



Republika e Kosovës
Republika Kosova-Republic of Kosovo
Qeveria – Vlada – Government

Input to the Progress Report

August 2013, Pristina

Content

INTRODUCTION.....	2
1. POLITICAL CRITERIA.....	3
1.1 DEMOCRACY AND RULE OF LAW	3
1.1.1 <i>Institutions</i>	3
1.1.2 <i>Parliament / Elections</i>	4
1.1.3 <i>Public Administration</i>	4
1.1.4 <i>Judicial System</i>	5
1.1.5 <i>Anti-Corruption Policies</i>	7
1.2 HUMAN RIGHTS AND MINORITY PROTECTION	8
1.2.1 <i>Civil, political, economic and social rights</i>	8
1.2.2 <i>Protection and respect for minority rights</i>	9
1.3 REGIONAL AFFAIRS AND INTERNATIONAL OBLIGATIONS.....	11
2. ECONOMIC CRITERIA	12
2.1. FUNCTIONING MARKET ECONOMY	12
2.1.1. <i>Reporting on recent economic developments</i>	12
2.1.2. <i>Reporting on monetary and fiscal policies over the reporting period</i>	14
2.1.3. <i>Interaction of market forces</i>	15
2.1.4. <i>Financial sector</i>	16
2.2. CAPACITY TO COPE WITH PRESSURE OF THE COMPETITION AND MARKET FORCES	18
2.2.1. <i>Human and physical capital</i>	18
2.2.2. <i>Sectoral and enterprise structure</i>	19
2.2.3. <i>State influence on competition/competitiveness</i>	20
2.2.4. <i>Trade integration</i>	21
3. EUROPEAN STANDARDS	22
3.1. INTERNAL MARKET.....	22
3.1.1. <i>Free movement of goods</i>	22
3.1.2. <i>Free movement of Capital</i>	23
3.1.3. <i>Customs and Taxes</i>	24
a. <i>Customs</i>	24
b. <i>Taxation</i>	24
3.1.4. <i>Competition</i>	25
3.1.5. <i>Public Procurement</i>	25
3.1.6. <i>Intellectual Property Rights and Copyrights</i>	25
3.1.7. <i>Employment and social policies</i>	26
3.1.8. <i>Education and Research</i>	27
3.2. SECTORAL POLICIES.....	27
3.2.1. <i>Industry and SME's</i>	27
3.2.2 <i>Agriculture and fishery</i>	28
3.2.3 <i>Environment</i>	30
3.2.4. <i>Transport Policy</i>	32
3.2.5. <i>Energy, including Nuclear Safety</i>	33
3.2.6. <i>Information Society and Media</i>	34
3.2.7. <i>Financial Control</i>	35
3.2.8. <i>Statistics</i>	35
3.3. JUSTICE, FREEDOM AND SECURITY	36
3.3.1. <i>Asylum, migration, visa policy and border management</i>	36
3.3.2. <i>Money laundering</i>	38
3.3.3. <i>Prevention and Fight against organized crime and other criminal activities, including terrorism</i>	38
3.3.4. <i>Protection of personal data</i>	39

INTRODUCTION

The report contains key developments in Kosovo as of 1 of May 2012 until 30 of August 2013. Government of the Republic of Kosovo expressed its readiness to submit data for this period to the Progress Report which is expected to be published in autumn this year.

Data presented in this report focus on the progress made towards:

- implementation of reforms;
- development of legislative and administrative capacities;
- identified challenges in 2012 Feasibility Study and Stabilization and Association Process Dialogue meetings conclusions 2013;
- implementation of SAA Action Plan.

Data structure corresponds to European Commission Progress Report by providing information in three following fields: Political Criteria, Economic Criteria and European Standards.

1. POLITICAL CRITERIA

1.1 DEMOCRACY AND RULE OF LAW

1.1.1 Institutions

During the reporting period, the Assembly of the Republic of Kosovo has evaluated and adopted in total eight (8) Annual Reports of independent institutions (agencies). For more details, see the table below.

Table 1: Annual reports approved by the Assembly

Date	Report
11.06.2013	2012 Annual Report of Regulatory Authority of Electronic and Postal Communications,
24.06.2013	2012 Annual Report of Central Bank of Kosovo
11.07.2013	2012 Annual Report for the status of the Civil Service of Kosovo
12.07.2013	2012 Annual Report of Kosovo Statistics Agency
17.07.2013	2012 Annual Report of Kosovo Prosecutorial Council
19.07.2013	2012 Annual Report of Kosovo Agency of Privatization
22.07.2013	2012 Annual Report of Kosovo Judicial Council
31.07.2013	2012 Annual Report for Financial Management and Control

On evaluation and approval of laws, the Assembly of the Republic of Kosovo has approved in total 28 laws. There are currently 22 draft laws under Parliamentary procedures. During the reporting period, the Assembly has put forward to the Executive a total of 58 Parliamentary scrutiny procedures.

With regard to the *coordination of the European integration issues*, Ministry of European Integration has continued to deliver on it's mandated in effectively coordinating EU integration issues. This was underpinned by MEI strong political leadership and efficient technical and administrative capacities. Regular SAPD meetings have been successfully organised and a plenary meeting was held in July.

New MEI structure has been fully functionalised. Under the leadership of MEI, and with the support of EC and SIGMA, a twinning light project on evaluation of the institutional capacities of MEI, all government departments for legal affairs and European integration departments has been launched.

MEI has continued to prepare regular reports on implementation of the SAA Action Plan. Relationship between Office for Strategic Planning and Ministry of Finance has continued to improve, in particular during the preparation of the 2013 national budget and Kosovo contribution to the IPA Country Strategy Paper.

Kosovo institutions, under MEI leadership, have successfully coordinated Kosovo contribution during the preparation of the new IPA instrument and CSP.

European integration inter-ministerial structures have continued to play crucial role in coordination of inter-ministerial issues; in particular the role of Ministerial Council on European Integration has been strengthened.

MEI has successfully launched preparations for the start of the SAA negotiations, by establishing inter-institutional coordination structures and preparing analysis of regional SAAs.

New legal instruments governing harmonisation of national legislation with the EU legislation have been adopted. New instruments have introduced tables of concordance, compatibility statement and compatibility opinion. Their application will start on 1 January 2014. In the meantime, capacity building measures are being organised.

During the reporting period, with the aim of promoting the consensus building on European integration issues, Task Force for European Integration has drafted the Strategy on European Integration. To this end, dozens of meetings have been organised with the participation of around 1,000 officials, experts,

representatives of civil society, public, academic researchers, community representatives and international organizations.

1.1.2 Parliament / Elections

On 2 July 2013, the President of the Republic of Kosovo has announced that the official date for local elections will be 3 November 2013. Two days later, on 4 July 2013 the Central Elections Commission (CEC) immediately approved the Operational Plan on local elections and as a result assigned the CEC Secretariat with the task of implementing the aforementioned plan.

In accordance with the competences conferred by Article 64.2 of the Law on General Elections in the Republic of Kosovo, the CEC approved the following decision:

- To limit the financial expenditures used during the local election campaigns, on 8 July 2013
- Design of ID badges for election observers for local elections of, on 10 July 2013;
- Public Information Strategy for Local Elections; on 12 July 2013;
- Organigram for non permanent staff for Local Elections; on 16 July 2013;
- Operational Plan of C&RC for Local Elections; on 16 July 2013;
- To establish the Supervisory Board for Public Information; on 16 July 2013;
- Code of Conduct for members of the MEC for Local Elections, on 17 July 2013;
- Appointed the Members of the Municipal Elections Commissions in 38 municipalities, on 17 July 2013;
- To establish 58 new voting centres, on 30 July 2013;
- Technical specifications (design and ballot format), on 30 July 2013;
- Categorization of sensitive material used during elections, UV lambs and invisible spray, on 15 August 2013.

For creating opportunities for blind voters and voters with impaired vision to vote in person, on 26 August 2013.

1.1.3 Public Administration

In June 2013 the MPA adopted the report on the implementation of the PAR Strategy. Based on this assessment report it was revealed that 52% of the Action Plan was implemented. In order to fulfill the pre-determined objectives, a revised roadmap for implementation of the Strategy is already being drafted at this stage. This revised roadmap is expected to be finalized by the end of 2013.

During the reporting period the DMPAR assessed in total 15 Strategic Development Plans. While, during the reporting period the Government adopted the following Strategies and APs:

- Strategy on Environment Protection 2013-2022 and the AP on Environment 2013-2017, on 17 July 2013;
- Strategy and AP for cooperation with Civil Society Organizations 2013-2017, on 5 July 2013;
- 2014 Annual Action Plan on Statistics, on 3 July 2013;
- Strategy on Human Rights, on 26 June 2013.

Furthermore the IMCPAR convened on 28 August 2013.

The Government of the Republic of Kosovo has approved on 17 July 2013 the Law on Kosovo Institute for Public Administration (KIPA)

Furthermore, with regard to regulations on internal organization, the current status for line ministries is as follows:

- Ministry of European Integration - approved in December 2012 is in the process of amendment. On 6 August 2013, the MPA has approved the modified regulation and sent it for Government approval;
- Ministry of Health -approved on 24 April 2013 by the Government Decision no. 03/127;
- Ministry of Justice - approved by the MPA on 17 June 2013;
- Ministry of Environment and Spatial Planning - approved by the MPA on 29 July 2013;

- Ministry of Education, Science and Technology – approved by the MPA on 6 August 2013;
- Ministry of Diaspora – approved by the MPA on 29 July 2013;
- Ministry of Public Administration – sent for Government approval;
- Ministry of Agriculture, Forestry and Rural Development - is in the MPA;
- Ministry of Internal Affairs is in the process of addressing the comments provided by DMPAR;
- Ministry of Economic Development is in the phase of addressing the comments made by the DMPAR;
- Ministry of Finance is in the phase of addressing the comments made by the DMPAR;
- Ministry of Infrastructure is in the phase of addressing the comments made by the DMPAR.

The Independent Oversight Body (IOB) after evaluating three (3) complaints filed by the media against IOB Commission decisions has dealt with the cases in the following manner:

Case 1 Eagle Operator – for failing to comply with the License terms of Agreement, the Board for Complaints has decided that the initial decision issued by the IOB Commission is valid; specifically the amount of €60,000 is still to be paid by the Eagle operator.

Case 2 IPKO Operator – for failing to comply with the Law on IOB, the Board has assessed the decision made by the IOB Commission and has decided to modify that decision and as a result it has lowered the penalty fee to be paid by IPKO operator from €45,000 to €35,000.

Case 3 RTV 21 – for failing to comply with Regulation on Audiovisual Commercial Communication, the Board has assessed the decision made by the IOB Commission and has decided to modify the decision. As a result, the penalty fee to be paid by RTV 21 was lowered from €15,000 to €10,000.

1.1.4 Judicial System

Justice system reform

In order to ensure a comprehensive legal framework in the area of **judiciary**, the following laws were adopted by the Assembly:

- Law on the State Advocacy Office, adopted by the Assembly on 2 May 2013;
- Law on Execution of Criminal Sanctions, adopted by the Assembly on 18 August 2013;

The legislation on functioning of the reformed court system, namely the Law on Courts, the Law on Prosecution, the Law on KJC and the Law on KPC are in the process of revision. Among others, the revised judicial package will ensure compliance with the Venice Recommendations and at the same time will lower the selection criteria for judges and prosecutors, in order to involve young professionals in the judicial system.

In addition, the KJC, the KPC, the MoJ and other law enforcement institutions are in the final stages of preparing Assessment of judicial reform which will be finalized by November 2013.

As regards to mediation during the reporting period, the MoJ has received 100 cases, out of which 77 cases referred by courts, 22 by prosecution offices and 1 case referred by the parties, most of cases are civil matters, whilst two of them were criminal matters.

Aiming at reducing the accumulated cases, the Kosovo Judicial Council is in the process of revising the Strategy for Reduction of Backlog of Cases which will be adopted by October 2013. The new revised strategy will include all pending cases and pre-2010 cases that were not solved with the previous strategy.

As for the implementation of the former strategy on backlog of cases, based on the evaluation of the implementation of the strategy, considerable progress has been achieved. The total number of backlog cases has been **reduced** for 65.12%, while 63,512 (39.38%) cases remain unsolved.

Table 2: Statistics on executed cases, 2011 and 2012:

Years	Inherited cases	Received cases	Total at work	Resolved cases	Efficiency rate
2011	93882	25505	119387	18894	74,08 %
2012	100493	23585	124078	23937	101,49 %

In terms of cooperation with *EULEX*, the JRCB meeting that took place in May endorsed the FIU Lessons Learned Report and took note of the start of the implementation of the Roadmap for Prisoners Escort in northern Mitrovica as well as the Witness Protection Roadmap. As a follow up to the JRCB's meeting, Kosovo will ensure an independent assessment of local capacities of the Department for Forensic conducted by a credible international stakeholder. In addition the KPC has issued a decision for initiating procedures for transferring five prosecutors to the SPRK. This transfer will be carried out by 15 September 2013.

In order to increase the awareness and encourage participation of minority community, for vacant prosecutorial positions, the KPC from 14 February until 11 June 2013 has organized awareness campaigns in the following areas populated by minority communities: Gračanica, Fushë Kosovë, Obiliq, Lipjan, Noveberde, Ranillug, Partesh, Klokot, Viti, Gjilan, Kamenica, Peja, Istog, Klina, Mamushe, Prizren., Dragash, Shterpce, Gjakova, Mitrovica and Vushtrri.

In order to ensure the inter-ethnic balance in the judiciary, the KJC has continuously made effort in fulfilling vacant positions for judges from minority communities. In this regard all legislation has foreseen criteria for minority groups and the KJC has reserved the vacant positions for them. The dialogue with Serbia on the implementation of the agreement for the normalization of relations between the two countries encompassed the justice sector. The inclusion of the north Mitrovica illegal structures into the Kosovo judicial system was among the topics discussed. The agreement will ease the inclusion of Serb minority into the Kosovo justice system.

In the context of ensuring safety and security for the prosecutors, judges, their families and other employees within the scope of judicial activity, on 28 June 2013, the KJC and the KP signed a MoU on providing individual close protection for judges.

Moreover, the KJC has adopted three internal acts for security of courts and judges:

- AI on the security of courts;
- AI on procedures for providing security to judges;
- AI on the installation and usage of video recordings within courts.

While the KPC has adopted the following documents:

- Administrative Instruction on the Safety of the Prosecutors and the Staff of the Prosecution Office, adopted on 19 June 2013;
- Standard Operating Procedures (SOP) for the individual safety of the prosecutors, adopted on 19 June 2013.

As regards the disciplinary measures, during the reporting period, the KPC has received 4 disciplinary cases, out of which two cases have been solved, while two cases are under investigation process. While the KJC treated 14 disciplinary cases during the reporting period: on five cases no disciplinary offence was found, six reprimands, two decisions for lowering the wage by 50% for a six-month period, and one request for additional evidence.

In order to improve case management system in judiciary, on 15 July 2013, the KJC signed an agreement with the Norwegian Government on Case Management Information System that is to be established in the justice system.

In addition, during the reporting period, the KJI has organized specialized training sessions for judges and prosecutors in issues related to the implementation of the judicial reform. For more information please refer to Annex 5: Training sessions provided by KJI and ACA.

International Legal Cooperation

On international legal cooperation, on 31 July 2013 the Assembly adopted the Law on International Legal Cooperation. The law has been assessed to be in compliance with the EU *acquis*, this way fulfilling the criteria as set out in the visa dialogue.

With regard to the implementation of the Law on International Legal Cooperation, the following agreements with Italy were ratified, (19 June 2013):

- Agreement between Kosovo and Italy on extradition and deportation of convicted persons;
- Agreement between Kosovo and Italy on mutual legal assistance in criminal matters.

Agreement with Germany on judicial cooperation is awaiting conclusion, while agreements are being negotiated with Montenegro, Slovenia, and Croatia. In addition negotiations with Hungary, Austria, Bulgaria and Qatar are expected to commence soon.

During the reporting period, the MoJ has exchanged a total of 1620 information requests. In this regard, the Kosovo authorities have sent seven extradition requests, while received one.

Confiscation of assets

On confiscation of assets, the AMCSA in accordance to its mandate has intensified its activities for implementing decisions issued by competent authorities for confiscation of assets. During the reporting period, the AMCSA has realized proceeds in the amount of € 1,061,024.20€.

With regard to KPC data on orders for confiscation of assets, please refer to Annex 9, Sheet: 'Confiscation of Assets'. In order to improve working conditions for storage of confiscated assets, on 13 June 2013 the MoJ has provided a facility which will create better conditions for management and confiscation of assets.

1.1.5 Anti-Corruption Policies

In order to ensure a proper legal framework complying with EU legislation, in the area of corruption, the Law on Financing of Political Parties was adopted by the Assembly, on 31 July 2013. During the drafting process, Kosovo institutions have taken into account and incorporated the EC recommendations concerning this law, addressing the donations transparency by legal entities; providing goods and services to the public administration, and obliging the political parties in opening a single bank account and determining the deadlines on publishing the financial reinvestigation mechanism between the KACA and law-enforcement institutions.

Meanwhile, the following laws designated to further enhance the legal framework against corruption shall be amended and adopted in autumn 2013:

- Law on prevention of conflict of interest of persons exercising public functions;
- Law on declaration, origin and control of property of senior public officials and on declaration, origin and control of gifts of all public officials.

Future amendments will take into consideration alignment of its provisions with the Criminal Code, foreseeing the execution of more persuasive and proportional sanctions, ensuring that corruption related offences are criminalized, while at the same time abiding with EU best practices.

In terms of the implementation of the laws on anti-corruption, on 6 June 2013 the Assembly approved the ACA Annual Report 2012, while on 13 August 2013 the ACA has published the quarterly Report on the Implementation and Monitoring of the Anti-Corruption Strategy and the Action Plan 2013 - 2017.

Additionally, during the reporting period, the ACA has processed 11 cases related to conflict of interest. Out of this number, the ACA issued 9 opinions on remedy of conflict of interest, three legal opinions, and one request for discharge. In relation to declaration of assets, the ACA has initiated 30 criminal charges against 30 senior public officials who failed to report their assets.

With regard to capacity building in fighting corruption, please refer to Annex 6: Trainings session provided by KJI and ACA, in the area of corruption', May-August 2013.

1.2 HUMAN RIGHTS AND MINORITY PROTECTION

1.2.1 Civil, political, economic and social rights

The Government of the Republic of Kosovo continues its engagement to complete the necessary legal framework in order to protect and promote human rights in conformity with international standards. As part of this commitment, the following draft laws have been incorporated in the Legislative Plan of 2013:

- Draft Law on amending the Law on Gender Equality;
- Draft Law on Amending the Law on Anti Discrimination;
- Draft Law on Paraplegics and Tetraplegics, to be adopted by the end of November;
- Draft Law on Children Protection, to be adopted by the end of November.

To this end, the Government is assisted by a joint EU and CoE project that is expected to formulate a reform proposal providing recommendations to simplify the institutional set-up and the multitude of non-judicial bodies dealing with human rights as appropriate. In this light the Government will adopt the Draft Law on Protection from Discrimination and the draft law on Gender Equality once all the recommendations of the CoE experts are fully received and incorporated.

Moreover, further improvements have been noted in the area of human rights as regarding labour rights. In this regard, the Assembly has approved the Law on Safety and Health at Work on 13 May 2013 and the law has been assessed to be in compliance with EU directives.

In addition, the following strategies and action plans have been approved:

- National Strategy on the Rights of Persons with Disabilities 2013-2013 (22 August 2013);
- Action Plan for implementation of the National Strategy on the Rights of Persons with Disabilities 2013-2015 (22 August 2013);
- Strategy and Action Plan for cooperation with civil society organizations 2013-2017 (05 July 2013);
- Action plan on standard procedures in treating cases of domestic violence (15 July 2013);
- Progress Report on Children's Rights with the aim of assessing and monitoring the implementation of the Strategy and National Action Plan on Children's Rights (June 2013);

The Kosovo Correctional Service continues to increase professional capacities of its staff; consequently 10 members of the staff were trained for emergency driving. In addition, as part of fighting abuse of authority of the staff, the KCS imposed two (2) disciplinary measures, one (1) of which received a termination notice and the other received a disciplinary measure of wage reduction by 20%.

Missing persons continue to be treated as a subtle area by Kosovo institutions. The Red Cross Committee submitted a reply, prepared by the Kosovo National Agency of Archives, to a Delegation from Belgrade for the three initiated cases.

As regards domestic violence, a Project for Establishment of Database has started implementation, which includes all cases of domestic violence for 2012. As regards the investigation of cases pertaining to domestic violence, during the reporting period, Kosovo Courts and Serious Crimes Departments of the Basic Prosecution Offices have presented the following statistics:

Table 3: KPC statistics on domestic violence cases

Status of cases	No. of cases	No. of persons involved
Inherited	170	246
Received	1051	1544
Solved		740*
Unsolved	688	1050

* Please take note that the KPC regards solved cases based on persons involved

Table 4: KJC statistics on domestic violence cases

Status of cases	No. of cases
Inherited	306
Received	7
Solved	28
Unsolved	285

In relation to property rights, the GoK agreed that the mandate of the Kosovo Property Agency (KPA) should be extended for a final period until 2016 and establish a second KPA Appeal Panel by summer 2013; the Government is committed to allocate the necessary resources for this purpose.

During the reporting period May- August 2013 1,750 claims have been adjudicated. Therefore, in the adjudication of the KPA related claims, noticeable progress has been achieved with 3,500 claims left to be adjudicated. In addition to adjudicating the received claims, the KPA is also working on reducing the backlog of cases and enforcing the decisions taken. As regarding the enforcement of decisions, 2,406 decisions were delivered to the parties and 2,422 decisions are being enforced. In addition, a local member of Kosovo Property Claim Commission, by Assembly of Republic of Kosovo was re appointed.

Furthermore, during the reporting period the following statistics were presented by the Kosovo Judicial Council regarding the number of solved judicial and administrative decisions in the area of property rights:

Table 5: KJC statistics on property rights claims

Status of cases	No. of cases
Inherited	32
Received	9
Solved	12
Unsolved	29

1.2.2 Protection and respect for minority rights

The Implementation and Monitoring Council is already functional and has held 5 meetings where different issues regarding protection of the Orthodox Church were discussed, and especially issues related to property disputes.

The Ministry of Environment and Spatial Planning has approved the Guidelines for the assessment of inclusion and integration of cultural heritage in urban and spatial planning of local level.

Also, further efforts are noted in the field of protecting and preserving official languages and their equal status in Kosovo. The Office of the Language Commissioner is already operational, half of the staff is recruited and started working and for the rest of the staff, the Office is waiting recognition of Serbian diplomas gained in North Mitrovica. The web page of the Office is already functional and various activities were organized, such as a round table on "Public Awareness Campaign to support effective implementation of the Law on the Use of Languages promoting human rights and contributing to minority inclusions". Moreover, a workshop was organized on sharing best practices and challenges that relate to the implementation of language policies in Kosovo.

So far the staff participated in three trainings, one of them was held in Ireland and two others were organized by KIPA.

Moreover, broadcasting in Serbian language has already started in RTK 2, however it is still in the experimental phase.

The Ministry for Return and Communities continues its support for the returnees. During the reporting period 26 houses for the returnees were constructed. Furthermore, as part of the project "Stabilization and Reintegration of Communities III" 17 houses were constructed and 20 others are under construction in Municipalities of Prizren, Suhareka, Shterpce, Noveberde and Partesh.

The number of the returnees during the reporting period is 258 persons (including persons from all the communities).

With the aim of creating conditions for integration of returnees, the MCR during the reporting period has implemented the following projects:

- Paving the road in village Manastrica, Municipality of Prizren;
- Building 9 playgrounds for children in Municipality of Shterpce;
- Construction of the road in Vitimirice, Municipality of Peja; in Preoce-Uglare, Municipality of Fushe Kosova and Grencare, Municipality of Kllokot;
- Adjustment of water pumps in Bablake, Municipality of Ferizaj.

Furthermore, the following projects were implemented by the MCR as part of the communities' return and reintegration:

- Support to 37 projects of NGOs (136,641 €);
- Supplying 234 families with construction material (894,279 €);
- Distribution of hygiene packages, food packages and household furniture (17,701 €);
- Distribution of agricultural equipment (239,313 €).

As part of the inclusion of minority communities in the Public Administration, the MPA's reported the following on the number of minority communities employed in public administration:

Table 6: MPA employment statistics based on ethnicity

Nationality	No. of employees
Albanian	64954 (90,08%)
Serbian	4601 (6,38%)
Bosnian	1364 (1,89%)
Turkish	724 (1,0%)
Goran	72 (0,1%)
Ashkalinj	120 (0,16%)
Egyptian	65 (0,09%)
Roma	136 (0,18%)
Other	68 (0,09%)

As regards the investigations of cases of ethnically and religiously motivated crimes Kosovo Courts and Serious Crimes Departments of the Basic Prosecution Offices have presented the following statistics:

Table 7: KJC statistics on allegedly ethnically motivated crimes, Jan-Jun 2013

Status of cases	No. of cases
Inherited	2
Received	3
Solved	2
Unsolved	3

Table 8: KPC statistics on allegedly ethnically motivated crimes, Jan-Jun 2013

Status of cases	No. of cases
Inherited	3
Received	1
Solved	1
Unsolved	3

Meanwhile, the KP during the reporting period has reported 4 cases of ethnically motivated crimes, mostly consisting of minor body harm and incitement of hate, which are also being investigated..

1.3 REGIONAL AFFAIRS AND INTERNATIONAL OBLIGATIONS

The Government of the Republic of Kosovo on 5 April 2013 decided to allocate €40,000 for the fulfillment of the 2013 annual financial contribution to the RCC. No such decision was taken in 2012 due to the previous national RCC coordinator's stance on the status of the RCC that is the non-inclusion of Kosovo as an equal member.

On 30 May 2013, the RCC held the annual meeting in Ohrid, Macedonia. Kosovo as a new member of the RCC was represented by its Ambassador in Macedonia due to the fact that currently Kosovo does not have a national coordinator to the RCC. This meeting saw the approval of the Annual RCC Report 2012-2013 as well as the RCC Work Programme Strategy 2014-2016.

2. ECONOMIC CRITERIA

2.1. FUNCTIONING MARKET ECONOMY

The Kosovo government has continued implementing prudent policies for maintaining fiscal stability and macroeconomic sustainability. The latest fiscal policy decisions have been focused towards the same objective.

In June 2013, the IMF has conducted its fourth review of Kosovo's economic performance under the Stand-By Arrangement (SBA) where discussions were held on the Article IV. The technical level mission has evaluated the country's macroeconomic performance positively. All quantitative performance criteria and structural benchmarks were met, including the fiscal sustainability, the general government bank balance and strengthening of the financial system. The successful completion of this review enables Kosovo to draw SDR 4.251 million (about €5 million). However, the Government of Kosovo has decided to treat the arrangement as precautionary in 2013, so it plans not to draw this amount.

Fiscal developments have been largely in line with the targeted trajectory for budget execution. Kosovo Government and the IMF mission agreed on finalizing the amendment of the rules-based fiscal framework which has been enacted by the Assembly at the beginning of last month. The legally-binding fiscal rule will be implemented in the 2014. The government has also prepared the draft-proposal for the rules-based framework on determining the minimum wage level. Authorities and the mission have also agreed on the broad parameters of the 2014 budget based on the fiscal rule. The fifth review is expected to take place in October 2013 after which the SBA IMF program is expected to be concluded by the end of year 2013. The Government of Kosovo remains committed to achieve the program objectives while at the same time preserving the macro-fiscal and financial stability.

2.1.1. Reporting on recent economic developments

Although on a limited scale, the euro zone crisis has transmitted its effects to Kosovo. The low level of integration of the banking system in the international market and the low level of public debt contributed to an indirect impact of the crisis on Kosovo's economy, mainly through international price movements for metals and the drop on the global demand. Based on preliminary data for the end of 2012, real GDP is estimated to have increased by 2.4%. A decline of consumption and exports has negatively contributed to the slower output growth. Whereas, the general investment, export of services and the slower imports of goods and services have positively contributed to the growth of output.

Growth in 2013 is estimated to be around 3.7%. Growth is expected to be driven by the exports of goods and services and private investments. The import of consumer goods increased by 2.6% in the first half of the year in contrast to a decline of 0.02% last year. The consumer goods import represents an important indicator of domestic consumption developments although a substitution of imports with domestic products was noticed in recent times in particular in the agriculture sector. These developments signal a reasonable increase of 3.7% of private consumption. This is also supported by the increase of remittances by 15.5% in the first quarter of this year compared to the same period of last year. On the other hand, the import of investment goods (as a measure of investment levels in the country) has risen by 5.7% in the first half of the year signalling positive developments of the overall investment trends in Kosovo. The drop in the international prices of construction material has contributed to the increase of investments in real terms. Private investment was the main contributor since the execution rate of public investments has been low throughout the first half of the year.

Until the end of June 2013, the export of goods has risen by an 8% compared to the same period of last year. The export of services has risen by 25.6% in the first quarter of this year, after a 35.7% decline in the same period of 2012.

The import of goods has increased by 2.4%, while the import of services has dropped by 23.9% in the first quarter of 2013. The drop comes from the reduced transport, travel and business services. Such developments signal an improvement of the current account which is expected to continue during the rest of the year.

Table 9: Nominal GDP and its real growth

	2009	2010	2011	2012 est.	2013 proj.
In Euro millions					
Consumption	4,301	4,557	5,023	5,057	5,303
Investments	1,164	1,342	1,531	1,596	1,683
Export of goods and services	657	835	959	939	980
Import of goods and services	2,114	2,443	2,737	2,649	2,722
Nominal GDP	4,008	4,291	4,776	4,944	5,244
Real GDP growth, as %	3.5%	3.2%	4.5%	2.4%	3.7%
CPI, as %	-2.4%	3.5%	7.4%	2.5%	1.7%

Source: KAS and Macroeconomic unit (MoF) estimates

The methodology used to calculate the real growth is changed in accordance with the methodology used by the Kosovo Agency of Statistics (KAS). Growth for years 2008-2011 has been calculated by KAS, showing real growth in comparison to the nominal value of the previous year. Same methodology has been used by Ministry of Finance to estimate real growth for 2012 and subsequent years. In April 2013, CBK has published the revised data for the services exports with 2009 as a base year. Data for year 2012 are not incorporated as KAS is expected to update the national accounts in order to reflect these changes from 2009.

Balance of Payments

Balance of Payments estimates for the first quarter of 2013 indicate a solid decrease of the current account deficit from around EUR 20 million what it was in the same period of 2012 to EUR 13.4 million.

The seasonal income component and the current account developments contributed to this improvement. Capital and financial accounts marked a positive balance although much smaller than in previous years. The import of goods stayed at similar levels of 2012, keeping a constant rate of growth of 0.6 percent by the end of the first half of current year. The drop of oil and some food industry prices have been the major contributors to the imports stability. On the other hand, the export of goods account has improved significantly marking a 9.6 percent rise.

Trade in services has reached to EUR 59.5 million in the first quarter of 2013, an improvement that resulted in widening the trade surplus by another 25 percentage points. The jump comes from the decreased import of services, in particular transport and travel services. Kosovo has, at the same time increased its exports of services during this period.

The income account balance also improved by 14.6 percent in the first quarter of this year. This improved performance is driven by the lower level of outward flows of investment returns and the drop on the payment receipts to the international staff in Kosovo.

The transfer account increased slightly by a 0.3 percent due to the decreased outward transfers in increased inward transfers for about 10 percentage points. Remittances have increased by 7.3 percent reaching to EUR 127.8 million in the first quarter of 2013.

The capital and financial accounts have remained positive, although at an increasingly smaller magnitude than in previous years. This balance stood at EUR 2.2 million in the first quarter. Foreign Direct Investment (FDI) remains the major contributor to the positive performance. FDI has increased by 6.9 percent compared to the same period of 2012, reaching to EUR 60.9 million. Portfolio investments and reserve assets continue to contribute negatively to this account.

Trends in unemployment and employment

According to Ministry of Labour and Social Welfare registry data on unemployed, the cumulative number of registered unemployed at the end of April 2013 was 264,316. This represents a decrease of 0.58% compared to the same period of 2012. The category of unqualified persons constitutes about 57% of all the unemployed followed by women (31%) and persons with high school diploma (28%).

During January-April 2013, a total of 7,982 unemployed were registered according to the employment offices. On the other hand, the number of employed persons through employment offices was 1,465 for the first four months of 2013.

Trend indices on inflation

The latest Consumer Price Index (CPI) data published by the Kosovo Agency of Statistics show that the price level has increased by an average of 2.7% in the first half of 2013 compared to a 1.6% increase in the same period of 2012. Food prices which have a considerable weight in the basket have risen by 4%. Alcohol and tobacco prices have also increased considerably, marking an 8% rise during the period. Apart from communication prices (which fell by 1%), all other products have positively contributed to the increase of the general price level.

The oil price movements in the international markets are directly reflected in the domestic oil prices. During the first half of the year, the oil prices have dropped by an average of 4.2%. Prices of utility services have also contributed to the overall price increase in Kosovo. Electricity and water prices have jointly risen by 4.1%. Excluding the food and oil prices; the core inflation has increased by an average of 1.1%.

2.1.2. Reporting on monetary and fiscal policies over the reporting period

As to the developments concerning the government accounts, the trend has been predominantly on track in the first part of the year. Although border revenues have not performed as planned, domestic and local revenues have performed better than initially planned thus compensating for the border revenue gap. In addition, the one-off revenues in the form of dividends will allow for a full realisation of the annual plan for year 2013.

In the first half of the year, the border revenue have been realised at the rate of 40% of the planned amount reaching to EUR 362 million. Domestic revenues have been realised at the rate of 49% or EUR148 million in nominal terms. The increase of property tax has resulted with a higher rate of municipal generated revenue (44% of the planned revenue) amounting to EUR 27.4 million. Additional revenues are planned to be generated from the increased coal royalties which has so far resulted with EUR 9.4 million collected. So far, EUR 30 million has been collected from dividends payments with another EUR 10 million are scheduled to be collected later in the year. The liberalization of the mobile telephony market is expected to yield an additional EUR 20 million of revenues during 2013. As a result, the total revenues have amounted to EUR 1.1 billion corresponding to a 42.3% realization rate.

Expenditure outlays have also been going in accordance to the planned dynamics except for the capital expenditure. From a total of EUR621 million budgeted for capital expenditure, approximately 30% have been realised in the first half of 2013. Current expenditures have been executed at the rate of 43.2% (or EUR 420 million nominally) in the first six months of the year 2013. In total, the expenditure execution rate has reached to 37.9% of the planned dynamics for the first half of the year. In addition, EUR 2.5 million have been collected from the KEK loan payment.

Based on these developments and projections, the end of year budget deficit is expected to approximately EUR 155 million and the general government bank balance to reach around EUR 413 million.

As to the fiscal policy changes, the law on Management of Public Finance and Responsibilities No. 03/L-048 has been amended and supplemented by laws No.03/L-221 and 04/L-116, which incorporates a binding fiscal rule of limiting the annual budget deficit to 2% of GDP. The table below represents the central and local government expenditures by sub-categories.

Table 10. Central and local government expenditures by sub-categories

	Budget 2013 (KFMIS)	Total Realized	Jan	Feb	Mar	Apr	May	June	Progress on plan
'000 Euro									%
Receipts (Revenues)									
Border Taxes – Customs	915,198	361,955	44,187	45,872	57,119	71,131	73,130	70,517	40%
Reimbursements from Customs	(2,200)	-1,850	-204	-435	-162	-597	-126	-326	84%
Domestic Taxes – Tax. Admin	301,000	147,817	33,547	19,842	19,218	37,762	18,755	18,693	49%
Reimbursements from KTA	(32,400)	-12,887	-786	-2,517	-2,447	-4,765	-936	-1,436	40%
Tax Revenues	1,181,598	495,036	76,745	62,761	73,728	103,531	90,823	87,448	42%
Non Tax Revenues – Central Level	44,000	22,119	2,582	2,548	5,576	4,363	3,648	3,403	50%
Own Source Revenues	136,000	47,001	8,267	6,815	9,411	8,357	7,952	6,199	35%
Central Level	73,000	19,580	4,517	2,956	4,168	3,341	2,375	2,224	27%
Municipalities	63,000	27,421	3,750	3,860	5,242	5,016	5,577	3,975	44%
Royalties	22,000	9,431	734	423	451	425	851	6,546	43%
Dividend	30,000	30,000	0	0	20,000	10,000	0	0	100%
Concessionary tax	6,300	1,000	500	0	0	500	0	0	16%
Repayment of loan from public enterprises	6,000	2,500	500	500	500	500	0	500	42%
Revenue from Privatizimi	26,300	26,300	0	0	0	0	26,300	0	100%
Loans (disbursements)	103,060	41,438	175	1,618	167	19,562	19,912	4	40%
Total Receipts (Revenues)	1,528,958	674,825	89,502	74,666	109,833	147,238	149,486	104,101	44%
Payments (Expenditures)									
Central Level	1,213,734	470,746	30,351	113,566	80,920	83,513	93,411	68,985	39%
Municipalities	410,856	143,921	8,189	24,066	24,403	26,856	46,948	13,458	35%
Other Financing Transactions	34,162	11,585	344	273	10,508	53	316	92	34%
Total Payments (Expenditures)	1,658,751	626,252	38,884	137,906	115,831	110,421	140,675	82,535	38%
Change in Balance		48,573	50,617	-63,240	-5,998	36,817	8,811	21,566	

Total government debt

Total government debt at the end of July 2013 stood at EUR 445 million or 8.49% of GDP leaving enough room for borrowing. Nominally, the external debt reached EUR 331 million by the end of July 2013, or approximately 74% of total government debt. Please refer to tables XX and YY for year on year trends of the external debt and total government debt.

Table 11: External Debt (amounts in euro millions)

	2010	2011	2012	2013
External Debt	259	254	337	331*
GDP	4,291	4,776	4,944	5,244*
External Debt as a share of GDP	6.04%	5.32%	6.82%	6.31%

*External debt as of July 31, 2013

**GDP forecasted for 2013

Table 12: Total debt (amount in euro millions)*

	2010	2011	2012	2013
Total debt	259	254	411	445**
GDP	4,291	4,776	4,944	5,244***
Total debt as a share of GDP	6.04%	5.32%	8.31%	8.49%

*Total debt is defined as central and local government debt

**Total debt as of 31 July, 2013

***GDP forecasted for 2013

2.1.3. Interaction of market forces

Size of the private sector

As indicated in the table below, the size of the private sector as a share of GDP has varied between 85 and 90 percentage points in the period 2009-2013. Private investment has shown an increasing trend during the same period.

Table 13: Private sector as a share of GDP

	2009	2010	2011	2012	2013
Private consumption	90.0	89.1	88.4	86.2	84.3
Private investment	19.1	20.7	21.0	21.2	20.8

Privatization

Privatization Agency of Kosovo during the reporting period has conducted two (2) Privatization waves (Wave 57 and 58) and one Enterprise Asset Sales Liquidation.

A total of 54 new enterprises are included in the two privatization waves. Another 11 spin-off contracts and 44 liquidation contracts have been concluded with a value reaching EUR 10,151,682 and EUR 5,363,233 respectively. The revenue amount from liquidation has reached to EUR 6,420,845 while the amount of 20% proceeds distributed to workers has reached to EUR 6,437,329.

During the last three months, liquidation authorities have been appointed for another 53 SOEs where the liquidation process has been initiated. Liquidation authorities have reviewed 11,820 claims and issued decisions to claimants.

On the reorganization of (large enterprises) Trepca, a commission appointed by the Privatization Agency Board and the agency management has prepared the Draft ToRs for contracting an external Professional Service Provider, and presented it to the KPA Board in June 2013. In the following two months, the ToRs were distributed for comments and review to all relevant stakeholders including the Ministry of Economic Development. However, on the 13th of July 2013, the Ministry of Economic Development has notified the agency that it has started drafting a new law for Trepca and recommended the agency ceases the tendering procedures until the new law is in place. It also stated that the reorganization process of Trepca shall be clarified by the new law and that the terms of reference for the external professional service provider must reflect the provisions of the new law.

The deadline for submitting creditors' claims will be re-announced on the 1st of November 2013 in accordance to the Decision number AC-I-12-0131 of the Special Chamber of Supreme Court, dated 12.02.2013 and in accordance with article 17 of the Law on Reorganization of Certain Enterprises and their Assets.

Business start up and closure

A total of 2,463 new businesses were registered during the reporting period. At the same time, 428 businesses ceased their operations.

Business environment, judicial system and administrative capacities

In continuation of the efforts for improving the business environment, implementation of Pledge electronic registry for movable assets has begun during this reporting period. Registration, service fees, research, digital certificates and digital archives can be electronically accessed.

2.1.4. Financial sector

Economic developments in the regional countries have shown some weak signs in the Kosovo's economy as well. As a consequence, banks undertook some precautionary measures, namely reducing the balance sheet and deleveraging. Yet, the growth rate of loans and deposits remains among the most robust ones in the region. Also, insurance sector which is still in the process of consolidation, reported weaker than anticipated results. The slowdown was more pronounced in the microfinance institutions, where they reported deterioration in most of the performance indicators mostly due to lack of financing from abroad. Contrary to this, the Kosovo Pension Savings Trust (KPST) recorded a positive performance both in terms of higher assets and higher returns compared to the previous year.

Nevertheless, Kosovo's banking system remained a distinguished contributor towards the financial and economic stability. As of June 2013, the banking sector asset amounted to EUR 2.8 billion, which represents an annual growth rate of 5.1 percent. Credit growth rate is positive at 2.8 percent provided

that banks were more cautious towards lending to enterprises but also to a slower lending growth towards households (4.4 percent). Despite these precautionary measures, loans to enterprises dominate the overall structure, followed by loans to households. Their share to total lending was relatively similar to the previous year (2/3 to enterprises and almost 1/3 to households). Loans to trading enterprises compose 53 percent of total loans to enterprises. However, it must be pointed out that there were no significant changes during this period in terms of loans by economic activity. However, it is encouraging that there is a positive growth rate of both, amount and share, of the agriculture in the total loans. This sector accounts for nearly 4 percent of total loans, amounting to EUR 48.2 million.

Deposits maintained a growth rate of 4.4 percent reaching EUR 2.2 billion. The growth of deposits was mostly due to the continuous growth of deposits by households which remains robust. However, the total deposits growth was relatively slower compared to the previous years which were driven by a decrease in deposits by other financial institutions. This year also market an annual decrease of deposits by 0.1 percent by the enterprises sector.

Also, in terms of deposits, household sector was more dynamic recording higher growth rates compared to the enterprises. The enterprises were mainly focused on using own funds instead of credit lines to support business operations. Contrary to this, household's deposits increased indicating tendency of households to save rather than consume. The argument for the slight decrease of the deposits during this period is that there might have been a shift towards the use of internal funds by the enterprises given that lending to this sector was slower.

The banking system continued to be profitable and until June 2013, profit was substantially higher compared to the two previous years amounting to EUR 16.2 million.

Both, Return on Average Assets (ROAA) and Return on Average Equity (ROAE) for the banking system were positive but declined compared to the last year. Substantial increase has been noticed on Return on Average Assets (ROAA) and Return on Average Equity (ROAE) 1.2 and 11.7 respectively.

Commercial banks operating in Kosovo in continuity have applied prudent approach in risk management. In this context, banks proved to be cautious and conservative in the management of liquidity risk, credit risk and solvency risk. The satisfactory liquidity situation is reflected by the ratio of loans to deposits which stood at 82 percent, which is slightly above the recommended level, while broad liquid assets in relation to the total liquid assets was 29.7 percent. The credit portfolio quality remained at a contained level after the relatively rapid growth of NPLs.

The credit portfolio quality measured by the Non-Performing Loans (NPL) to total loans was contained in June 2013, remain at 7.6 percent, which at the same time, is the lowest level in the region. This could be partly due to the strengthened criteria for lending applied by the banks. However, the provisioning of the NPLs remains at 114.3 percent, representing a satisfactory level. Consequently, NPLs at this stage do not present a serious threat to the stability of the banking sector.

The prudent approach applied by the banking system of Kosovo to maintain its sustainability is also expressed through consistently high level of capital adequacy ratio, which kept the insolvency risk at low levels. In June 2013, the capital adequacy ratio continued to improve exceeding the regulatory requirements standing at 15.1 percent.

In addition, the CBK on regular basis compiles the stress-test analyses for the banking system, which focuses particularly on the credit risk and liquidity risk. The latest results of the stress-test analyses (which are regularly published in CBK Financial Stability Reports and Annual Reports) suggest that Kosovo's banking system is capable of withstanding higher levels of non-performing loans than the current levels. Also, the results on liquidity risk are positive suggesting that banks operating in Kosovo have sufficient liquidity to service higher rates of deposits withdrawals in a relatively short period of time.

Apart from standard duties of the department, DSFAE has initiated the compilation of the real estate price index (listed price). In addition, in February 2013, the DSFAE in cooperation with EFSE is in a process to take over the project of analyzing an over-indebtedness of households and enterprises which is planned to be compiled on regular basis.

2.2. CAPACITY TO COPE WITH PRESSURE OF THE COMPETITION AND MARKET FORCES

2.2.1. Human and physical capital

Human capital

As to the human capital development trend in the field of education, the total number of students in public universities and three private colleges is around 100,000 during the academic year 2012-2013. The total number of students in the pre-university education is 418.352. The number of students in the upper secondary level stood at 104.268; in the lower secondary at 288.378 for the academic year 2012/2013. Another 4,732 are in the private education system. The student per teacher ratio for upper secondary level is 19.2, while the ratio of students per class varies around 31 students.

The National Qualification Authority (NQA) has conducted a verification of 15 occupational standards in the following sectors: machinery, economy, trade, tourism and emergency. NQA validated and registered 6 (six) qualifications of levels III and IV in the NQF such as: Administrative Assistant, Welder, Electrician, Central Heating Installer, Plumber and Sewage Installer; and Information Technology.

NQA has accredited VET institutions to provide qualifications registered in the qualifications framework within the time-limit of one to three years, with or without conditions.

Public funding for research and innovation for this academic year amounts to EUR 580 000. It is dedicated to the following programs:

- Research mobility EUR 100, 000;
- Small scientific projects EUR 150, 000;
- Doctorate scholarships in the best universities of the world EUR 100, 000;
- Electronic library resources EUR 60, 000;
- For publications and printing EUR 100, 000;
- Science conference and other events related to science EUR 45, 000.

According to the data of Vocational Education Centres - 2,456 candidates were included in trainings during the reporting period. Broken down, 1,004 are female, 118 are from non-majority, and 28 are people with disabilities. Also, the centres have certified 1695 candidates. Another 1,040 candidates have attended trainings through the Kosvet VI project.

Some training services unavailable in the training centers have been purchased through agreements with associations like Handikos, Handicap Kosova, and Down Syndrome where approximately 300 people with disabilities have attended trainings.

Physical capital

Both private and public investments have shown an upward trend from 2009 onwards. Private investments are dominated by construction while a significant proportion of public investment is dedicated to the construction of highways.

Table 14: Private and Public investments, 2009-2013

Description	2009	2010	2011	2012	2013
-------------	------	------	------	------	------

Private investment	766	887	1,003	1,046	1,093
Public investment	400	455	528	550	590

Note: Data for 2012 are an estimate for private investments, for 2013 a 95% execution rate is assumed for public capital expenditure

There was a sharp decline of FDI in 2012 followed by a large jump in 2013 (see table below for figures). FDIs are largely oriented in the real estate (partially consisting of remittances invested in buying properties), transport, telecommunications and construction. These sectors altogether constitute around 69% of foreign investment.

Table 15: Foreign Direct Investments (FDI) as % of GDP and its stock from 2009

Description	2009	2010	2011	2012	2013
FDI as % of GDP	7.0	7.7	7.9	4.4	10.0
FDI Stock, in euro millions	1,493	1,824	2,203	2,419	2,946

Regarding the **road infrastructure**, the work progress on the M9 highway is as follows: segment 7 realisation is 30%, segment 8 is 70%, and segment 9 is 71%. The three segments are planned to be completed by the end of 2013. The work progress on the Segment M9, Sllatine - Gjurgjic is 98% completed. The segment M2, Shkabaj - Millosheve has been completed at the rate of 95%. As to the regional road infrastructure, a total of six projects have been completed with 18.7 kilometres of roads repaired.

2.2.2. Sectoral and enterprise structure

Reform and liberalisation of network industries

As regards developments in the telecommunication sector, secondary legislation is being developed in line with requirements of the electronic communications law. For this purpose, two regulations have been adopted recently:

- Technical regulation for regulating the electronic telecommunications, approved in July 2013 (Ref. Nr.Prot.025/B/13);
- Regulation on payments for market supervision, approved in July 2013 (Ref. Nr.Prot.021/B/13).

The government has in July taken a decision No. 04/88 on further liberalisation of the mobile telecommunications services. This allows the operators to provide next generation mobile telecommunication services by using the frequency resources at disposal.

As regards to the main indicators of the telecommunications market, the fixed telephony penetration rate stood at 4.8% for residents. The latest data from the first quarter of 2013 indicate a slight decrease of 0.49% in the number of mobile phone users. Mobile telephony penetration stood at 95.16% at the end of the first quarter 2013. Number of lines with broadband internet access reported by operators has reached 147,533, an increase of 2.53% compared to the previous quarter. According to the latest official data reported by operators, the penetration rate for households with broadband Internet access is 58%, while Internet penetration per 100 inhabitants stood at 8.49% at the end of the first quarter of 2013. There are 55 internet service providers in Kosovo. The mobile services sector in Kosovo represents about 78% of the total value of the electronic communications sector.

Sectoral Structure

Small firms

SMEs constitute around 99% of all enterprises. There are no changes in the classification of SMEs by size or by number of people they employ from the last reporting For SMEs by ownership structure, please see table 16 below.

Table 16: SMEs by ownership:

Type of ownership	
Individual business	88.22 %
General partnership	2.79 %
Limited partnership	0.07 %
Limited Liability Company (LLC)	7.98 %
Shareholding company	0.32 %
Foreign-owned companies	0.50 %
Socially-owned	0.02 %
Public-owned	0.01 %
Agriculture cooperatives	0.06 %
Other (under jurisdiction of KTA)	0.03 %

2.2.3. State influence on competition/competitiveness

Large state-owned enterprise

The unbundling of the Energy Distribution and Supply Company (KEDS) from the Kosovo Energy Corporation (KEK) has been finalized in May 2013. With this, the ownership has been transferred to Kosovo Çalik Limak Energy Shareholding and the privatization of the distribution and supply operator has been completed. All conditions for the closure of this transaction have been met including the approval of the Energy Regulatory Office for transferring the licence, company control and the payment of EUR 26.3 million to the Kosovo Budget.

The transaction agreement provisions have secured an investment of EUR 300 million for the next 15 years, a guarantee on the payment of KEK generators for the amount of energy supplied, and a guaranteed employment contract of three years for 2,720 current employees.

On the privatization of Post and Telecom (PTK) company, the technical and financial bids from the two bidders M 1 international and Axos Capital GMBH and Najafi Companies consortium in partnership with British Telecom were received in April 2013. The most favourable operator of the tended was awarded to the Axos Capital GMBH and Najafi Companies consortium in partnership with British Telecom. According to the tender dossier, the winning company had a deadline of 22 July 2013 to sign the purchase agreement. Upon the request of the consortium, the deadline was prolonged to no later than 30 September 2013.

State Aid

During 2013, state aid was given predominantly for capital projects and cost coverage of energy, purchase of crude oil for heating, train fares and water provision services. The amount of aid granted in 2013 is EUR29 million.

The sectors that have received state aid in the form of subsidies and grants for capital projects between February and August 2013 are:

- The energy sector, an amount of EUR 16,138,861.72;
- The Railway Sector, an amount of EUR 16,138,861.72;
- Heat Sector, an amount of EUR2,473,540.66;
- Water and Waste Sector, an amount of EUR 1,679,496.58.

The state aid office which will be the monitoring authority within the independent Competition Authority is currently being established. So, Control and Monitoring Agreements signed between the POEs and the Ministry of Economic Development are currently being used as monitoring mechanism for

state aid to public enterprises. These agreements regulate the manner of using state aid, quarterly reporting requirements and audit methods of such funds.

2.2.4. Trade integration

European Union is the largest trading partner for Kosovo. Imports from EU have risen by 8.4%, amounting to EUR 486 million in the first half of 2013. They represent the largest share with approximately 41% of the total imports. The main importing countries are Germany (24.6%), Italy (22%), Greece (15.5%), and Slovenia (6%).

Kosovo's exports to EU countries have also increased by 4%, amounting to EUR 58.4 million or 39.3% of total exports. Germany and Italy are the largest partners for Kosovo's exports with around 79.5% of exports to EU. Exports to Italy alone reach EUR 40 million or 69.5% of exports to EU countries.

The structure of exports is dominated by nickel, copper waste and scrap, raw skins of bovine animals, water vapour turbines and other vapour turbines, and zinc concentrates. While the major imported goods include petroleum oils and oils obtained from bituminous minerals, vehicles, tobacco, and medicaments.

The import and export of services has reached to EUR 105.3 million and EUR 45.75 million respectively by the end of first quarter of 2013.

3. EUROPEAN STANDARDS

3.1. INTERNAL MARKET

3.1.1. Free movement of goods

Ministry of Trade and Industry has continued further with reorganization of its units. Kosovo Business Registration Agency is now fully functional according to the new structure. Division of Quality Infrastructure is established as a separate unit within the Department of Industry in July 2013, and the Head of Division has been appointed.

The Inter Ministerial Council for Trade Policy is replaced by the National Council for Economic Development. In June 2013, Trade Policy Working Group on services has conducted the fourth meeting on providing information on services for local businesses.

Data on tariff barriers and questionnaires collected by Trade Policy subgroups are transferred into the Market Access Database (MADB) which is created and functions according to CEFTA secretariat guidance. A total of 17 cases are registered in this database. Furthermore, in July 2013, MTI staff responsible for database maintenance was trained on MADB.

Kosovo authorities have participated on several meetings related to CEFTA activities, as: the seventh meeting of the Subcommittee on Tariffs and Non-Tariffs in Skopje, the seventh meeting of the Working Group on Technical Barriers to Trade (TBT) in Belgrade, the eighth meeting of the Working Group for services in Sarajevo, and lastly, the meeting of experts and Deputy Ministers in Sarajevo.

Regarding Kosovo's trade priorities, from February onwards, MTI has negotiated with Turkey on industrial and agricultural products. In detail, the negotiation process on industrial products is done in three stages. Initially, products which are imported in Kosovo from Turkey in 8-digit HS level; in the second stage, the list of products fully liberalized upon the request of Turkey; and the third stage covers the rest of products remained from previous stages and other industrial products. Also, on negotiations for agricultural products, Turkey has initially prepared the list of agricultural products to be negotiated; Kosovo authorities provided their feedback and proposals on that proposed list; and finally, the list of agricultural products formulated by Kosovo is negotiated with Turkey.

In the context of preparations for the trade-related aspects of SAA negotiations, in August 2013, MTI has prepared the list of sensitive industrial and agriculture products with 2, 4 and 8 digit of the Harmonized System.

Standardization

During the reporting period, a total of 560 standards were adopted. These standards are divided into the following sectors: 380 electrical standards, 110 standards for personal protective equipment and 70 standards for information technology.

A promotional meeting "Living Standards" has been held in KCC, conducted on August 1st 2013, with the aim of raising awareness of businesses to implement these standards.

Accreditation and Conformity Assessment

Legal framework on conformity assessment has been completed further with the new approach legislation, as follows:

- Technical Regulation No.04/2013 on Machinery Safety;
- Technical Regulation No. 05/2013 on Toy Safety, and ;
- Technical Regulation No. 06/2013 on the Mark of Conformity.

Kosovo General Accreditation Directorate (KGAD) during the reporting period has received two applications for accreditation of inspection bodies, as follows: to control the lifts and their safety components; entity and a laboratory on viticulture, and laboratories of enology.

Conformity assessment area includes several activities performed in KGAD, as follows: one assessment is realized on laboratory analysis of liquid fuel oil, three on regular annual surveillance of laboratories covering analysis of water for drinking and recreational waters, quality control of food, microbiological laboratory of food and water, and, three surveys conducted after six months of conformity verification bodies (CVB). Also, accreditation of laboratories has been carried out on analysis of construction materials, liquid fuel oil and lastly, an assessment was conducted on inspection bodies for liquid fuel oil.

Metrology

The etalon for mass and weights of mass have been calibrated with etalon (E2 class) during May 2013. Also, KMA has signed the contract with the company for the purchase of etalon van which will be used for verification of measuring fuel sales points.

Regarding capacity building, in May 2013, 7 officials of Metrology Agency have been trained and certified by TUBITAK-UME in Turkey in the field of mass, volume, flow, force, and pressure.

Market surveillance

The Market Inspectorate in exercising his oversight role for implementation of internal trade, consumer and product safety legislation has conducted over 370 inspections during the reporting period. Inspections have resulted with the following measures taken:

- 7 administrative fines issued for violation of consumer protection legislation;
- 5 cases initiated in the respective courts for violation of general product safety legislation;
- 18 cases initiated in respective courts for violation of trade on petroleum legislation;
- 10 cases initiated in respective courts for sale of petroleum without a licence;
- 3 cases initiated for administrative measures for non-compliance to the market inspectorate legislation on presenting the legal documentation; 20 complaints reviewed for violation of consumer protection legislation;
- 307 products (toys, sportswear, food products) seized;
- 25,000 labels confiscated for being marketed without the required documentation.

Consumer protection

To further develop a safer and proper financial market, a MoU was signed on 18.07.2013, between Ministry of Trade and Industry (MTI) and Central Bank of Kosovo (CBK) on consumer protection.

The Council of Consumer Protection has held three meetings during the reporting period where it examined consumer complains emerging from Kosovo Energy Corporation (KEK) now Kosovo Energy Distribution and Supply (KEDS) bills. However, a final recommendation for KEDS is being prepared by the Council based on the complaints received.

The Consumer Protection Department has received a total of 90 complaints. Of these, 44 have been reviewed and 46 are in the process of being reviewed. Majority of complaints received, came from the Market Inspectorate within MTI and Food and Veterinary Agency.

In terms of awareness campaigns, several activities have been conducted including lectures to high school students and RAE community, distribution of leaflets to schools, universities and newspapers (16,000 leaflets disseminated).

3.1.2. Free movement of Capital

The Law on Payments System No. 04/L-155 has been adopted by the Assembly in May 2013. Secondary legislation for the implementation of the payments system law has been developed. The following regulations have been drafted:

- Regulation on clearing and the functioning of clearing accounts;
- Regulation on the Direct Debit Scheme of the Electronic System of Interbank Clearing.

3.1.3. Customs and Taxes

a. Customs

With regards to the continuous upgrade of customs and for the implementation of the IBM, the necessary human resources, technical and physical infrastructure in border crossing point (BCP) of Merdarë, Mutivodë, Bernjak and Dheu i Bardhë/Mucibabë have been completed during this reporting period. ASYCUDA electronic system is operational in all BCPs. In addition, the implementation of customs clearance of goods at Jarinje and Brnjak has started and it is in line with the protocol and action plan of customs procedures for these two BCPs. During the reported period, 7532 loads were cleared in BCP of Jarinje, while in the BCP of Bernjak 2413 loads were cleared. Following the construction of the garage for detailed examination in BCP of Vërmicë, the second line control facility has been built and a luggage X-ray control has been installed.

As to the measures against the informal economy, 23 activities have been conducted in cooperation with other institutional agencies between May and August. The overall number of organized operations of suspected smuggling and other illegal activities across the country is 135. The number of cases detected in the Mitrovica region alone including smuggling of goods is 69 (non-alcoholic soft drinks, fruit juice, petroleum, food products and hygiene products).

On capacity development, a total of 116 customs officials have attended different training programmes in the period May-August. Training subjects cover the following areas: Customs Measures for IPR Protection, Managing the Official Documents, School for European Integration, International Asset Discovery and their Return, Smuggling Investigation, Tariff Module II, Commodity Statistics, Cigarette Smuggling Prevention, Ethics and Anti-Corruption, Organizational Behaviour, Terrorism and Awareness, State Protocol Issues; Seminar on Excise Goods, Fast Spreading, Training for Trainers, Improving Quality of Financial Investigations, Seminar on European Customs chemists.

b. Taxation

As regards the tax collection measures and procedures, a total of 740 fiscal numbers have been issued and 865 fiscal electronic devices installed between months of May and August. The overall fiscal numbers issued is 18,085 while the overall fiscal electronic devices installed are 23,176.

During the reporting period the new application for managing cases of mandatory collection (SMRM) has become fully operational. This has a direct impact on creating a more effective collection system. As a result, 35 automatic notifications have been issued from the application to the taxpayers. Moreover, a Task Force has been created to deal mainly with the implementation of procedures for the collection of debts from SOEs. The Mandatory Collection unit has carried 18,189 activity visits and 34 random checks resulting in a turnover of EUR 14,782,610 and EUR 873,266 respectively.

On the fight against tax evasion, tax authorities have taken a number of activities. Nine cases of tax evasion have been detected amounting to EUR 1,422,401. Another 21,836 visits were conducted to prevent failure to fulfil tax obligations thus bringing in an additional turnover of EUR 21.5 million. Also 3,360 mandatory fines were issued in the amount of approximately EUR 1 million. A total of 104 inspections for non compliance were conducted as a result of the information used by risk analysis. The monetary result of these inspections was EUR 12.7 million of additional tax. At the same time 395 mandatory fines were issued in the amount of EUR 63,125. The Call Centre has conducted 4,064 calls resulting to an income of EUR 379,951.

The following activities were performed through the online services in the period between May and August:

- A total of 189,701 tax declarations in electronic format have been downloaded;
- A total of 2552 individual businesses, 23 partnerships, 594 **limited liabilities companies** and 3 corporations are registered through Business Registration Agency and One-Stop-Shop service points across municipal centres;
- A total of 4012 tax certificates for physical persons were issued;
- A total of 252,093 electronic declarations;

- Overall 28,027 registered taxpayers in the electronic filing system.

The Tax Administration during this period has conducted a total of 42 training sessions with a total of 378 participants. Trainings have been in various fields such as: Management and use of SIGTAS, procedures and control techniques, international tax treaties, mandatory collection, auditors' role on corruption and fraud and tax legislation.

3.1.4. Competition

Kosovo Competition Authority during this reporting period has taken these decisions: the SharrCem case, releasing the company from imposing administrative sanctions in absence of relevant facts, and the decision giving the consent to Llactalis Group for realization of merger.

3.1.5. Public Procurement

The Public Procurement Regulatory Commission (PPRC) performs regular monitoring of cases in efforts to increase transparency. As of May 2013, 9 monitoring were carried out regarding implementation and provisions of the Public Procurement Law. On the negotiated procedures without publication of a contract notice, 123 notifications have been made. Managing of public contract was carried through monitoring in 7 relevant contracting authorities. Regarding the number of interpretations, 30 were received in the written format, 330 through telephone calls and 250 through electronic mail.

On the other hand, Procurement Review Body (PRB) from May 1 to August 16 has received a total of 181 complaints from economic operators. Of these, 116 complaints were reviewed by PRB, while the remaining 65 are in the process of being reviewed. Out of the complains reviewed, 27% have gone in favour of economic operators, 37% in favour of contracting authorities, while 35% are nearly finalized. For the reporting period, due to noncompliance with the rules of the panel review, PRB imposed fines on three contracting authorities, and took the decision to obtain the certificate of professionalism from a public procurement official.

On human capacity development, PPRC has in May carried out public procurement trainings for beginners. The training was attended by 78 participants, of which 68 have been awarded with certificates for basic public procurement. A month long advanced public procurement training has taken place in May/June where 450 officials attended. PPRC in collaboration with International Training Centre ITC-ILO and the European Commission has organized a training to certify new trainers for public procurement, known as 'Training of Trainers Program for Procurement Management'. A total of 26 officials have benefited from this training.

3.1.6. Intellectual Property Rights and Copyrights

On the legal framework in the field of Intellectual Property Rights (IPR), the Law No. 04/1-187 on Geographical Indications and Designations of Origin was approved in May and entered into force on July 19, 2013. This law defines the rules on the manner of gaining and protection of designations of origin and geographical indications of products. It is applicable to all products for which the protection of designations of origin originates from a region, specific place or state. To complement the legislation in this field, AI No. 08/2013 on Authorized Representatives in the field of Industrial Property was approved on 18.06.2013.

Regulation on Mediation of Disputes in the Field of Copyright and Related Rights No. 5/2013 was approved on January 30, 2013. As of February, this regulation is being implemented by the Ministry of Culture, Youth and Sports (MCYS), when the procedures for recruitment of mediators began. Seven mediators have been selected, and they have been trained by the only mediator from the region licensed by the World Intellectual Property Organization (WIPO). As a result, on May 04, 2013, mediators were appointed by the Government of Kosovo.

Office for Copyright and Related Rights has on May 25, 2013 signed a Memorandum of Understanding (MoU) with Kosovo Police in order to deploy remedies to prevent pirate activity, protect original works

and punish the perpetrators. This increased cooperation has resulted in a more effective fight against piracy, in particular through the Task Force against Piracy.

In June 2013, The Task Force has adopted its Internal Rules of Procedure and Action Plan. It also made a decision to take measures on the violation of copyrights. A deadline set for the 15th of August was made public stating that all persons and entities involved in production, sale and distribution of products that contain copyright protected material, must remove these products from the market and from web sites. On the 16th of August 2013, concrete inspection measures were taken in the market in several cities. Approximately 10 thousand CD-s containing music, films, video games and computer programs were seized within one week. The market inspectorate has initiated the infringement procedures after which the cases are preceded to competent courts. At the same time, the Task Force, particularly the Unit for investigation of cybercrimes within the Kosovo Polices, has taken actions against the web pages that contain pirated materials, mainly music, films and video games.

Industrial Property Automation System (IPAS), the database where all industrial property objects are being registered is now fully functional. From May to September 2013, the number of objects registered is presented in the following table:

Table 17: Registration of industrial property objects (May- September 2013)

Trademarks		Patents	
Decisions	1998	Decisions (including refusals)	188
Certificates	1375	Notifications issued for paying the fees regarding decisions	44
Notifications	201	Other Decisions	30
Notifications issued for paying the fees regarding decisions	2504		
Publications through IPAS	1937		

As of May 2013, 6 official bulletins were published by the IPO (Issues19-25). The number of total applications published is 4175.

On the enforcement activities, Kosovo Customs conducted actions on 64 cases under the suspicion of counterfeit goods. Of these, 24 cases resulted in 233,881 pieces of counterfeited goods worth EUR 293,361. Also, 30 new risk profiles were created in relation to goods that infringe intellectual property rights. A total of three ex-officio cases have been identified worth EUR 1, 221.00 and a quantity of 135 pieces.

As regards the capacity building in the field of IPR, as of August 2013, Industrial Property Office recruited two officials, the General Director of Agency for Industrial Property and a Senior Officer for administrative affairs.

A conference on "Piracy and other Copyright Infringements" was organized by the Office of Copyright and Related Rights on July 30, 2013. The conference informed participants about relevant institutions and measures taken to fight piracy. The conference was attended by rights holders from Kosovo and abroad.

3.1.7. Employment and social policies

Regarding legislative developments in the labor sector, the Law nr.04/L-161 for Safety and Health at Work has been amended and adopted by the Assembly on the 16th of May 2013; the Law on Issuance of Work Permits and Employment of Foreign Citizens No. 03/L-136 has been annulled. Some of its provisions are incorporated in the recently adopted Law on Foreigners No. 04-L-219 (adopted in July 2013).

The Administrative Instruction no. 03/2013 on Procedures for Registration, Certification and Employment for the Unemployed to Apply the Social Assistance Scheme was approved on 26.04.2013. The purpose of this Administrative Instruction is to regulate the cooperation between the Centre for Social Work and Employment Municipal Offices, the procedures for the unemployed to apply to the second category of Social Assistance Scheme, duties and obligations of Employment Office and the unemployed, and the importance of statement of unemployment.

Ministry of Labour and Social Welfare (MLSW) has continued the implementation of programs and projects active in the labor market. This way, MLSW in collaboration with the United Nations Development Program (UNDP), is implementing the project in active labor market for job generation, where 207 are engaged in jobseekers schemes, job training and practice in work. With support from the German Federal Employment Agency and in cooperation with Ministry of Culture, Youth and Sports, and the Federal Employment Agency, 179 students were selected for mediated employment in Germany. In cooperation with Kosovo Energy Corporation (KEK), 120 jobseekers were employed as manual workers with a 1-year contract – with the possibility of extending it.

Regarding the legislative framework of the health sector, the Law No. 04/L-150 on Chambers of Healthcare Professionals was adopted by the Assembly on May 30, 2013. In order to fulfill the health legislation Ministry of Health (MoH) during the reporting period has adopted two AI's such as: AI No.09/2013 on Performance Incentive Scheme of the Health Professionals and Professional Services and AI No. 08/2013 on the List and Price list of Basic Health Care Services.

Regarding the provision of health care services to Roma, Ashkali and Egyptian (RAE) community and other communities, 18 cases of RAE community are tested between May and August of 2013 where 13 capillary blood samples and 17 venous blood samples have been taken. A total of 1,050 children of RAE community have been vaccinated. The implementation of the methadone project is ongoing where 87 patients have benefited so far between ages 20 to 56 years old.

On institutional capacity building in the field of healthcare services, the first contracts have been signed with Sixes University Clinical Centre's of Kosovo and regional hospitals.

3.1.8. Education and Research

The necessary secondary legislation for the professional development of teachers has been adopted:

- AI No.16/2013 for the Professional Development of Teachers;
- AI No. 14/2013 on Assessment of Teacher Performances.

For the quality assurance in the sector of education, the application of the program for training and licensing of teachers has commenced. In this regard, a total of 20,350 teachers have been licensed between June and August 2013. Five training programs have been accredited for teacher's professional development thus setting up the initial training mechanisms through USAID and GIZ programs.

As regards, research and innovation, financial support in the form of scholarships has continued for 35 PhD candidates in this reporting period.

3.2. SECTORAL POLICIES

3.2.1. Industry and SME's

As regards the improving of access to finance for SMEs, the feasibility study for the Credit Guarantee Scheme (CGS) has been completed in June 2013. Moreover, the Credit Guarantee Scheme is created with assistance from Austrian Development Agency (ADA) and the Swiss Office. Through IPA 2013 project funded by European Commission (EC), a fund of EUR 3 million to subsidize SMEs is established (EUR 2.25 million funded by EC, and EUR 0.75 million funded by MTI).

The "Business Internship" program has been developed during the reporting period, which includes a total of 185 students who have benefited from an internship.

In terms of promoting investments and exports, within the reporting period, a number of international investment promotion conferences and forums have been attended by IPAK, such as: International Fair of Franchise in New York, promoting investment potentials in Kosovo presented in the IOWA, USA, and Futurallia in Turkey.

3.2.2 Agriculture and fishery

Regarding the completion of legal framework in the field of agriculture and livestock, the Assembly of Kosovo has adopted the draft law on Livestock, which is published in the Official Gazette of the Republic of Kosovo, No.25/08/2013. (Law on Livestock No. 04/L-191).

In order to complete the primary legislation with the secondary one, during this period, MAFRD has adopted these Administrative Instructions:

- Administrative Instruction No. 05/2013 - On the organization, responsibilities, rights and obligations of the central, local advisory services and reporting manner, date 04/23/2013;
- Administrative Instruction No. 06/2013 - On the registration of grape cultivators, wine producers and other products of grape and wines, date 15/04/2013;
- Administrative Instruction No. 07/2013 - On standard and flour fortification, safety and quality control of flour fortification, date 02.08.2013;
- Administrative Instruction No. 09/2013 - On uniforms, emblems, identification cards and official carrying of official weapons, date 27/06/2013;
- Administrative Instruction No. 10/2013 - On the tasks, responsibilities and composition of committee for organic agriculture, date 22/07/2013;
- Administrative Instruction No. 11/2013 - On the determination of price fee for control services performed in the KAI laboratory in Peja, No. 07/23/2013.

In terms of drafting policy, plans and development programs for agriculture sector and rural development, during this period, the Agriculture and Rural Development Programme implementation assessment for 2012 by the Monitoring Committee is approved on the date 27/06/2013, based on EU Regulation (EC) 1974/2006.

Regarding wine sector, MAFRD has completed the classification and certification of vines for 2013 (Vine production of 2012). MAFRD has certified 64 types of wines, of which 13 varieties (types) are rated as culminant; 35 are rated as qualitative, 14 were rated as table wine and two wine varieties have been rejected.

Aiming at land consolidation, up to date, according to the report of the project implementing company "sh.pk Intershped CA" in the Excel spreadsheet and Access system have been inserted 2,963 ha, in four Cadastral Zones of Gjakova municipality. During this period, work on updating the register of farms has continued, while in the system were introduced 25,610 farmers.

In order to stop changing land use of the arable land, during this period were held 23 meetings with responsible officials of the Department for Spatial Planning, Inspectorate Department, and Department of Agriculture of Municipal Assemblies. MAFRD has also given 5 consents for changing the destination use, while 6 cases have been sent back to the Municipal Assemblies for completion of the documentation.

MAFRD through Grants schemes is making the implementation of the program in 2013 for the Measure 2 (Restructuring physical potential in the agri-rural sector); Measure 3 (Irrigation of agricultural land); Measure 4 (Investments in processing and marketing of agricultural products) and Measure 8 (Support for local community development).

For these four measures, 3,852 applicants have applied in the Rural Development Agency, which are being reviewed by the Commission. It should be noted, that the payment of subsidies for 5.8 million for wheat was realized, while the other applications for subsidies and grants are being controlled.

The amount of proposed projects is 104,233,520.89 Euro, for different measures and sectors as seen in table 18 below.

Table 18: Sectors, the number of applicants and the amount of projects

Nr.	Sector and Measures (2,3,4,8)	Nr .of applicants	The cost of the projects
1.	Horticulture and viticulture	59	722,842.67
2.	Infrastructure in viticulture	1	2,275.00
3.	Non-wood products	11	1,263,532.00
4.	Milk sector	445	19,844,867.15
5.	Sector of eggs	39	2,187,133.80
6.	Sector of meats for calves and broiler chicken	82	4,071,677.38
7.	Beekeeping sector	249	3,011,181.23
8.	Milk production	24	4,938,006.04
9.	Meat and meat processing	16	6,968,866.62
10.	Processing and marketing sector	58	8,480,200.92
11.	Land irrigation	100	3,724,695.86
12.	Local Action Groups (LAG)	39	835,849.00
13.	Vegetable sector - greenhouses	815	18,365,078.78
14.	Fruits sector	336	7,558,024.09
15.	Sector of mountain fruits and medical herbs	100	881,686.89
16.	Soft fruits (strawberry, blackberry, raspberry)	336	3,143,541.52
17.	Vegetables in open field	175	600,231.9
18.	Agricultural mechanization for plowing the land	609	11,515,196.72
19.	Agricultural mechanization	238	4,295,595.98
20.	Support on milk production(equipment)	73	1,442,834.09
21.	Ruminants -sheep	15	338,026.35
22.	Ruminants-goats	4	42,176.90
	Total:(applicants and cost of projects for different projects)	3,852	104,233,520.89

MAFRD for 2013 has allocated budget for subsidies and grants on the amount of 27 million Euros, however, according to the table above the requirements of farmers based on their projects are about five times higher.

In regard to the forestry sector, in order to protect the forest, the Central Inspectorate of Forestry (KFA) during April - June has conducted 310 controls. KFA and Municipal Assemblies have taken these actions presented in the table.

Table 19: Actions taken by KFA and Municipalities

Number of controls	No. of protocols	No. of decision issued	No. of Minor offence summons	No. of criminal summons
310	141	20	925	548

In regard to farmers capacity building, MAFRD together with Municipal Assemblies, have provided different advices to 4,555 farmers on: filling applications, grants, subsidies and capital projects, whereas for the protection of agricultural land have been held 12 meetings with citizens in 12 municipalities. Regarding the importance of forests and their protection, KFA has organized 3 workshops in Prishtina with all stakeholders.

Within the TAIEX Program, MAFRD has submitted 13 requests for expertise, and 34 requests for study visits. With the purpose of promoting agricultural and dairy production, MAFRD organized the "International Day of Milk" (June 1st), while on the dates 4-8 June MARFD organized the "Strawberry

and Raspberries Week". In July, Kosovo participated in the Ploughing championship which was held in Canada.

Food Safety

Regarding the development of policies and plans for food safety, plants and animal health, the official control and sampling Plan for food and animal health for 2013 was adopted on 12.02.2013 and its implementation continued during this phase as well (April-June). For the purpose of licensing of live animal markets, the Food and Veterinary Agency has begun to control 5 (five) animal markets in Lipjan, Vushtrri, Ferizaj, Istog, and Peja. Also the categorization of Border Inspection Points has been accomplished during July, as well the Standard Operating Procedures for sampling of meat and its products, according to Microbiological criteria were approved on June 2013.

KFVA has continued to strengthen the control of agricultural products both domestically and imported from abroad. Samples taken from the phytosanitary-veterinary inspectors at the border and within the country, as well as samples of sanitary inspectors were sent for chemical-physical and microbiological analysis at the Agricultural Institute in Peja, National Institute for Public Health, Food and Veterinary Laboratory, and reference laboratories outside Kosovo.

Food and Veterinary Laboratory during this period analysed all suspected samples which were received from veterinary practices contracted by the FVA and samples that have been taken by KFVA inspectors within the national plans regarding food control as well as projects under the Memorandum of Cooperation with MAFRD, FVA, and FVL.

Regarding capacity building, during the reporting period KFVA hired: 3 sanitary inspectors, 3 phytosanitary inspectors, 1 veterinary Inspector and 1 Senior Legal Officer.

In addition, 20 Inspectors were trained to carry out FVA official controls. Laboratory staff is trained to performing analyses of milk and cereal, on aflatoxin. Four officers from the laboratory were trained in Brescia (Italy) for analysis of veterinary residues in food with confirmative methods as well for basic microbiological food analysis and for assessing biological and chemical risk. Ten additional laboratory staff were trained at the Food Laboratories in Kosovo by experts on aflatoxin detection.

During three months (April- June), KFVA inspectors have issued in total 11 minor offence summons to different companies that could not fulfil the requirements set.

All data for the I & R (movements of animals) as well as analysis of samples which were carried out by the Food and Veterinary Laboratory, Agriculture Institute in Peja, National Institute of Public Health, and institutes abroad. Samples were taken by Phytosanitary Inspectors (internal and Inspectors at the border); Veterinary Inspectors (internal and border) and Sanitary Inspectors (within Kosovo) and the results of tests are presented in the tables shown in Annex 7: Data of Food Safety.

3.2.3 Environment

MESP has continued the process of completing the legal framework by adopting the Law on Amendments and Supplements to the Law on Use, Management and Maintenance of Buildings Condominium, and Law on Spatial Planning, both approved by Assembly on 01 August 2013.

In order to complete the primary legislation with the secondary one, during this period, MESP has adopted these Administrative Instructions:

- AI No. 05/2013 on the Management of Used Oils and Waste Oils (21 March 2013);
- AI No. 04/2013 on the Sign of Nature Protection (May 20, 2013);
- AI No. 05/2013 on Type, Appearance, Procedure and Manner of Award of Gratuities and Rewards for Achievements in the field of Nature Protection (May 20, 2013);
- AI No. 08/2013 on Construction Works for which a Construction Permit is not required (May 22, 2013);
- AI No. 09/2013, on the Categorization of Construction Works (May 22, 2013);

- AI No. 10/2013 on Setting Procedures for Submission and Review of Applications for Terms of Construction and Construction Permits (04 June 2013);
- AI No.11/2013, on Specification of Technical Requirements and other Applications of Plastic Bags (05 June 2013);
- AI No. 12/2013 on Water Information System (17 June 2013);
- AI No. 13/2013 on State Waste Catalog (24 June 2013);
- AI No. 14/2013, on the Manner of Development and Implementation of Risk Assessment Study for the Introduction, Re-Introduction and Cultivation of Wild Species (01 July 2013);
- AI No. 16/2013 on Limit Values for Concentrations of Hazardous Components in Waste (12 July 2013);
- AI No. 17/2013 on the Cadastre of Environmental Pollutant (06 August 2013);
- AI No. 18/2013 on Minimum Standards and Procedures for Inspection Supervision and Issuance of Certification of occupancy (06 August 2013).

In terms of drafting policy, plans and development programs for the sector of environment, during this period, the Government adopted the 'Strategy for Environmental Protection 2013 - 2022 as well as 'Kosovo Action Plan on the Environment' (Decision no. 05/140 dated 17.07.2013), and 'Strategy and Action Plan for Air Quality' (on 07.08.2013).

Regarding the implementation of the legislation in force, during this period Inspectorate of MESP as part of action to implement the decision of the Government "To stop the exploitation of sand and gravel in rivers, river beds, and areas around their shores" has carried out continues actions and made 4 criminal initiations.

On the other hand, MESP approved the adoption of the Municipal Development Plan (MDP) and Urban Development Plan (UDP) for the municipality of Lipjan. Furthermore, the municipal waste management plans for municipalities of Prizren and Gjakova are drafted and approved, and now 15 is the total number of municipalities that have adopted such plans.

On 24 April 2013, the Prime Minister signed 16 decisions for proclamation of Protected Areas for Springs of drinking water, to: accumulation Radoniq, Spring Istok, Vrellë, Goci Spring, Lipovica and Livadhët, Spring Shkoza-Junik, Spring "Drini Bardhë", Spring 'Uji Zi' Spring "Uji Bardhë", Gallery and channel drainage-Peja, Badovci and Batlava accumulation, Spring Baja, Përlepticë accumulation, Spring "Guri i Hoxhes" - Gjilan, Spring "Letnicë", Spring "Agai" Spring "Prroi i Sylës", "Prroi i Pukës", and little river-Ferizaj.

As human and institutional capacity building is concerned, 16 officials from MESP have been engaged with the experts of the twinning project "Institutional support for MESP", also in the framework of this project 5 official are trained on "Waste management and treatment " (May 13 to 17, France) and 4 officials have taken part in training "Strengthening human capacity on issuing building permits and reinforcement in central and local level" (17-21 June, Italy). In addition, 6 representatives from Kosovo were trained in Budva in Montenegro for "Environmental Crimes" and "Sustainable Forest Management" on May 27 to 30, 2013.

Within the activities of the European Environmental Agency, 11 officers were involved in the training and various workshops during May-June 2013 concerning the air quality and emissions, electronic reporting of air quality (e-reporting), wastewater treatment, waste management and climate change adaptation.

In order to increase the capacity at the municipal level, MESP on 25 June 2013, has organized training for the implementation of environmental legislation with the theme "Environment Thematic Panel".

Moreover, a number of officials at the municipal level of 30 municipalities throughout Kosovo are included in the awareness workshops for municipal officials and community in terms of handling informal settlements (April and May 2013). In addition, in the municipalities of Prizren, Ferizaj during June-August 2013, trainings were held for the process of drafting the Urban Regulatory Plans.

Nevertheless, in cooperation with KEPA and civil society, various activities were organized to mark World Water Day, World Meteorological Day and Earth Day. In these activities various NGOs (Ekolevizja, SHUKOS, Peace with Nature, Ekovizioni and AKEA) has a major role on conducting the activities foreseen by MESP, KEPA and Civil Society.

Regarding the data for collection and billing targets of water and wastewater sector and sector fragmentation as well they are as follows:

- Billing data - targets achievement for the period January - June 2013 compared with the approved billing targets for 2013: In general level of the sector, billing targets are achieved with 88% (from 100% approved for 2013),
 - For household customers, the billing is achieved by 88%;
 - For commercial customers, the billing collection payment is achieved by 96%;
 - For institutional customers, the billing realization is achieved for 72%;
- Collection data - targets achievement for the period January - June 2013 compared with the approved collection targets for 2013: In general level of the sector has achieved 63% of collection from 75% approved for 2013,
 - For household customers, the 57% from 66% approved for 2013 is achieved;
 - For commercial customers, the 70% from 89% approved for 2013 is achieved;
 - For institutional customers, the 86% from 97% approved for 2013 is achieved.

3.2.4. Transport Policy

Regarding the primary legislative developments in the field of transport, on 16 May 2013 the Law on Road Transport (Social Policies and regulations for driving hours are incorporated) has been approved by the Assembly of Kosovo (decree no. 027-2013 DL-, on 31 May 2013). As to, completion the secondary legal framework in the field of railways, on 20 June 2013 the MI has approved the following two AI's:

- A.I No.02/2013 for calculating direct costs for maintenance of railway infrastructure;
- A.I No.03/2013 for setting, determining and collecting the fee to access the railway infrastructure.

In the context of civil aviation developments, in July 2013 an Implementing Agreement between the Government of Hungary and the International Security Force in Kosovo (KFOR) for the provision of air navigation services and other relevant activities in upper airspace of Kosovo was concluded. As a result, target period for the re-opening of Kosovo upper airspace is first half of 2014. Moreover, in order to address the priorities in accordance with the institutional framework and responsibilities, on 7 May 2013 the MIA has decided to supplement the National Program of Civil Aviation Security where Kosovo Customs was given the responsibility for law enforcement at the airport. As to operational activities in the field of civil aviation security, 5 inspections are carried out in the PIA "Adem Jashari" and an inspection at "Catering Pristina" which is responsible for supplying aircraft with food and drink. Furthermore, the Security Program for Operating Airlines in the Republic of Kosovo has been analyzed and approved on 31 July 2013 by MIA. On the other hand, the number of travelers in the PIA "Adem Jashari" has also continued to increase during May and June, respectively, 16% and 7%. As a result the overall dynamics of growth up to June has been increased 15% comparing to the same period of 2012.

In the area of the railway sector, during the reporting period the RRA has received Safety Management System (SMS) and annual security report from TrainKos and InfraKos as well. In addition, on 12 August 2013 RRA has issued the authorization to Trainkos for putting into service one locomotive and two motor trains. As to international cooperation activities, RRA has participated in 31 plenary meeting of the Railway National Safety Authorities held 21 - 22 May 2013 in Valenciennes, France.

As far as road safety is concerned, awareness raising campaign in schools are ongoing where more than 40 meetings are held with children of different ages and leaflets are distributed as well. Also, the Council for Road Traffic Safety held a regular meeting on 28 May, 2013.

In the field of road infrastructure, implementation of R7 project is in progress, respectively after the completion of the segments (Morine - Gjurgjicë), work is continuing with the same dynamic in the segments 7-8-9 South Pristina - Besi (20 Km). Meanwhile, Inter-Ministerial Steering Committee has

approved Tender Dossier for the project of R6, while Transaction Advisor Services has prepared draft contract. As a result, Draft Contract and Tender Dossier are submitted to three prequalified companies to build highway R6 Pristina – Hani Elezit. Furthermore, the deadline for submission of bids will be 45 days (third week of September), while is expected in October / November to signed the contract and begun implementation of the R6 project.

As to implementation of the program for road maintenance, main road and regional ones are maintained including highway R7. While, out of the remaining 20 projects, six have been completed (18.75 km of roads built).

Regarding the vertical and horizontal road signaling, the project is carried out 100%. Meanwhile, 54 licenses were issued for transporting goods, 7 for transporting dangers goods and 10 licenses for transporting passengers.

In the context of inspection activities the following measures have been taken:

- 778 inspections;
- 18 decisions for removing vehicles from traffic;
- 6 initiations for revocation of travel orders to passenger transport;
- 31 decisions to eliminate irregularities, and
- 34 initiations of court proceedings.

In the area of human and professional capacity building, 125 drivers for freight transport have been trained and certified with CPC and 520 drivers for passenger transport. Also, 43 drivers are certified and trained with ADR certificate for transport of dangerous goods. Whereas in the field of railway safety, chairman of the safety department has conducted a three-month training in ERA (European Railway Agency) from 15 April to 15 July, 2013. While in the field of civil aviation security, from 27 - 31 May 2013 two inspector of Civil Aviation Security from MIA have participated in the program "Security Audit and Quality Control" organized by the International Air Transport Association (IATA) in Rome, Italy. As a result, with this training is completed four training cycle where inspectors have obtained diploma by IATA in the field of civil aviation security. Also, during the reporting period 8 officials from PIA "Adem Jashari" have been trained while on 15 July 2013 (NO. 1721/2013) the MIA has certified them as scanning operators in PIA "Adem Jashari" Limak Kosovo.

3.2.5. Energy, including nuclear safety

During the May-August period, the Kosovo Agency for Radiation Protection and Nuclear Safety (KARPNS) has identified and isolated 9 radioactive sources, all of which are lightning rods. Within the reporting period KARPNS has issued 4 licenses and an authorization, as following:

- On 14/05/2013, the Institute of Labour Medicine (IMP J.S.C) was issued a license for activity with sources of ionizing radiation (Protocol No 1215);
- On 14/05/2013, the Kosovo Energy Corporation (KEK J.S.C) was issued a license for activity with sources of ionizing radiation (Protocol No 1214);
- On 29/05/2013, the company EPE Kosovo L.L.C was issued a license for import and transportation of radioactive sources (Protocol No 1376);
- On 29/07/2013, the company EPE Kosovo L.L.C was issued a license for export and import of radioactive sources;
- On 29/05/2013, the company Dobersek GmbH was issued a authorization for mounting of sources of ionizing radiation (Protocol No 1375).

Along with the reported projects in the Input to the Progress Report of May 2013, KOSTT has finished replacing insulators, conductors and connecting equipments in 110 kV Overhead Transmission Line 125/2. The transmission line was successfully put into operation on 30/03/2013. As a part of the contract for construction of 400 kV Overhead Transmission Line Bay and frequency control (LOT 2) between Kosovo and Albania, KOSTT signed a contract for implementation of

infrastructure needed to realize the power based frequency control. The contract was signed on June 14, 2013.

Within the institutional development and strengthening of energy sector, MTI used an internal transfer to appoint the director of the Division for obligatory petroleum product reserves. Within the same action plan, a group of three KARPNS employees was trained on radiation protection in medical exposures. The training, which is a part of the project for the enforcement of dosimetric control system and is financed by IPA, was held in Prishtina from May 20 to May 24 of 2013.

3.2.6. Information Society and Media

In the context of completion the primary legal framework, Law No. 04/L-109 on Electronic Communication has been adopted by the Kosovo Assembly on 04 October 2012. Concerning secondary legislation, regulation on cost accounting according to Fully Distributed Cost (FDC) method was approved on 21 June 2012 (Decision No. 221) by the Board of Regulatory Authority of Electronic and Postal Communication (RAEPC).

With regard to implementation of appropriate policies for development of ICT, the strategic document "Policies of Electronic Communication - Digital Agenda Sector for Kosovo 2013-2020" has been adopted by the Government with the decision No. 02/119 on 13 March 2013. In addition, GoK on 24 October 2012 has adopted the decision (No.04/88) to further liberalization of mobile telecommunication services, while on 29 October 2012 has adopted decision (No.01.89) of country's call sign Z6 as a call sign of all amateur radio services for the whole territory of Kosovo. As a result of completed market analysis for fixed and mobile telephony, the Board of RAEPC on 27 March 2013 has launched the public consultation of the draft report for market analysis, in which case the obligations for Providers with Significant Market Power (SME) are expected to be removed. In the area of radio frequency, the plan for using the radio frequencies has been adopted on 28 February 2013 by the Board of RAEPC and at the same time, the plan for monitoring and using radio frequencies has been finalized.

Concerning the developments in the field of interoperability for interactivity of ICT system, Government of Kosovo has approved Interoperability Framework on 13 February 2013 with decision No. 08/115.

As regards to institutional developments in the field of media, within framework of completion process of appointing members of Independent Media Commission (IMC) another member of IMC from Serb community has been appointed by the Assembly of Kosovo on 10 February 2013. As a result, 6 out of 7 members of IMC so far have been appointed. Additionally, 3 Board members has been selected by the Assembly of Kosovo for Appeals of the IMC on 5 November 2012.

In terms of decisions and recommendations issued, IMC has taken 33 decisions toward broadcasters. In addition, 14 decisions were taken on licensing, 5 decisions on name change, 6 decisions on rejecting the applications, 3 decisions on location changes, and 3 decisions on legal cases - violation of the Law of IMC. IMC has also decided to publish a list of free frequencies for radio and local TV.

In order to strengthen the professional capacity in the field of ICT, a number of activities have been conducted by RAEPC towards participation in various training and visits as follows:

- Two RAEPC officials attended the Regulators Training School at the European School of Telecommunication Regulators organized by Rober Schuman, Center for Advanced Studies in Florence, Italy (15 -19 October 2012; 6-8 December 2012; 14-16 February 2013; 18-20 April 2013);
- Three RAEPC officials participated in training on exposure to electromagnetic waves, in Germany (4-6 March 2013);
- Two RAEPC officials participated in CeBit International Fair in Hanover, Germany (7-8 March 2013);
- Three officials of RAEPC participated in training with the subject related to Finance in Dubrovnik, Croatia (28-31 March 2013);
- Three officials of RAEPC participated in a study visit - related to authorizations and market surveillance registry in Riga, Latvia (, 22-24 January 2013);

- Three RAEPC officials participated in the workshop of TAIEX Expert (expert from Belgium: Mr. Jan Vannieuwenhuysse BIPT, Belgium) related to preparation of regulation for provision of rules for public electronic communication services (28 January until 1 February 2013);
- Three RAEPC officials participated in a study visit on Monitoring the Frequency Spectrum in Riga, Latvia (11 - 13 March 2013); and
- Four RAEPC officials participated in a study visit regarding the review of regulation for frequency spectrum prices, TAIEX mission (2 experts/trainers, Lithuania (18-22 March 2013).

On the other hand, one IMC official participated in the training program regarding public procurement and public relations from 20-23 February 2013 in Tirana, Albania.

3.2.7. Financial Control

On the capacity development for financial control and internal audit 74 officials have attended a 10 days training in the international certification program module IM2 "Accounting and financial reporting in the public sector". A total of 78 auditors were certified at the end of the training. Another 93 officials of internal audit units have participated on the training for financial management control on the first module and second module.

The Office of Auditor General (OAG) has concluded the agreement on implementation of the new Certification Scheme was signed with the Society of Certified Accountants and Auditors of Kosovo. It is being implemented as of July 2013. This will contribute to the professional development of the OAG's staff and to the strengthening of the oversight function of public finances in general.

The General Auditor Office has conducted regulatory audits for the Annual Financial Statements (AFS) for 89 budget organizations and two non-budget organizations. The Annual Audit Report of the Kosovo Budget was published. 11 management audits are published for Management Analysis of Public Finances in the public sector which in a way can be considered a performance audit. At the same time one performance audit was published.

The Annual Audit Report of Commercial Banks for 2012 was submitted in Parliament and published. Annual Performance Report (APR) with its annual financial statements audited was published.

3.2.8. Statistics

As to the development of business statistics in accordance to the needs of Kosovo and EUROSTAT standards, the Kosovo Statistical Agency (KAS) has finished collecting data for the project of transfer of economic activity classification from NACE Rev.1 to NACE Rev. 2. The data from 27,650 businesses have been collected in the field (more than initially planned).

Regarding the preparations for the agriculture census, the questionnaire, guidelines and methodology of agriculture census has been harmonized with Eurostat methodology and with the needs of the country. Preparation of other documents for the agriculture census was carried out during the reporting period such as: training material for enumerators, controllers and supervisors. In addition, until now more than half of census districts maps have been printed for the agriculture census.

The following statistical publications and reports have been issued in the reporting period:

- In relation to development of business statistics and businesses registry in the field of economic statistics and national accounts the following publication were carried out: Statistical Reports of Enterprises in Kosovo for Q1 and Q2 2013; Transport and Telecommunications Statistics for Q1 and Q2 2013; Statistics of Hotels in Kosovo for Q1 2013; Energy Balance in Kosovo for Q1 2013; Government Accounts for 2012.
- 3 monthly publications of Foreign Trade Statistics (FTS) for the period April, May and June 2013.
- 3 monthly publications of inflation statistics (consumer price index) for April, May and June 2013, and 2 quarterly inflation statistics on Import Price Index (IPI) and Producer Price Index (PPI) for Q1 2013;

- In the area of social statistics, 6 publications were developed such as: Survey results of the Household Budget Surveys (HBS) for 2012; Labour Force Survey (LFS) for the first six months of 2012, Statistics of Jurisprudence for Adults for the year 2012; Women and Men Statistics for the year 2011; Nataly Statistics for the year 2012; Mortality Statistics for the year 2012.
- In the field of Agricultural statistics, the following publications were developed: Quarterly Production Price Index and Prices in Agriculture, Q1 and Q2 2013; Quarterly Input Price Index and Prices in Agriculture, Q1 and Q2 2013. Agricultural Household Survey for 2012; Economic Accounts for Agriculture 2010-2011; Brief Facts on the Environment in Kosovo for 2012.
- In the field of IT and methodology the following activities were developed: finalization of the data base system "Census Info" for dissemination and exchange of statistical data; finalization of assist in Albanian language (user support interface on the Eurostat website in Albanian language); Configuration of information system for time measuring (it measures the productivity for the production of statistics).
- A final draft report on corruption and crime statistics related to businesses in Kosovo for 2012 has been compiled (a project supported by UNDOC).
- An analytical draft report has been prepared for the survey on remittances for the year 2012 (a project supported by UNDP).
- As regards administrative capacity and trainings during the reporting period KAS recruited nine employees: two positions in the IT field, six positions in the field of statistical production and one position in administration. As regards training KAS officials attended 25 trainings, workshops and seminars most of them held in Luxembourg.

3.3. JUSTICE, FREEDOM AND SECURITY

3.3.1. Asylum, migration, visa policy and border management

Asylum and migration

In order to ensure a proper legal framework complying with EU legislation, the following laws were adopted anew by the Assembly, on 31 July 2013:

- Law on Foreigners;
- Law on Asylum;
- Law on Citizenship.

During the drafting process, Kosovo institutions have taken into account and incorporated the EC recommendations concerning these laws.

Furthermore, on 13 August 2013 the Government of Kosovo approved the revised Regulation on Reintegration of Repatriated Persons and Management of the Reintegration Program. This Regulation also sets the rules for the functioning of the MIA Reintegration Department.

At the policy level, the Migration Strategy and AP 2013-2018 as well as the revised Strategy on Reintegration of Repatriated Persons and AP have been drafted and shall be adopted by September 2013.

Additionally, the Code of Ethics for officials working in the area of migration and asylum was adopted in May 2013, aiming to lay down the rules, principles and norms on the basis of which all migration and asylum offices shall operate for the purpose of fostering work quality and public interest characterized by integrity, honesty, objectivity and impartiality in fulfilling their duties.

The Government of the Republic of Kosovo has continued with conclusion and signing bilateral agreements in the area of readmission. The Republic of Kosovo, during the reporting period, has signed readmission agreements with the Republic of Estonia, the Principality of Lichtenstein and the Republic of Croatia. Additionally, Kosovo has finalized and is expecting to sign readmission agreements with Latvia and Italy. As far as transit countries are concerned, Kosovo is in the negotiating phase with Macedonia, while a response from Turkey has not been received yet.

It is also important to mention that Kosovo has proposed draft-agreements for readmission with countries of origin of asylum seekers like Afghanistan, Pakistani, and Ivory Coast.

On cooperation in the area of migration, the DCAM and the Department for Reintegration have held a meeting with representatives from Denmark's Ministry of Justice and Police on 17 June. Furthermore, a meeting with migration attachés from member states was held, during which reports on the number of readmitted persons and the numbers of pending cases have been exchanged. Another such meeting with attachés took place on 26 July, 2013. The DCAM report for the first half of 2013, containing data in the area of citizenship, foreigners, asylum and readmission, was submitted.

Furthermore, the integrated DCAM database is now fully functional, offering a centralized information management.

Regarding capacity building and trainings, a five-day training has been organised for employees dealing with readmission by the EC Project, on 3 June. Moreover, a ToT (Training for Trainers) has been organised by the Twinning project in which 2 DCAM employees participated. During the reporting period, in total eight training sessions were organized for the staff of DCAM, on topics related to effective policies and procedures, consular services, etc.

In order to provide sustainable reintegration for readmitted persons 3,200,000 € were allocated to the reintegration programme for 2013. Finally, for statistics on citizenship, foreigners' residence permits, asylum requests as well as statistics on readmission and reintegration, please refer to the DCAM Report Jan - Jun 2013, Annex 9.

Border management

In the area of border management, as recommended by the EC, the following laws were adopted by the Assembly, on 31 July 2013:

- The amended Law on State Border Control;
- Law on cooperation between authorities involved on integrated border management.

On bilateral cooperation in border management, the following agreements were concluded during the reporting period:

- Agreement between the Republic of Kosovo and the Republic of Albania on Establishment and Functionalization of the Joint Police Cooperation Centre signed on 16 April 2013; the Centre was established on 15 June 2013;
- Agreement between the Republic of Kosovo and the Republic of Macedonia on Establishment of the Joint BCP at Stançiq/Belanovac, signed on 24 June 2013;
- Agreement on Mutual Cooperation and Assistance on Customs Issues between the Republic of Kosovo and the Republic of Italy, signed on 25 June 2013.

In addition, two other joint BCP with the Republic of Albania in Gllloboqic- Borje and Orqush-Orqosht were established and functionalised on 29 June 2013.

The IT infrastructure, the BMS, as well as network of landline telephony, Intranet and radio-links, are fully functional in all BCPs. In addition, the ASYCUDA system is also fully functional in all BCPs.

With a view to more effectively tackle cross-border organised crime, on 5 July 2013 the following advanced equipment were donated to KP: GPS unit, Garmin, Rino 650-60 bits and Wireless Surveillance Camera Scouting HCO, UM652 - 180 pieces. In addition K9 unit started functioning on 1 July 2013.

Visa policy

The Republic of Kosovo has introduced its *visa regime* vis-à-vis third countries on 1 July 2013. This regime applies to 87 countries. The visa regime requires citizens of these states to be equipped with visas of the Republic of Kosovo at our diplomatic/consular missions prior to entering our territory.

On 8 May 2013, the Government also took a decision permitting entry, transit, and temporary residence (for up to 90 days) of EU citizens in the territory of the Republic of Kosovo with a valid ID card.

In terms of technical preparations needed for implementation of the *visa regime* vis-à-vis third countries, the Ministry of Foreign Affairs, established the Visa Information System of Kosovo. This system is already installed at the General Consulate of the Republic of Kosovo in Istanbul, which, in six months, will be the only Consular Mission issuing Republic of Kosovo visas to foreign citizens. As of 1 July 2013, this System is operational at the Prishtina International Airport 'Adem Jashari' in both functions: issuing extraordinary visas and reading the ordinary visas, issued by the General Consulate in Istanbul.

3.3.2. Money laundering

During the reporting period, FIU has finalized its 2012 annual report. The report is being translated and will be shared once the translation is completed. Whereas, with regard to statistics on money laundering, please refer to Annex 9: Sheet "Economic crime and corruption".

In terms of capacity building in fighting money laundering, during the reporting period 8 officials of FIU attended 3 trainings on the template for unifying criminal reports, asset recovery etc. In addition, a meeting with the Slovenian counterparts took place during which the Kosovo accession to the EGMONT Group was discussed.

Furthermore, during the reporting period 2 judges have attended training specifically on money laundering. Meanwhile, two training sessions on investigation and adjudication of financial crimes were provided to 27 participants (2 judges, 4 prosecutors and 21 others).

3.3.3. Prevention and Fight against organized crime and other criminal activities, including terrorism

In order to ensure a sustainable fight against organized crime and corruption, Kosovo has undertaken a number of efforts at enhancing the legal and strategic framework. Thus, the following laws deriving from the visa liberalisation process were adopted by the Assembly on 31 July 2013:

- Law on Preventing and Combating Trafficking in Human Beings and Protecting Victims of Trafficking;
- Law on Financing of Political Entities and
- Law on International Legal Cooperation in Criminal Matters.

As the strategic framework has been greatly consolidated through the latest revisions of the strategies and action plans, now the focus is shifting towards a more systematic monitoring of its implementation. Thus, the monitoring reports on the implementation of the mentioned framework are now complete for the second quarter of 2013. In summary, the reports note the following:

On fight against drug trafficking: the KP has intensified its work against drug trafficking and possession. The efficient work resulted in lack of drug offer in Kosovo, therefore according to the United Nations Office for Drugs and Crimes the price of 1 gr cannabis is higher in Kosovo than in other countries of the region (with the exception of Montenegro)¹. Furthermore, the MoH is working intensively in the area of prevention and damage reduction. Thus far, this Ministry has drafted and is monitoring the implementation of the National Plan on Prevention of Drug Abuse and Addiction Treatment. Moreover, the methadone programme is being implemented in 3 public health institutions (in Pristine, Gjakova and Gjilan), NGO Labyrinth's Clinical Practice and Kosovo Correctional Service. During January - June 2013, there have been 118 persons undergoing methadone treatment. Statistics on fighting drug trafficking are referred to in a separate section below.

On fight against organized crime and international cooperation in crime matters: the KP cooperation with international law enforcement agencies is progressing. This year KP is part of a joint operation with EUROPOL. On a similar note, in April 2013 KC became officially part of the Balkan Info System, a mechanism for information exchange involving regional counterparts. Furthermore, Kosovo Police has finalized the SOCTA Report (Serious Organized Crime Threat Assessment) which is soon to be shared

¹<https://stats.unodc.org/>

with EULEX and EUROPOL. Kosovo Police have undertaken this assessment for the first time. On the other hand, there are continuous efforts in upgrading the witness protection system in Kosovo. Since May 2013 a new recruitment in the Witness Protection Directorate took place, as well as two training sessions (covering the topic on movement of witnesses and map reading). Statistics on fighting organized crime are referred to in a separate section below.

On fight against trafficking in human beings and victim rehabilitation: apart from an intensive work in combating THB, due attention is being paid to the victim identification and the rehabilitation and reintegration process. In this regard, the process of licensing of social and family services to VoT has continued and up to date 62 providers of such services were licensed. In the meantime, the Victims Advocacy and Assistance Office has provided legal aid to 17 VoTs. Detailed statistics on THB (including victim identification) are referred to in a separate section below.

On crime prevention: the 2012 KP capacity assessment report highlighted the need for an additional 20 police officers within the KP Directorate for Economic Crime and Corruption Investigation. The internal recruiting process of these police officers is underway. On the other hand, the KP Operations Department has updated 18 SOPs in order to make the operating procedures more efficient.

On fight and prevention of terrorism: according to terrorism risk assessment, currently there is a low threat of terrorism in Kosovo. However, the main stakeholders in charge are actively engaged in preventing any eventual radicalization or appearance of international terrorist groups in Kosovo.

On anti-corruption measures: the anti-corruption action plan sets out clear measures and indicators and identifies main responsible institutions mandated to report on their activities in relation to progress in fighting corruption. According to the first monitoring report, covering February – May 2013, out of 154 measures, 40 were fully applied. For more information on the implementation of the anti-corruption strategy, please refer to Annex 10: 'Implementation of the AC Strategy 2013'.

For detailed statistics on organized crime and corruption please refer to Annex 9, sheet 3 and sheet 4.

Finally, for the first time, the KP has seized and frozen the suspects real estate allegedly acquired by a criminal offence.

Real estate seized:

- Two (2) apartments of 62 m², located in Pristine;
- One (1) house of 336 m² located in Lipjan.

Frozen assets:

- Three (3) apartments in Prishtina;
- One (1) house of 1000m² in Istog;
- EUR 21, 000 in two banks in Kosovo;
- One motel in the main road Prishtina- Ferizaj (currently under the supervision of the AMSCA).

Likewise, the KPC has also been very pro-active in the area of confiscation of assets, namely in issuing orders for confiscation. For more information on the orders for confiscation issued by Kosovo prosecutors, please see Annex 9 Sheet "Confiscation of assets".

3.3.4. Protection of personal data

The National Agency for Protection of Personal Data has finalized drafting the following secondary legislation related to the enforcement of the Law on National Agency for Personal Data Protection:

- Regulation for the transfer of personal data in the field of judiciary and police has entered into force;
- Code of Ethics for the personal data protection officers currently is in public discussion for comments;
- Regulation for systematization of working places has passed all stages and procedures and has entered into force from 1 August 2013;
- Regulation of inspection in the prosecutor offices, police and courts is being finalized;

The National Agency for Personal Data Protection has been consulted continuously with regards to the compliance of legislation in the area of personal data. During the reporting period, the Agency has provided comments on 10 draft laws.

The National Agency for Personal Data Protection during the period of January – August 2013 has carried out activities in the following institutions:

- Inspection in NGB “Zeri”;
- Inspection in Municipality of Mitrovica;
- Inspection in Municipality of Skenderaj;
- Inspection in SH.P.K. Zeri;
- Inspection in Municipality of Vushtrri;
- Inspection in QPS Lipjan;
- Inspection in Medical Centre Lipjan;
- Inspection in College “UNIVERSUM”;
- Inspection in Embassy of Republic of Kosova in Albania;
- Inspection in SH.P.K “JUSK” and “PTK”;
- Inspection in College “Illyria”;
- Inspection in SH.A “PTK”;
- Inspection in Municipality of Gjilan;
- Inspection in Municipality of Kamenice;
- Inspection in the Ministry of Agriculture and Rural Development;
- Inspection in the regional water supply Prishtine;
- Inspection in “VIVA” Fresh Store;
- Inspection in Kosovo Privatization Agency;
- Inspection in Financial Intelligence Unit;
- Inspection in Ministry of Finance;
- Inspection in BKT Bank;
- Inspection in Eurokoha Agency;
- Inspection in TEB Bank;
- Inspection in SH.A CITY PARK;
- Inspection in the Pension Savings Fund.

In addition, during the reporting period NAPDP has issued the following decisions, recommendations and advisory opinions:

- Decision for the Independent Commission for Mines and Minerals, to prohibit processing of personal data;
- Recommendation to the Public Procurement Regulatory Commission;
- Recommendation to the Municipality of Noveberde;
- Recommendation to the Council of Regulatory Authority of Railways;
- Recommendation to the company Scan Colour JYSK on the destruction of clients’ data;
- Recommendation to the insurance company ILLYRIA on video surveillance;
- Recommendation to the VICTORY College, on the installation of video surveillance system and placement of notices;
- Recommendation to the Kosovo Energy Corporation on personal data protection of consumers;
- Recommendation to the Municipality of Vushtrri on the installation of a video surveillance system;
- Recommendation to the Municipality of Mitrovica on placing surveillance notification signs including surveillance notification signs within the working spaces of Directorate for Geodesy, Cadastre and Property;
- Recommendation to the Directorate for Geodesy, Cadastre and Property on utilizing biometric characteristics in compliance with the Law on Personal Data Protection;
- Recommendation to the Procurement Review Body on carrying out registrations of entry and exit from the building in compliance with Article 69 of the Law on Personal Data Protection;

- Recommendation to the Prishtina International Airport ‘Adem Jashari’ on utilizing biometric characteristics in compliance with the Law on Personal Data Protection;
- Recommendation to the Ministry of Agriculture, Forestry and Rural Development on issuing an internal act on the procedures and measures for the protection of personal data;
- Recommendation to the Regional Water Company Prishtina on installing video surveillance system as well as processing of personal data; the Regional Water Company “Prishtina” was advised to carry out registrations of entry and exit from the building in compliance with Article 69 of the Law on Personal Data Protection;
- Recommendation to the Kosovo Privatization Agency on destruction of personal data of persons entering and leaving the building. It was advised to issue an internal act on the procedures and measures for the protection of personal data, as well as to take a decision to install a video surveillance system;
- Recommendation to the Financial Intelligence Unit, on destruction of personal data of persons entering and leaving the building; it was advised to issue an internal act and a decision for installing video surveillance system.
- Recommendation to the National Commercial Bank on access to Kosovo Credit Registry without any written consent of the data subject;
- Recommendation to Euro-KohaReisen on destruction of clients’ personal data;
- Recommendation to “TEB” bank on establishing a monitoring system enabling data protection;
- Recommendation to the Ministry of Economic Development on:
 - Signing the Confidentiality Declaration with authorized staff for processing personal data;
 - Appointing the responsible person for system filing;
 - Placing the notice on video surveillance system;
- Recommendation to the Independent Oversight Board for the Civil Service of Kosovo on signing the Confidentiality Declaration with the authorized staff for processing of personal data;
- Recommendation to the Central Procurement Agency on signing the Confidentiality Declaration with the authorized staff for processing of personal data;
- Recommendation to the Institute for Public Administration on signing the Confidentiality Declaration with authorized staff for processing of personal data;
- Recommendation to the Ministry of European Integration on signing the Confidentiality Declaration with the authorized staff for processing of personal data.

In accordance with Law on Personal Data Protection, the majority of public and private institutions have appointed officials for personal data protection.