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DIRECTORATE GENERAL - INTERNAL POLICIES
Committee on Budgetary Control



Fact-finding delegation
(14-17 June 2011)



Feedback report

Kosovo



Former Yugoslav Republic of Macedonia



Introduction

The Committee on Budgetary Control (CONT) included a delegation visit in its annual plan for 2011 with the aim of exploring the following items:

- to observe the use of EU funds, in particular the state of implementation of the Instrument for Pre-Accession Assistance (IPA) by the European Commission and to assess the EU's contribution to the development of both countries;
- to assess the effectiveness of EU support in both countries;
- to discuss the fight against fraud and corruption in both countries; as well as
- to look at the experience with the European Union Rule of Law Mission (EULEX) in Kosovo.

The visit also constituted a follow-up to a previous delegation visit by CONT to Kosovo in June 2008.

Before the delegation visit took place the following three preparatory meetings were organised:

- internal preparatory meeting on 3 May 2011 with the participation of Commission officials (representatives of OLAF and DG ELARG, in charge of both countries);
- exchange of views in CONT on 25 May 2011;
- second internal preparatory meeting on 7 June 2011.

A background dossier for the delegation visit, including briefing documents received from the Commission, was prepared with the assistance of the Policy Department on Budgetary Affairs and distributed to all participants before the delegation visit.

The programme and list of participants is to be found in Annex I.

The delegation arrived in Pristina on the evening of Tuesday 14 June and the official programme started on Wednesday morning, 15 June, with a breakfast-briefing with **Khaldoun SINNO**, Acting Head of EC Liaison Office (ECLO).



With Kosovo¹, an 'enlargement country with European perspective', the Commission is pursuing a policy dialogue and will soon (in October 2011) produce the next annual progress report. Amongst the most important problems to tackle by Kosovo, Mr Sinno mentioned the under-performance of public administration, the weaknesses of the rule of law, the continuous economic difficulties faced by Kosovo (public sector

led growth, current account and fiscal deficits, high unemployment rate²) as well as the lack of agreement with the IMF³. The general problem is also the lack of implementation of the European integration agenda. On the other hand, citizens of Kosovo feel discriminated by the EU as compared to citizens of neighbouring countries regarding visa liberalisation. The name issue, linked to its non-recognition by certain countries, is also causing problems and prevents Kosovo from accessing EU programmes.

On the EU side the most important task to do, as Mr Sinno further explained, is to consolidate the EU presence in the country by merging the function of the EU Special Representative (EUSR) and the Head of the EC Liaison Office (ECLO) in order to create an EU delegation. However, this latter would not include EULEX or the International Civilian Office (ICO)⁴ which would both remain separate from it.

As far as the implementation of projects and programmes is concerned, Mr Sinno explained that ECLO is exclusively in charge of the full project cycle in Kosovo, including evaluations. Kosovo authorities are involved in a beneficiary capacity only. The main challenges for the Instrument for Pre-Accession Assistance (IPA) are the reform of the public administration and the consolidation of the rule of law. Although the financing of big infrastructure projects is, in principle, possible with IPA in Kosovo the Commission is not in favour of financing big projects in Kosovo. The delegation noted that the management of EU funds in the region by the European Agency for Reconstruction (EAR)

¹ the independence of Kosovo has been recognized by 22 Member States so far.

² estimated at 45%

³ the IMF has stopped the disbursement of funds because of a too high (+ 30% / 50%) increase in the government sector salaries

⁴ N.B. ICO is not an EU actor.

has been frequently praised, including the positive effects of larger infrastructure projects⁵, while no similar success stories were known about the IPA funds managed by ECLO.

Recommendation 1:

The Commission should forward a full report to the Committee on Budgetary Control on the way IPA programme is executed in Kosovo, including a detailed overview of the number of staff working on the programme, the procurement procedures applied and the anti-corruption measures taken. Furthermore, the Commission should give a detailed explanation why it does not finance larger project that are necessary to improve the economic situation and have a positive impact on the level of employment.

ECLO tries to engage Kosovo civil society in the writing of the Progress Report but they usually only receive a few contributions. Mr Sinno further explained that expectations regarding EULEX were too high and led to a false perception of its responsibilities. In his views, EULEX needs to better communicate its role and action to citizens, NGO's and Social partners.

Regarding the issue of real impact and evaluation of the often small IPA projects, it was stressed that the main challenge lies in maintaining the infrastructures after the finalisation of the building projects as well as in the limited absorption capacity for technical assistance projects.

On the issue of the census⁶ Mr Sinno stressed that support (EUR 5 million) was provided to the Kosovo Statistical Office and the census was successfully carried out in April 2011 in spite of difficulties in the North. The census gave as a result a population of just under 2 million inhabitants.

⁵ In the period 2000-2006, approximately 18000 contracts were signed and EU assistance to Kosovo of 21.1 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 built

⁶ no census was carried out since 181

The breakfast-briefing was followed by a meeting at the EULEX Headquarters, with **Xavier BOUT DE MARNHAC**, EULEX Head of Mission, **Andy SPARKES**, Deputy Head of Mission, **Thomas MUEHLMANN**, EULEX Chief of staff and **Gerardo FUERTES**, Director of Administration and Support



Background

EULEX, the largest-ever CSDP mission was established in 2008 at the invitation of Kosovo authorities and has executive mandate. Its main task is: i) to mentor, monitor and advise (MMA) the competent Kosovo institutions on all areas related to the rule of law: judiciary, prosecution, correctional sector, police and customs; ii) to assume responsibilities in maintaining and promoting the rule of law, public order and security. This latter task also includes ensuring investigation, prosecution, adjudication and enforcement of criminal cases, contributing to the fight against corruption, fraud, etc.

Staff issues

The authorised strength of the Mission is 3 200 staff members (1950 international and 1250 local), however, due to the slow pace of deployment and the global economic crisis, the current operational capacity contains only some 1400 international and 1100 local staff, some 700, i.e. less 78% of the envisaged strength. In addition to recruitment problems a high rate of rotation amongst EULEX staff is to be deplored. EU judges and prosecutors often perceive that they are sanctioned rather than awarded and supported by their national administration when their secondment is over and they go back to their country of origin. This is an important deterrent to them.

Recommendation 2:

EU Member States should second people for longer periods of time⁷ and, at the same time, should also agree that EULEX could recruit staff from the market directly making wise use of retired and experienced legal personnel.

⁷ than only for one year

Coordination of EU actors

In Mr Sparkes' view, further efforts need to be done in order to coordinate EU and international efforts in Kosovo. The delegation also found it difficult to clearly distinguish between the responsibilities of all EU (EULEX, ECLO, EUSR and the International Civilian Office) and international (UNMIK, KFOR, etc.) actors and concluded the following:

Recommendation 3:

The EU presence should be streamlined so as to improve significantly the effectiveness, coordination and visibility of EU action in Kosovo.

Participants were told that the EULEX current annual budget is EUR 165 million, which is equal to 1/6 of Kosovo's total State budget.

North of Kosovo

The main problem identified by Mr Bout de Marnhac was the situation in the North (this predominantly Serbian inhabited region refuses to recognise the authority of Pristina). The security situation continues to be fragile as criminal groups and others financed by Belgrade threaten stability. In order to find a long-term solution for the North, EULEX stressed the need to create confidence between the two parties on uncontroversial issues, such as energy, telecom, public services, free movement of persons etc. According to one of the background documents made available to the delegation⁸ there are parallel structures in the North, there is no functional court and judges appointed by Serbia try to continue to act, which results in a judicial limbo for residents in the North. In the view of the civil society organisations that prepared the Report, EULEX is still in the process of defining its role in the complicated governing system of Kosovo and failed to communicate its role to the citizens of Kosovo.

Recommendation 4:

It is crucial for its success to make the EULEX mission functional in the entire territory of Kosovo by increasing its activities in the North, in order to foster good inter-ethnic relations, while informing on the ground about EU action and the ongoing rule of law mission.

Exit Strategy

Concerning the exit strategy for EULEX, there are plans according to which by June 2012, when the current EULEX mandate will end, some of the executive tasks of EULEX will be given to local authorities. The concrete proposal is expected by the end of 2011. With this important change, the problem of recruiting staff for the period after 2012 is likely to become even more acute and local authorities are not ready to take over yet.

Recommendation 5:

The decision on whether to extend or not the EULEX mandate should be made before October 2011 in order to ensure the possibility of further carrying out its activities.

⁸ Progress Report Made in Kosova, October 2010

Perception of EULEX

The perception of EULEX and the EU as a whole suffers from reputational deficit, as not all EU Member States have recognised the independence of Kosovo (as opposed to the United States) and the prospect of EU membership seems still too distant to motivate politicians in the country.

Recommendation 6:

EULEX should ensure credibility for and visibility of its actions by increasing transparency and accountability in its work. They further consider that EULEX should strive to better communicate the accomplishments of its work to Kosovo's citizens in order to increase trust in its mission.

Judiciary

The judiciary was identified by Mr Bout de Marnhac as the most sensitive area. He stressed that the level and quality of local judges and prosecutors is insufficient, their independence is not ensured and they do not enjoy a good reputation amongst the population. It should be invested much more in the education and training of the next generation of judges/prosecutors.

As far as the EULEX mission was concerned, as a matter of disappointment, Member States made available to EULEX only around 60 judges and prosecutors⁹ composing less than 10% of the mission's international staff. In comparison, the special police department has more than 550 police officers deployed as crowd and anti-riot police. The delegation wondered whether such a large contingent of 550 crowd and anti-riot police is really needed on a permanent basis, and would like to be informed if this number can be brought down by training local police doing itself this task, under the supervision of EULEX commanders, which would also enable a smooth transfer to the moment when EULEX will end its mandate.

Recommendation 7:

Member States should, as a matter of priority, increase the quality and the number of judges and prosecutors provided to EULEX.

Moreover, on the issue of the applicable law¹⁰ in Kosovo, Mr Sparkes described EULEX approach as that of "constructive ambiguity", meaning that each judge decides on what the applicable law should be.

Recommendation 8:

The controversial issue of the applicable law should be resolved as a matter of priority by a common approach to be adopted by the Council.

Fight against corruption

The delegation was concerned about the widespread corruption and organised crime in Kosovo. However, a step in the right direction is the recent establishment of a special anti-corruption department within the Special Prosecution Office of Kosovo. While acknowledging that good progress has been made by EULEX in some fields such as police and customs, the delegation deplored little progress has been made in particular as far as high-level corruption cases, organised crime and war crimes are concerned. In this context,

⁹ the initially intended number of judges and prosecutors is far from being reached

¹⁰ laws of Kosovo or the UNSC resolution on Kosovo

participants were informed that there is a certain disagreement on the high rates of corruption in Kosovo between EULEX and the Kosovo authorities¹¹. Moreover, dividing statements were issued by EULEX and Kosovo officials in relation to the possible arrest of senior government officials. This subject came back the next day at the meeting with the two committees of the Kosovo Assembly

Recommendation 9:

Kosovo authorities should give high priority to improving the legal framework for tackling corruption as well as to adopting an anti-corruption strategy and action plan. The delegation encourages EULEX to take concrete actions to make progress with high level corruption cases. Moreover, a contradictory hearing should be organised with the General Auditor of Kosovo and the EULEX as they seem to disagree about the topic of high rates of corruption.

Public procurement

The area of public procurement is of high concern in this post-conflict environment and in order to ensure that procurement procedures are carried out according to the Financial Regulation, EULEX used to apply an *ex-ante* system of control but recently¹² moved to *ex-post* control system. Now, only exceptions from regular rules foreseen in Financial Regulation and Implementing Rules need *ex-ante* authorisation. The average time to purchase equipment is now between 9 months and one year.

Property rights

The issue of property rights (in particular those related to expelled populations, refugees) constitutes a very complex and pressing issue as the population grows fast creating housing problems and a high number of administrative documents have disappeared from the civil registry. The Kosovo Property Agency created by UNMIK struggles with 40 000 remaining unresolved cases¹³ and its closure is foreseen by 2013.

Former UNMIK cases

On the issue of the follow-up of cases related to UN Interim Administration Mission in Kosovo (UNMIK), investigated by OLAF and later handed over to the UN Special Representative, the delegation did not receive any additional information. Regarding the Marty report¹⁴, Mr Sparkes explained that EULEX takes it very seriously but needs evidence to start investigating on this issue. In this context he stressed the urgent need for a



¹¹ i.e. the General Auditor of Kosovo

¹² since 13 April 2011

¹³ mostly concerning Serbians

¹⁴ Council of Europe report on organ trafficking in Kosovo

law on witness protection. Indeed, shortcomings in witness protection¹⁵ continue to impede justice for the most serious crimes.

Recommendation 10:

The delegation agreed that it was crucial and urgent that an effective protection system for witnesses and judges be established.

Recommendation 11:

The delegation requests from OLAF and EULEX to receive full information about the follow-up of the above mentioned UNMIK-cases.

The delegation further met with **Hajredin KUÇI**, Deputy Prime Minister and Minister of Justice, **Enver PEÇI**, Chairman of the Judicial Council and **Fejzullah HASANI**, Chairman of the Supreme Court.

Established in 2010, the Kosovo Judicial Council (KJC) has the task of managing the justice system and ensuring its independence and impartiality. Its creation forms part of the reform of the judiciary, together with the adoption of the Law on Courts, the Law on Prosecutor's Office and the Law on the Prosecutorial Council.

Mr Peçi explained that Kosovo has the lowest percentage of judges in the region¹⁶ and the backlog of court cases is considerable¹⁷. Moreover, the Prosecutor's Office does not function properly due to unethical conduct of some prosecutors. He mentioned the need of a comprehensive training programme for judges and prosecutors. The Kosovo authorities only invest between 1,2 and 1,5 %¹⁸ of the State budget for Kosovo's judiciary, but a positive step has been taken in aligning (i.e. increasing) the salaries to those of the executive branch. However, the security of judges and prosecutors and that of their family remains also crucial to be ensured.

Mr Kuçi pointed to the need to create an efficient judicial system with professional judges and prosecutors. He also mentioned the problem of applicable law in North Kosovo. On the issue of public procurement, he explained that in accordance with the new law, now Ministers have to sign medium- or large contracts. The system of electronic public procurement (e-PP) is being developed and will also help increasing transparency. Regarding regional cooperation, Kosovo has had good experience with all countries except with Bosnia-Herzegovina and Serbia. Mr Kuçi also mentioned the unbalanced trade relations with Serbia as an issue of concern.

¹⁵ lack of law on witness protection

¹⁶ less than 13 judges per 100 000 inhabitants, while Croatia has more than 42 and Serbia more than 30 per the same number of inhabitants

¹⁷ some 200 000 criminal and civil cases

¹⁸ some EUR 17 millions, while the Kosovo Consolidated Budget is EUR 1,3 billion



Mr Hasani explained that the huge backlog of cases the Kosovo judiciary has to struggle with was mainly due to the decreasing number of judges and prosecutors as well as to the increasing complexity of their work. He also indicated that the Special Prosecutor's Office was drafting an Anti-Mafia law. On the issue of property rights, Mr Hasani recalled that the Kosovo Property Agency, created by UNMIK, and one of its main bodies, the Kosovo Property

Claims Commission (KPCC) are tasked of resolving property disputes resulting from the armed conflict.

Recommendation 12:

The Kosovo Judicial Council and the whole judiciary should be strengthened with adequate budgetary support as a matter of priority, both from internal resources and with the assistance of the EU.

Following the meeting the delegation left by bus and visited four EU co-financed projects:

1. Visit to the EU Information Point in North Mitrovica

The EU Information Point¹⁹ in North Mitrovica was officially opened on 6 April 2011 by the EC Liaison Office to bring the EU integration process closer to local people also in the North of Kosovo. It provides material on the EU, internet access, reading corners, free of charge. It follows the opening of the first EU Information and Cultural Centre in Pristina in October 2010.

The Director of the Centre, Mr Momčilo Arlov, first showed the delegation the Centre. Participants have noticed that the EU Information Point within the Centre was rather "hidden" and EU flags and logos were only very discreetly placed on and within the building, ensuring very little visibility.

¹⁹ Total cost of the project (including also EU Information and Cultural Centre in Pristina) EUR 482 579, EU contribution EUR 449 979, Duration: 24 months, Contractor: Kosovar Civil Society Foundation (KCSF)

Recommendation 13:

The Commission should strive to raise the profile of its work also in the Northern part of Kosovo.

An informal discussion followed in which the difficult situation in the North of Kosovo was discussed in detail with Mr Arlov. The issues of higher unemployment rate amongst Serbians and other economic and social problems faced by them and a segregated educational system were mentioned as well as the increasing pressure on and intimidation of civil society by radical groups and organised crime in this part of Kosovo.

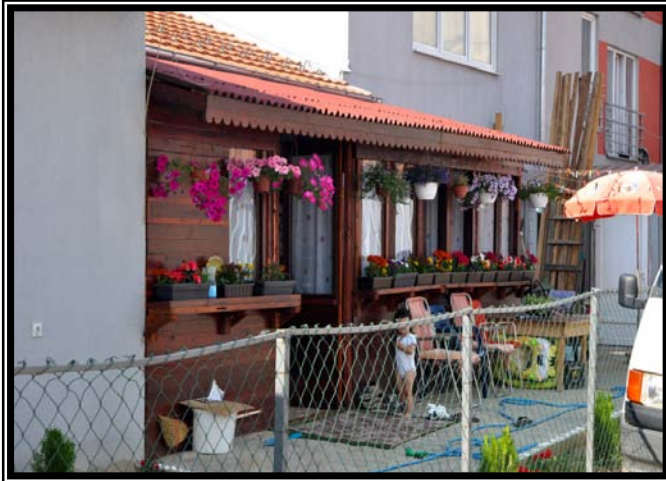
Recommendation 14:

The delegation proposes to invite Mr Arlov for further discussions to one of the next meetings of the Committee on Budgetary Control.



2. Visit to the **Project 'European Union Mitrovice/a RAE Support Initiative (EU MRSI)'** - Evacuation and relocation of Roma families from land poisoned by lead





The overall objective of this project²⁰ is to contribute to the closure of the two lead-contaminated camps in Mitrovica municipality by facilitating successful resettlement of up to 90 Roma, Ashkali, and Egyptian (RAE) families from dangerous, lead-contaminated Cesmin Lug and Osterode IDP Camps to a healthier environment in Roma Mahalla or other location and to help them to achieve durable social and economic resettlement and reintegration. The project is being implemented by an international NGO (Mercy Corps Scotland), which is also responsible for the other part of the project funded by USAID. The delegation visited the former camp of Cesmin Lug (now closed) as well as the few families still living in Osterode, before spending some time visiting the resettled beneficiaries and their new neighbourhood in Roma Mahalla (Mitrovica South). The project visited is part of the economic development and livelihood programme of the project for resettled RAE communities.

3. Visit to a **paper bag factory** employing Roma, Ashkali & Egyptian community members (EU MRSI project) - **vocational training project**



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on: 30 mor

and

4. Visit of a **furniture manufacturer** (Company Dona) - **vocational training project**

The two visits cover the same project, i.e. the EU KOSVET VI project. This project targets long term unemployed persons, in particular young unemployed and vulnerable groups. It has been found that 'on-the-job' (in-company) training or apprenticeships schemes have been the best way for such groups of persons to be able to access the labour market in Kosovo. There are some 1200 places throughout Kosovo.

The principle of this project is that the trainer from the Vocational Training Centre prepares a training plan for the trainees with the employer, such as the Company Dona, and trainees spend 3 months learning the job 'on-the-job'. Experienced workers help trainees develop their knowledge and skills. At the end of the training there is an assessment to ensure that the skills in the training plan have been achieved. Many trainees, on completion of the training, are hired full time by the participating companies.

The project is managed by ECLO and designed to support the Kosovo authorities by helping to develop a modern, effective vocational training and education system capable of responding to the needs of business for skilled employees and to assist the labour force to achieve higher employability by giving them access to the occupational skills required on the labour market.

Following the project visits a cocktail reception took place at the invitation of the Assembly of Kosovo with an informal exchange of view between participants and Members of the Budget and Finance Committee and of the Oversight Committee on Public Finance.



On Thursday morning the programme started with a meeting with **Safete HADERGJONAJ**, Chairwoman of the Budget and Finance Committee and Ali Sadriu, Chairman of the Oversight Committee on Public Finance of the Kosovo Assembly and other Members of the two committees.

Ms Hadergjonaj, Chairwoman of the Budget and Finance Committee explained that in principle the Government was obliged to be politically accountable to the Assembly and consequently to attend committee meetings, hearings, parliamentary debates etc. However, as she deplored, Ministers were rather reluctant to do so.

Recommendation 15:

The Assembly of Kosovo should insist on the Government's political accountability and Ministers should be reminded that it is their responsibility to attend committees' meetings to which they are invited to.

In her view the EU and other donors who manage their funds should also carry out audits of their financing in order to assess if their funds go to the relevant sectors. They see too many one-day trainings and would welcome more and better twinning projects. They also deplored the lack of consultation with local communities on the projects. In their view, EU funds could have bigger impact if common planning and evaluation with beneficiaries and local communities were carried out.

Mr Sadriu, Chairman of the Oversight Committee on Public Finance, in charge of supervising the execution of the budget for the previous year, stated that his committee was created only recently²¹ and it still lacks experience as well as financial and other resources. They even lack funding to organise study visits to and exchange programmes with counterpart committees.

On public procurement, Members of both committees deplored that the relevant law was recently amended several times, because it was not properly drafted and they did not consider that the current rules were appropriate either.

Recommendation 16:

The Assembly should be enabled to make suggestions when it comes to drafting financial rules (in particular the law on public procurement).

The Auditor General is appointed by the Assembly, the Constitution guarantees his independence and he now forwards his reports (including a few performance reports) to the Oversight Committee. Mr Sadriu deplored that his committee has no official contact with EULEX and expressed his wish to have closer relations with them. Previously the Budget and Finance Committee hardly had any relation either with UNMIK and part of the privatisation documentation was never received by the Kosovo Privatisation Agency because it has burned in a fire.

Recommendation 17:

An inter-institutional agreement governing relations between the Office of the Auditor-General and the Committee for Oversight of Public Finance of the Assembly of Kosovo should be established and the Auditor-General should report directly on his action to the

²¹ since November 2009

Committee. More emphasis should be put on the production of regular performance audit reports by the Auditor-General and their examination by the Assembly.

On the issue of the fiscal income from the Kosovar diaspora, the delegation was told that revenues of the Kosovo State Budget included revenues from taxes, excises, VAT and customs but the diaspora does not contribute directly to public finances.

Following the meeting participants attended the opening of the Plenary session of the Assembly.

Recommendation 18:

In general terms, the delegation recommends strengthening the capacities of the Assembly of Kosovo, so that it can effectively fulfil its legislative functions and carry out democratic oversight of the Government's political and budgetary activities.

Meeting with **Artan VENHARI** and **Adem GASHI**, Representatives of KIPRED, Kosovar Institute for Policy Research and Development

In the view of the two researchers, the judiciary in Kosovo is perceived to be influenced by political interferences and far from being independent. They also stressed that there is a huge backlog of court cases and that citizens are losing their faith in the judiciary. Although in 2010 a series of new laws were promulgated to reform the judiciary, the implementation of these laws is considered to remain the weak point.

Concerning the fight against organised crime and corruption, they deplored that neither the Kosovo authorities nor EULEX deals with 'high-profile' cases. Although Kosovo applicable law provides already sufficient provisions to fight organised crime and corruption, due to possible security threats (weak protection) judges are reluctant to order the confiscation of proceeds from criminal activities. In total, by April 2011, only 15 cases of corruption and 6 cases of organized crime have been reported to be sentenced by EULEX, but no properties obtained illegally have been confiscated. The Ministry of Justice is currently drafting a special law on illegally obtained property.

Recommendation 19:

Relations between EULEX and the Kosovo authorities (especially the judicial authorities) need to be improved: a mixed (EULEX and local) team of prosecutors, under the umbrella of EULEX, should work jointly in particular on high-profile cases. EU investigators would provide the tools and expertise for complex investigations, while local investigators would contribute with their knowledge on operation of criminal groups in Kosovo.

It was mentioned again that EULEX has deployed too many police officers and not enough judges and prosecutors in Kosovo and this situation should change (see above).

Following the meeting a short **press conference** took place with the support of the European Commission Liaison Office (ECLO).



The delegation left Pristina and arrived in the former Yugoslav Republic of Macedonia (fYRoM).

The visit took place in particular political circumstances, shortly after early parliamentary elections were organised²². At the time of the visit there was a caretaking government and the new government was not expected to be set up before September 2011. This situation resulted in difficulties for the delegation to arrange high-level political meetings. In spite of these circumstances, participants decided to maintain the visit to fYRoM in the programme of the delegation.

After some logistical difficulties, participants arrived in **Tetovo** and visited the **Police Station** refurbished and renovated thanks to an EU-financed project²³ (IPA 2007).

The project which forms part of works contracts for refurbishing and renovating police stations in the fYRoM comprises the full renovation of the police station with special attention to detention facilities, the premises for reception of persons in accordance with EU standards and best practices.

²² on 5 June 2011

²³ Total cost of the project: EUR 406 621, Duration: 20 months (including a 12 months defect liability period expired on 22.06.2011), Beneficiary: Ministry of Interior

Tetovo is located in a multi-ethnic and densely populated region. Not so long time ago, most of the inter-ethnic incidents used to take place in this region, however, at present



relations between the ethnic communities seem peaceful and the security situation is stable. There is also an ethnic balance which is to be respected in the police. The elections took place without any significant incident.

Local police forces have the opportunity to implement joint operations with EU Member States police forces and regularly exchange experience with them.

Although a special unit, the Department of Organised Crime at the Ministry of Interior, is competent for cases of organised crime, the local and regional police also make frequent controls of cars, restaurant, bars etc. in order to deter organised criminal groups from acting. Concerning petty crime, the level of solved criminal offenses was relatively high, above 50%, according to the police officers.

The delegation visited a second EU-financed (IPA) project, the **OPEN GATE project**²⁴ in the suburbs of Skopje (Municipality of Kisela Voda)

Founded in September 2000, the OPEN GATE association is member of "La Strada", an international network of eight independent human rights NGOs in Belarus, Bulgaria, the Czech Republic, fYRoM, Moldova, the Netherlands, Poland and Ukraine.

This project²⁵ aims at influencing the authorities, the media and public opinion to address trafficking as a severe human rights violation and at developing and offering prevention and protection for trafficked persons. The team consists of 15



²⁴ Local response to trafficking in human beings - Women's lobby and action against violence and trafficking in women

²⁵ Total cost of the project: EUR 59 960, EU contribution EUR 53 660, Duration: 12 months (started on 23.02.2011)

employees (social workers, psychologists, pedagogues, economists and lawyers).

OPEN GATE carries out a series of activities: information and lobby, prevention and education as well as social assistance²⁶ with several categories of target groups: i) trafficked persons; ii) "at risk" groups (e.g. young people, unemployed women, people with low economic status, street children, orphans, migrants, ethnic minorities etc.); iii) professionals (law enforcement, teachers, social workers, doctors etc.); and iv) NGOs.

Marija Todorovska, Programme Director, explained that women can in principle only stay one year (with one possible extension) in their shelter and they are subsequently redirected to an 'empowering centre', also operated by OPEN GATE. They mainly deal with victims of internal trafficking, very rarely with foreign victims.

The delegation expressed its great appreciation of the crucial and pioneer work carried out by the association in the country in order to draw the attention of policy makers and of the general public to this important issue.

Following the project visits, participants met with Ambassador **Peter SØRENSEN**, Head of the EU Delegation in Skopje and **Dieter THIEL**, Head of Operations.

Mr Sørensen debriefed participants on the economic and political situation in the fYRoM and put a special emphasis on the challenges the country is facing in its EU and NATO integration process.

The structural reform process seemed to take speed until the 2008 NATO summit refused the country accession in the Alliance. Partly as a consequence of that, it has later slowed down. The Commission's priority is to encourage the country leaders to speed up again the process and to carry out the necessary reforms in the judiciary and in the public administration, two of the biggest challenges. A free and independent media was also mentioned as an important objective to reach by the country. Indeed, the media is heavily politicised and economically not sustainable. The corruption, although not worse than in other Balkan countries, remains prevalent. The foreign direct investment (FDI) is very low and since 2007 it has continuously decreased. The medium- and long-term challenge is therefore to find ways to attract investments in the country. The principal assets of the country are: tourism, agriculture (wine, tobacco), mining and its highly qualified software engineers.

As Mr Thiel explained, all five components²⁷ of IPA are to be implemented under the decentralised implementation system (DIS) once the Commission has conferred management powers on the national authorities. Therefore substantial assistance for capacity building (more than half of all IPA funds) across the relevant national structures is

²⁶ e.g. long-term accommodation at the shelter, covering basic needs, psycho-social help, medical care, legal assistance, inclusion in the educational process, on-the-job training

²⁷ Component I: Institution Building, Component II: Cross-border cooperation, Component III: regional development, Component IV: Human Resources development, Component V: Rural development

being provided through IPA. For most of the IPA components²⁸, this conferral of management powers has already taken place²⁹. For the remaining one³⁰, which is still managed under centralised de-concentrated management, the conferral is expected not before the end of 2011. According to Mr Sørensen, the closure of the European Agency for Reconstruction did not cause any problem, documentation was handed over properly and expert staff could be re-hired by the delegation, so no expertise was lost.

Regarding the efficiency of EU funding, Mr Sørensen explained that the country was currently in a learning process where the EU was helping with a limited amount of funds and with advice in order to let the national authorities take the ownership of the projects and programmes. There are indeed teething problems with IPA and the strategic decisions made by the country are not always the optimal ones.

Recommendation 20:

The national authorities should strive to increase their capacities and to improve their performance in terms of absorption of EU funds (in particular IPA funding); underlines that priority should not only put on building infrastructures (in particular roads) but also to invest in other important sectors such as the health system, the social sector, agriculture, tourism etc.

In this context, the completion of "Corridor X" motorway major project³¹ was mentioned as an example not to follow. The risk of de-commitment (at stake: EUR 7,4 million) at the end of 2011 is very high. Indeed, this project has faced extensive delays in its preparation,



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 costs³² and the difficulty for the authorities to find resources to meet the ensuing funding gap. Any funds de-committed at the end of 2011 will be deducted from the Commission contribution to

²⁸ Components II, III, IV and V

²⁹ during the second half of 2009 and in December 2010 for Component II

³⁰ Component I

³¹ under IPA Component III, total cost of the project: some EUR 265 million, of which Commission contribution: EUR 45 million, EIB/EBRD contribution: around EUR 214 million

³² original project cost was EUR 150 million, as compared to the current EUR 265 million

Corridor X project and hence fYRoM would probably need to borrow additional funds to plug the ensuing financing gap. This would thus add to the already weak expected return on investment of the project and the high debts incurred by the country building this stretch of motorway.

Recommendation 21:

National authorities and the Commission should make their utmost in order to avoid the de-commitment to occur and to accelerate the implementation of this project.

As a last programme of the day, State Secretary **Jovan ANDONOVSKI**, Secretariat for European Affairs, hosted an official cocktail reception.



On Friday morning the delegation met with **Voislav ZAFIROVSKI**, President of the State Commission for Prevention of Corruption (SCPC).

Although corruption remains prevalent and continues to be a serious problem in the whole region³³, the situation is improving in this country too. Indeed, according to Transparency International's corruption perception index, the situation in the fYRoM has significantly improved: from the 84th place in the ranking in 2007 it has advanced to the 62th place in 2010.

The State Commission was established in 2002 and, until its reform in 2011, has been much criticised as its members used to perform their tasks part-time and public trust in the independence and impartiality of the SCPC was until recently rather low. The SCPC remained reactive rather than proactive and faced severe financial difficulties.

Following the reform of the State Commission in early 2011 it is now made up of seven Members working full-time and are appointed by Parliament for 4 years (with one possible extension) and of 17 staff ensuring the administrative support.



SCPS is an autonomous specialised body for the prevention of corruption and also deals with conflict of interests. It adopts the State Programme for Prevention of Corruption and the Action Plan for its implementation as well as the annual programme and work plans for the monitoring of the implementation of the State Programme. It also provides opinion of draft laws related to the prevention of corruption and initiates procedures before competent bodies for the dismissal, assignment, criminal prosecution of elected and appointed officials (indirect repressive competence).

³³ the Western Balkans

The State Commission is also delivering strategic documents for the period 2011-2015 on preventing corruption and on preventing conflict of interests. The SCPC's main objective is to create a long-term proactive policy aiming at preventing corruption, promote integrity in public life. However, as Mr Zafirovski told the delegation, the financial and staff resources made available to the SCPC are still clearly not sufficient to tackle the heavy workload it is supposed to carry out, in spite of the important technical support the State Agency receives from the EU Delegation and UNDP. Indeed, since April 2011 they had to deal with 520 cases and issued 384 opinions.

Recommendation 22:

The delegation agreed that ensuring adequate financial and staff resources for the specialized institutions in charge of fighting corruption, conflict of interests etc. was a key condition for the success of their activities and also the best way for securing their indispensable independence.

Recommendation 23:

There is a need to intensify the international and especially the regional cooperation in particular in the field of criminal investigations and to apply international standards in the area of fighting corruption. The Commission should promote this idea towards the relevant national authorities in the region.

As the last point on the official programme, a well-attended **press conference** took place at the EU Info Centre in Skopje, with the support of the EU delegation.



Summary of recommendations

as regards Kosovo:

The delegation:

1. Requests the Commission to forward a full report to the Committee on Budgetary Control (CONT) on the way IPA programme is executed in Kosovo, including a detailed overview of the number of staff working on the programme, the procurement procedures applied and the anti-corruption measures taken; calls furthermore on the Commission to provide CONT with a detailed explanation why it does not finance larger project that are necessary to improve the economic situation and have a positive impact on the level of employment;
2. Recommends that the EU presence in Kosovo should as a matter of urgency be clearly streamlined so as to improve the effectiveness and coordination and visibility of EU action in Kosovo and stresses the need for the EU as a whole to adopt a clear strategy for its presence in Kosovo;
3. Takes the view, in order to respond to the current staffing problems faced by EULEX, that EU Member States should second experts for longer periods of time³⁴ and, at the same time, should also make it possible that EULEX could recruit staff from the market; calls on EULEX to send on a three-monthly basis overviews of staff employed, their functions and currently available (open) posts to the Committee on Budgetary Control;
4. Is extremely worried about the situation in the North of Kosovo, including the latest clashes taking place at the border post between the North and Serbia and is of the opinion that it is crucial for its success to make the EULEX mission functional in the entire territory of Kosovo by increasing its activities in the North, in order to foster good inter-ethnic relations, while informing on the ground about EU action and the ongoing rule of law mission; also calls on the Commission to strive to raise the profile of its work also in the Northern part of Kosovo;
5. Calls on EULEX to ensure credibility for and visibility of its actions by increasing transparency and accountability in its work; further calls on EULEX to strive to better communicate the accomplishments of its work to Kosovo's citizens in order to increase trust in its mission; deplors that there seems to be a total lack of dialogue with the population of Kosovo;
6. Urges Member States to increase, as a matter of priority, the quality and the number of judges and prosecutors provided to EULEX and would like to be informed on progress made; wonders whether such a large contingent of 550 crowd and anti-riot police is really needed on a permanent basis, and wishes to be informed if this number can be brought down by training local police doing itself this task, under the supervision of EULEX commanders, which would also enable a smooth transfer to the moment when EULEX will end its mandate;

³⁴ than only for one year

7. Takes the view that the controversial issue of the applicable law³⁵ should be resolved urgently by a common approach to be adopted by the Council.
8. Calls on the Kosovo authorities to give priority to improving the legal framework for tackling corruption as well as to adopting an anti-corruption strategy and action plan; encourages EULEX to take concrete actions to make progress with high level corruption cases; suggests, in view of their apparently diverging views about the topic of high rates of corruption in Kosovo, that a contradictory hearing should be organised with the General Auditor of Kosovo and EULEX;
9. Deplores that at the moment neither the Kosovo authorities nor EULEX deals sufficiently with 'high-profile' criminal cases, considers that it is urgent and crucial to establish an effective protection system for witnesses and judges; stresses that relations between EULEX and the Kosovo authorities (especially the judicial authorities) need to be improved and a mixed (EULEX and local) team of prosecutors, under the umbrella of EULEX, should work jointly in particular on high-profile cases whereby EU investigators would provide the tools and expertise for complex investigations, while local investigators would contribute with their knowledge on operation of criminal groups in Kosovo;
10. Stresses that the Kosovo Judicial Council and the whole judiciary should be strengthened with adequate budgetary support as a matter of priority, both with internal resources and with the assistance of the EU;
11. Takes the view that the Assembly of Kosovo should insist on the Government's political accountability and Ministers should be reminded that it is their responsibility to attend committees' meetings to which they are invited to;
12. Suggests that an inter-institutional agreement governing relations between the Office of the Auditor-General and the Committee for Oversight of Public Finance of the Assembly of Kosovo should be established and the Auditor-General should report directly on his action to the Committee; considers that the two bodies should put more emphasis on the production and examination of performance audit reports;
13. Notes that according to Members of the Assembly of Kosovo, EU funds could have bigger impact if common planning and evaluation with beneficiaries and local communities were carried out;
14. Suggests that the Assembly should be entitled to draft opinions when it comes to drafting financial rules (in particular the law on public procurement);
15. Recommends in general terms to the Kosovo authorities to strengthen the capacities of the Assembly, so that it can effectively fulfil its legislative functions and carry out democratic oversight of the Government's political and budgetary activities;

³⁵ laws of Kosovo or the UNSC resolution on Kosovo

as regards the former Yugoslav Republic of Macedonia:

16. Is generally satisfied with the reform efforts made by the former Yugoslav Republic of Macedonia; stresses, however, that the national authorities should strive to increase their capacities and to improve their performance in terms of absorption of EU funds (in particular IPA funding); underlines that priority should not only put on building infrastructures (in particular roads) but also to invest in other important sectors such as the health system, the social sector, agriculture, tourism etc.

17. Is concerned by the high risk of de-commitment at the end of 2011 for the completion of "Corridor X" motorway major project, due to its delayed preparation and the absence of a mature project proposal and deficiencies in the original project design; calls on the national authorities and on the Commission to make their utmost in order to avoid such a de-commitment to occur and to accelerate the project implementation;

18. Urges the national authorities to ensure adequate financial and staff resources for the specialized institutions in charge of fighting corruption, conflict of interests etc. as this is a key condition for the success of their activities and also the best way for securing their indispensable independence;

19. Stresses the need to intensify the international and especially the regional cooperation in particular in the field of criminal investigations and to apply international standards in the area of fighting corruption; calls on the Commission to promote this idea towards the relevant national authorities in the region.



**Fact-finding delegation of the Budgetary Control Committee to
Kosovo and the former Yugoslav Republic of Macedonia (fYRoM),
14-17 June 2011**

FINAL PROGRAMME

Members of the delegation:

Mr Bart STAES (LEADER OF THE DELEGATION)
Ms Inés AYALA SENDER
Mr Zigmantas BALCYTIS
Mr Georgios STAVRAKAKIS
Mr Derek VAUGHAN

CONT Secretariat

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Technician

Pandelis PAPADOPOULOS

Languages

EN, SQ, MK

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Accommodation and transport in Pristina

The delegation will stay in Pristina at:

Hotel Victory
Mother Teresa,
10000 Pristina,
Republic of Kosovo

Tel: +381 38 543 277

The delegation will have an air-conditioned bus (with 50 seats) at its disposal.

Accommodation and transport in Skopje

The delegation will stay in Skopje at:

Hotel Arka

Bitpazarska 90/2
1000 Skopje
Macedonia

Tel: +389 2 3230 603

The delegation will have an air-conditioned bus (with 50 seats) at its disposal.

Recommended flights of delegation

Brussels - Pristina via Vienna	14 June 2011, 17.45 - 22.05
Skopje - Brussels via Prague	17 June 2011, 14.15 - 18.30

Tuesday, 14 June 2011

Evening Individual arrival of the Members of the Delegation in Pristina -

Wednesday, 15 June 2011

8.00 - 9.00 Breakfast-briefing with **Khaldoun SINNO**, Acting Head of EC Liaison Office (ECLO)

Venue: Hotel Victory

9.15 Departure from the hotel

9.30-10.00 Meeting with **Xavier BOUT DE MARNHAC**, EULEX Head of Mission,

Venue: EULEX HQ (Ex "Farmed" Building) venue: Conference Room 228

Tel: +386 (0) 43 78 6382

10.00 Coffee break

10.15-11.30 Meeting with **Mr Thomas MUEHLMANN**, EULEX Chief of staff and **Gerardo FUERTES**, Director of Administration and Support

Venue: EULEX HQ (Ex "Farmed" Building) venue: Conference Room 228

Tel: +386 (0) 43 78 6382

12.00-13.30 Meeting with **Hajredin KUÇI**, Deputy Prime Minister and Minister of Justice, **Enver PEÇI**, Chairman of the Judicial Council, **Fejzullah**

HASANI, Chairman of the Supreme Court, **Ramadan BYTYCI**, Division Chief of Budget and Finance

*Venue: Kosovo Judicial Council, (near ex "Rilindja" building, cont no. 3)
Tel: +381 38 200 18 018*

- 13.45 Departure for the visit of EU-financed projects
*Sandwich lunch en route
(individual payment €8)*
- 14.30 1st project visit to the **EU Information Point in North Mitrovica** (Viva building, near the main bridge)
- 15.30 2nd project visit to **EU – Mitrovicë/a RAE Support Initiative (EU-MRSI)**
1) Short visit to Cesmin Lug and Osterode camps (northern part of Mitrovica)
2) Visit to Roma Mahalla (southern part of Mitrovica) where the communities have been or are being resettled.
- 17.00 3rd project visit to **Vocational Training Projects**
1) Visit to a paper bag factory employing Roma, Ahskali & Egyptian community members (**EU MRSI project**)
2) Visit of a furniture manufacturer (Doni Company) under **EU KOSVET VI project**
- 19.30-21.00 Cocktail reception at the invitation of the Assembly of Kosovo
*Venue: Assembly Building
Tel: +381 38 200 10 012; + 377 44 540 090*

Thursday 16 June 2011

- 8.30 Departure from the hotel
- 8.45-10.15 Meeting with Members of the Budget and Finance Committee and of the Oversight Committee on Public Finance of the Kosovo Assembly
Budget and Finance Committee
Ms Safete HADERGJONAJ, chairperson, (PDK Group)
Naser Osmani, LDK group
Jelena Bontić, SLS group
Latif Gashi, PDK group
Hasime Krasniqi, PDK group
Hykmete Bajrami, LDK group
Sali Asllanaj, LDK group
Albana Fetoshi, VV group
Xhevdet Neziraj, IRDK group
Muhamet Mustafa, KKR group

Duda Balje, VAKAT group

Oversight Committee on Public Finance

Ali SADRIU, Chairperson, (LDK group)

Ramiz Lladrovci, PDK group

Mursel Haljilji, GIG group

Valbona Dibra, PDK group

Armend Zemaj, LDK group

Afrim Hoti Bali Muharremaj, VV group

Muhamet Mustafa, KKR group

Albert Kinolli, PREBK group

Venue: Assembly Building, Room C 301

Tel: +377 44 127 933; +377 44 621 091

10.30-11.30 Meeting with Representatives of **KIPRED**, Kosovar Institute for Policy Research and Development

Venue: EC Liaison Office Building, 1st floor, Room 101 (tbc)

Tel: + 381 38 51 31 330

11.30-12.15 Press Conference in Pristina

Venue: EU Info Centre

Tel: +

12.30 Departure to Tetovo by bus

*Sandwich lunch en route
(individual payment €8)*

NB. At the Kosovo/fYRoM border the delegation will change bus.

14.00 Arrival in the former Yugoslav Republic of Macedonia

16.00-17.00 1st visit to an EU-financed project (IPA)
Tetovo Police Station

Venue: str. Cvetan Dimov, Tetovo

Tel.: +389 44 334 220

17.00 Departure to Skopje by bus

17.45-18.45 2nd visit to an EU-financed project (IPA): OPEN GATE project³⁶ in Skopje, (Municipality of Kisela Voda)

³⁶ Local response to trafficking in human beings - Women's lobby and action against violence and trafficking in women

Venue: str. Sava Kovacevic 1a, 1000 Skopje
Tel.: +389 2 2700 107

19.00-20.15 Meeting with **Ambassador Peter SØRENSEN**, Head of the EU Delegation in Skopje and **Dieter THIEL**, Head of Operations

Venue: EU Delegation, M. H. Jasmin 52 v, 1000 Skopje, 1st floor meeting room
Tel: + 389 2 3248 500

20.30 Official Cocktail hosted by State secretary **Jovan ANDONOVSKI** , Secretariat for European Affairs, Government of the former Yugoslav Republic of Macedonia.

Venue: Ragusa Club restaurant
str. 12 Makedonska brigada 2A, Skopje,
Tel. +3892 3212 919,.

22.00 End of official cocktail reception and transfer to Hotel Arka

Friday, 17 June 2011

8.30 Departure from the hotel

9.00-10.00 Meeting with **Mr Voislav ZAFIROVSKI**, President of the State Anti-Corruption Commission

Venue: Ul. Dame Gruev 1
Tel: + 389 2 3215 377

10.15-11.00 Press Conference in Skopje

Venue: EU Info Centre, M. H. Jasmin 52 v, 1000 Skopje.
Tel: + 389 2 3296 363

11.00- End of the official programme

Individual departure for Skopje airport (possible flights at 12.35 and 14.15)