivar, wood trusses, timber boarding and two ways battens, thermal insulation and covering with profiled metal sheets.

- Façade: In the spirit of energy saving policy on external walls are fixed thermal insulation cladding system.

-External works: Courtyard is partially paved, asphalted and landscaped only in police stations.

The works included but were not limited to full renovation of police station in Tetovo, and surrounding area which includes following activities:

-Demolishing/dismantling existing elements of building such as: making opening for new doors, removing partitions, dismantling windows, doors, flooring, partially removing damaged plaster on the walls, electrical, mechanical and plumbing installations, existing fence and gates, concrete paving etc.

-Flooring: all offices, corridors, toilets and main staircase are fixed porcelain stoneware (gres) floor tiles, and in detention area is epoxy coating.

-Walls: in toilets is porcelain stoneware (gres) wall tiles, in detention area epoxy coating and all other rooms repairing of substrate and painting.

-Doors: In common offices are installed wood doors which meet requirements for use in public buildings with high traffic intensity with metal frame. In toilets special wood doors water resistant with metal frames. For certain number of offices security doors are installed and for detention cells special designed and manufactured steel security doors are mounted. At entrance area doors are aluminium made, glazed with tempered glass.

-Windows: All windows at ground floor and three floors are aluminium made, glazed with thermal insulated double glass panes. In detention cells windows are metal made and glazed with security glass.

-Roofing: Existing covering with profiled metal sheets remained.

-Façade: In the spirit of energy saving policy on external walls are fixed thermal insulation cladding system.

Title of the Action: **Local response to trafficking in human beings**

Location: Proposed action will be implemented in the country, focusing on specific areas such as: (Skopje, Kumanovo, Sv. Nikole, Strumica, Delcevo, Tetovo, Kicevo, Struga, Bitola, Mavrovo -Rostuse)

Total Action Cost: €59 960 (% 89.49 **EU contribution** - ~~€~~3 660)

Implementing Agency: **Women's lobby and action against violence and trafficking in women - Open Gate**

1.1. Summary

Total duration of the action	12 months Start date: 23 February 2010
Objectives of the action	<p><i>Overall objective</i> of this action is to provide stronger civil society organization in the country to reduce trafficking in human beings, raise public awareness and strengthen citizen/government cooperation to improve support to potential and trafficked persons.</p> <p><i>Specific objective</i> of this action is:</p> <ul style="list-style-type: none">- To strengthen local non-governmental organizations in becoming a sustainable through trainings for mobilization of resources and voluntarism- To strengthen citizen/government cooperation and raise public awareness in local communities with at-risk population and at the national level among the general population- To empower potential and trafficked persons, primarily nationals and minors.
Partner(s)	The project predicts only associates.
Target group(s)	<ul style="list-style-type: none">• 10 NGOs of the Network Vigilance• Group at risk• Local authorities• Trafficked persons• General public
Final beneficiaries	Potential and trafficked persons
Estimated results	<p>Result 1: Increased sustainability of Civil Society organizations through capacity building trainings for mobilization of resources and voluntarism</p> <p>Result 2: Strengthen local response for prevention of trafficking in human beings through local networking</p> <p>Result 3: Provided empowerment program for potential and trafficked persons primarily nationals and minors</p>

Main activities	<p>Activity 1.1 Training of CSOs for mobilizing of resources</p> <p>Activity 1.2 Training for CSOs for practicing volunteerism</p> <p>Activity 2.1 Workshop for developing and implementation of Local Action Plans against trafficking in human beings</p> <p>Activity 2.2 Lobbying among decision makers, local and national authorities for implementation of NAP</p> <p>Activity 2.3 National campaign for raising awareness about trafficking among general public, decision makers and risk groups</p> <p>Activity 2.4 Publication for promoting the CSO response to trafficking in human beings</p> <p>Activity3.1. Implementation of empowerment program for potential and trafficked persons and their inclusion in the labour market.</p>
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