



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

**National Programme for Implementation of Stabilisation and  
Association Agreement (NPISAA) 2020 - 2024**

**July 2020**  
**Prishtina**

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

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**No. 03/14**  
**Date: 14.07.2020**

Pursuant to Article 92, Paragraph 4, and Article 93, Paragraph (4), of the Constitution of the Republic of Kosovo, as well as Article 4 of the Regulation No. 05/2020 on the Scope of Administrative Responsibilities of the Office of the Prime Minister and Ministries, and in accordance with Articles 17 and 19 of the Rules of the Rules of Procedure (No. 09/2011) of the Government of the Republic of Kosovo, the Government of the Republic of Kosovo, in its session held on 14 July 2020, adopts the following:

**D E C I S I O N**

1. The National Programme for Implementation of the Stabilisation and Association Agreement (NPISAA) 2020 – 2024 is hereby adopted.
2. The budget for implementation of the present Programme shall be kept within limits of budget allocations to budget organisations for 2020 and in line with the Medium Term Expenditure Framework.
3. The Office of the Prime Minister and other responsible institutions, as per the Programme, are hereby obliged to implement the present decision.
4. The Office of the Prime Minister is obliged to incorporate into the Programme comments of the European Commission.
5. The Office of the Prime Minister is obliged to incorporate into the Programme follow-up actions deriving from the most recent round of meetings of the Stabilisation and Association bodies established under the SAA.
6. The General Secretary of the Office of the Prime Minister is obliged to submit the present Programme to the Assembly of the Republic of Kosovo for final adoption

7. The present Decision enters into force on the date of its signing.

**Avdullah HOTI**

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(signed)

Prime Minister of the Republic of Kosovo

Submitted to:

- Deputy Prime Ministers
- All ministries (Ministers)
- General Secretary of the OPM
- Government archive.



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

Nr. 03/14  
Datë: 14.07.2020

Në mbështetje të nenit 92 paragrafi 4. dhe të nenit 93 paragrafi (4) të Kushtetutës së Republikës së Kosovës, duke u bazuar në nenin 4 të Rregullores Nr. 06/2020 për Fushat e Përgjegjësisë Administrative të Zyrës së Kryeministrit dhe Ministrive, e ndryshuar dhe e plotësuar me Rregulloren Nr. 07/2020, në pajtim me nenin 19 të Rregullores së Punës së Qeverisë së Republikës së Kosovës Nr. 09/2011, Qeveria e Republikës së Kosovës, në mbledhjen e mbajtur më 14 korrik 2020, merr këtë:

**V E N D I M**

1. Aprovohet Programi Kombëtar për Zbatimin e Marrëveshjes së Stabilizim-Asociimit (PKZMSA) 2020 - 2024.
2. Buxheti për zbatimin e këtij Programi mbetet brenda ndarjeve buxhetore të organizatave buxhetore për vitin 2020 dhe në pajtim me Kornizën Afatmesme të Shpenzimeve.
3. Për zbatimin e këtij vendimi obligohet Zyra e Kryeministrit dhe institucionet e tjera përgjegjëse, sipas Programit.
4. Obligohet Zyra e Kryeministrit të inkorporojë në Program komentet e Komisionit Evropian.
5. Obligohet Zyra e Kryeministrit që gjatë vitit, sipas nevojës, të inkorporojë në Program veprimet pasuese të dalta nga konkluzionet e takimeve të raundit më të fundit të organeve të Stabilizim-Asociimit të themeluara me MSA.
6. Obligohet Sekretari i Përgjithshëm i Zyrës së Kryeministrit që të përcjellë këtë Program për miratim në Kuvendin e Republikës së Kosovës.
7. Vendimi hyn në fuqi ditën e nënshkrimit.

**Avdullah HOTI**

Kryeministër i Republikës së Kosovës

Iu dërgohet:

- Zëvendëskryeministrave
- të gjitha ministrive (ministrave)
- Sekretarit të Përgjithshëm të ZKM-ës
- Arkivit të Qeverisë

## INTRODUCTION

The National Programme for Implementation of the Stabilisation and Association Agreement (NPISAA) 2020-2024 is the fifth consecutive programme for implementation of the SAA between the European Union and the Republic of Kosovo<sup>1</sup> since its entry into force on 1 April 2016. This programme aims to implement all reforms for the adoption of the EU acquis into national legislation in all its chapters. It is implemented alongside the European Reform Agenda (ERA), which foresees political-level priorities and concrete reforms for their fulfilment, and as such is aligned with this programme.

While its implementation continued, regular annual revision of NPISAA was carried out in October 2019, while the document was finalized in March 2020, following adoption of the Programme of the Government voted in the Assembly in early February, whereas it was then modified in June, in order to be aligned with the Programme of the new Government voted in the Assembly in early June. Pursuant to the Decision No. 06/22, dated 3 April 2015<sup>2</sup>, this process was led by the Ministry of European Integration (MEI) (currently in the process of transition to the Agency for European Integration (AEI) within the Office of the Prime Minister), as the main coordination institution, in close cooperation with ministries and other institutions in charge of each of its chapters. The work at the level of line institutions is coordinated by the Departments for Policy Coordination and European Integration (DEIPCs) / equivalent structures, with the participation of the Legal Departments (LD) and other line structures within particular institutions mandated with development and implementation of policies in specific areas. MEI as the main coordinating institution has also actively participated in the work of these teams in all phases of the revision.

The division of responsibilities has been the same as in the previous review cycle. MEI has proposed short-term measures, based on the reforms agreed at the meetings of the EU – Kosovo Stabilisation and Association bodies which were held during 2019. Thereafter, line institutions further developed them, in relation to their feasibility (based on capacities available, the time needed, etc.), aligned them to other policy documents, and costed (based on the detailed costing methodology) and confirmed them. Formal consultations with the other ‘Centre of Government’ institutions on the content of reforms proposed in the Programme – aimed at more sustainable and realistic planning, in line with the Government Work Plan (GWP) 2020-2022 and other policy documents – also took place. According to the Government Decision No. 06/22, MEI has updated the *Programme Review Guideline*, with detailed and concrete guidelines on the content and structure of the document, the substantive requirements and requirements for inter-institutional coordination of the review, as well as the steps and deadlines. Public consultations took place during April 2020, whereas the Programme in the current version was approved by the Government on 14 July 2020 (see the Government Decision on pp. 5 – 7).

In terms of its content, the reviewed Programme represents a comprehensive framework of concrete short-term reforms and priority medium-term objectives (for the period 2020-2024) for implementation of SAA through the approximation of national legislation with EU acquis and implementing the approximated legislation. Based on the structure of Copenhagen Criteria, all measures and priorities are divided into three blocks: *Political Criteria*, *Economic Criteria* and *European Standards – Approximation of Kosovo’s Legislation with the EU acquis*.

**Block 1: Political Criteria** covers the areas of legislative branch, executive branch, constitutional reforms, electoral system reform, public administration and regional cooperation, and partially, rule of law, judiciary, fundamental rights and protection of minorities. This Block is closely linked with acquis Chapters

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<sup>1</sup> Stabilization and Association Agreement, available in [http://www.mei-ks.net/repository/docs/kosovo-eu\\_saa\\_final\\_sq.pdf](http://www.mei-ks.net/repository/docs/kosovo-eu_saa_final_sq.pdf); and in Official Gazette of the European Union, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2016:071:0003:0321:EN:PDF>; Law No. 05/L-069 on ratification of SAA, available in <https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=11239>.

<sup>2</sup> Government Decision No. 06/22, available at: [http://www.kryeministri-ks.net/repository/docs/Vendimet\\_e\\_mbledhjes\\_se\\_22\\_te\\_Qeverise\\_2015\\_.pdf](http://www.kryeministri-ks.net/repository/docs/Vendimet_e_mbledhjes_se_22_te_Qeverise_2015_.pdf), p. 6.



23 and 24 (in the third block), and contains five chapters: *Constitution, Parliament and the Electoral System; Public Administration; Ombudsperson; Civilian Oversight of Security Forces; as well as Regional Cooperation and International Obligations.*

**Block 2: Economic Criteria** is aligned with the Economic Reform Programme (ERP). This block also reflects priorities and activities of other mechanisms of dialogue with the EU, such as annual priorities, conclusions of SAA bodies, or those of multilateral mechanisms, such as agreements with the IMF, etc. This Block contains two chapters: *Existence of a Functional Market Economy*, and *Capacity to Cope with Competitive Pressure and Market Forces within the Union.*

**Block 3: European standards - Approximation of Kosovo's Legislation with the EU acquis** includes all public policies covered by the EU acquis and requires reforming the entire governance by adopting the acquis in the national legislation and implementing, which also requires administrative capacities for this purpose. It contains 33 acquis chapters and one chapter on the framework on approximation of the national legislation with the acquis.

Each chapter is divided into two sections: narrative section and matrix of short-term measures. The narrative section summarizes SAA obligations and those under other EU accession mechanisms, the state of play (Legislative Framework, including the level of approximation of legislation with the acquis, policy framework, institutional framework, and foreign assistance), as well as medium-term priority objectives. The matrix of short-term measures contains specific measures to be undertaken for implementation of reforms, divided into two categories: legislative measures (further subdivided into measures of framework legislation and bylaws and other regulatory acts) and implementing measures (further subdivided into measures of policy framework, institutional reforms and capacity building, and enforcement).

Each state administration body will be in charge of implementing the programme and for monitoring its implementation within the scope of its mandate. As the central governing mechanism in the country for the fulfilment of the obligations arising out of the SAA, the Government, each of its members and heads of other state administration institutions, are in charge of these at the highest level. To this end, the formal stabilisation and association structures will also play a key role. The overall coordination will be done by the future Agency for European Integration (AEI), in cooperation with relevant line institutions, including through regular monitoring of implementation and regular quarterly reports on its implementation. Measures providing for the adoption of draft-laws will be considered as implemented with the adoption of the relevant draft-laws by the Government.

Furthermore, the Assembly will be one of the main institutional pillars in the implementation of this programme, in particular the adoption of legislation, including through the Committee for European Integration and the Stabilisation and Association Parliamentary Committee (SAPC).

On behalf of the EU, the European Commission and the EU Office (EUO) in Kosovo will play an important role in fulfilling the obligations of the SAA, and consequently in the implementation of NPISAA.

Civil society and other stakeholders also have a role to play in implementing the planned reforms in the Programme. AEI, as the responsible institution of the Government for European Integration, will cooperate with these actors in this regard. This will be achieved mainly through their access to regular reports on the implementation of the Programme and the public consultation system. Regarding the latter, an impact in the improvement of involvement of civil society and other stakeholders will also have the functioning of the consultation mechanism with them in the framework of joint EU - Kosovo stabilisation and association bodies established by the SAA.

## Relations between the Republic of Kosovo and the European Union

In 1999, the EU proposed the creation of the *Stabilisation and Association Process* (SAP) for Western Balkans, as a framework for their EU membership process. SAP was officially launched in November 2000, at the Zagreb summit. Based on the Copenhagen Criteria, the EU emphasised that the European perspective of these countries shall be determined based on their progress toward a sustainable democracy, rule of law, market economy and regional cooperation. This perspective was reaffirmed at the European Council in Thessaloniki in June 2003.

Regarding Kosovo, in April 2005 the European Commission (EC) published the communication “*A European Future for Kosovo*”, and in 2006 the Council adopted the first European Partnership for Kosovo and the second one was adopted in 2008. In response to the European Partnership, the Government adopted and implemented the European Partnership Action Plan (EPAP) during 2008 -2012, and then the SAA Action Plan (SAAAP) during 2013 - 2015, and the Action Plan for the purpose of addressing the recommendations of the Progress Report (APRP).

On 17 February 2008, the Assembly of Kosovo declared Kosovo an independent and sovereign country. The Republic of Kosovo is now recognized by one-hundred and sixteen (116) states,<sup>3</sup> out of which 22 are EU member states (23 Member States until the UK leaves EU in late January 2020).

Until the end of 2009, the reform dialog between Kosovo and EU was taking place within the Stabilisation and Association process Tracking Mechanism (STM). Afterwards, in October 2009, EC published the communication *Kosovo – Fulfilling its European Perspective*, whereby proposed the deepening and strengthening of the European perspective of Kosovo. The reform dialogue advanced to the Stabilisation and Association Process Dialogue (SAPD), whereas, among others was also proposed to initiate the process for Kosovo’s participation in EU Programmes.

The process towards SAA commenced in October 2011 when EC, through the Progress Report, recommended the initiation of the *Feasibility Study for Stabilisation and Association Agreement between European Union and Kosovo*, a study that in October 2012 concluded that Kosovo was ready to commence negotiations for SAA. The negotiations commenced in October 2013 and were concluded in July 2014. This was followed by the adoption of this agreement by the Governments of the Member States, and its signature on 27 October 2015. Finally, the SAA was approved by the Government of Kosovo on 30 October 2015, and ratified by the Assembly on 2 November 2015, and entered into force on 1 April 2016. During 2016, were functionalised the joint Kosovo-EU bodies established within SAA for overseeing its implementation: the Stabilisation and Association Council (SAC), the Committee, subcommittees and special groups, and the Stabilisation and Association Parliamentary Committee. During 2019, these bodies were assembled in the fourth round.

Another important development is setting of the *EU-Kosovo High-Level Dialogue Framework within the Key Priorities*, followed by the commencement of implementation of the European Reform Agenda (ERA) in November 2016, which includes 22 medium-term priorities. ERA aims to focus on the implementation of the SAA by giving the highest political attention to implementation of key economic reforms, strengthening of the rule of law and consolidation of good governance, while implementation of the current priorities is under way.

The new government elected in early June 2020 has decided to dissolve the Ministry of European Integration, temporarily transferring its structures to the Office of the Prime Minister (OPM). During June consultations were held on this and it was decided to establish the Agency for European Integration (AEI)

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<sup>3</sup> MFA, *International Recognitions of the Republic of Kosovo*, <http://www.mfa-ks.net/en/politika/483/njohjet-ndrkombtare-t-republiks-s-kosovs/483>.

within the OPM. To this end, on 1 July 2020 the Government approved *Decision No. 01/09 on temporary systematization of the structures of the former MEI*, which foresees drafting and adoption of a law on the establishment of this agency and systematization of structures of the former MEI to this agency.

Regarding the *visa liberalization* process, the EC issued a recommendation for lifting the visa regime with Kosovo on 18 July 2018. Thereafter, the European Parliament's Committee on Civil Liberties, Justice and Home Affairs (LIBE) adopted this recommendation on 30 August. This recommendation is pending final adoption by the EU Council.

During 2018 agreements for Kosovo's participation in four (4) EU Programmes – *Europe for Citizens*, *Creative Europe*, *COSME* and *ERASMUS+* – were ratified and entered into force. In addition, the process for concluding agreements on Kosovo's participation in the *Customs 2020* and *Fiscalis* Programmes has been initiated in 2019.

1. **BLOCK 1: POLITICAL CRITERIA**
- 1.1. **Democracy and Rule of Law**
- 1.1.1. **Constitution, Parliament and Electoral System**

### **Constitution**

The Constitution of the Republic of Kosovo was adopted by the Assembly on 9 April 2008 and entered into force on 15 June 2008. Constitutional order of the Republic of Kosovo is based on the principles of freedom, peace, democracy, equality, respect of human rights and freedoms, rule of law, non-discrimination, property right, protection of environment, social justice, pluralism, separation of state powers and market economy. These democratic principles are envisaged in SAA as well, namely within Article 3.

Considering that these principles constitute the essential elements of the SAA and state functioning, Kosovo institutions have taken concrete action to commence the fulfilment of SAA criteria through the necessary constitutional amendments. Specifically for the purpose of meeting the SAA requirements and the main country report findings by the EC.

The Republic of Kosovo remains committed to fulfil all other obligations deriving from SAA. In this regard, during the implementation of this agreement, Kosovo will make necessary constitutional reforms, including reforms in the area of administration, justice and other area, depending on the needs that may arise in the following years.

### **Parliament**

This chapter covers the mandate of the Assembly of the Republic of Kosovo, as a legislative body that approves laws and resolutions, and, among others reviews and approves international agreements. This chapter covers as well the supervisory aspect of the Assembly regarding the work of the Government and other public institutions, which, based on the Constitution and the laws of Kosovo, report to the Assembly, and, it also covers the role of the Assembly in the process of European integration. Other important points covered by this chapter include the following: key constitutional reforms required for EU accession; composition and structure, including immunity of the deputies; general functions of the Assembly; functioning of the Assembly structures (based on the Regulation on Rules and Procedures), with focus on relevant requirements for EL, including those from SAA; legislative function of the Assembly; supervisory function of the Assembly; electoral function of the Assembly (bodies/authorities of state administration which are elected/appointed and dismissed, and general procedures); the role of the Assembly in the process of alignment of the national legislation with the EU acquis and the responsible structures' elections (legislation, electoral system, functioning and the performance of the electoral process).

#### *SAA Requirements*

SAA, in Article 132, foresees the functioning of the Parliamentary Stabilisation and Association Committee (PSAC) as a joint forum of MEPs and Assembly Members of the Republic of Kosovo to exchange views on implementation of the SAA. The Assembly of Kosovo, pursuant to Article 132 of the SAA on 18 March 2016, established the Stabilisation and Association Parliamentary Commission. The Assembly in the V legislature, on May 16-17, 2016, held the first meeting of the EU-Kosovo Stabilisation and Association Parliamentary Committee, where was adopted the Regulation on Rules of Procedure of this Committee. During the VI legislature, were held joint meetings of both delegations, which marked the establishment of cooperation of the Assembly of Kosovo with the European Parliament at a higher level. The Stabilisation and Association Parliamentary Committee meets twice a year, at agreed time intervals.

#### *Requirements deriving from stabilisation and association bodies*

In the light of Stabilisation and Association Subcommittees, it is required from Assembly to ensure the appointment of the members of the boards of independent institutions which fall under the competence of the Assembly. This should be done based on the principle of meritocracy and professionalism, avoiding

politicization for these appointments. The Assembly, based on the Memorandum of Understanding with the United Kingdom, will be committed to ensuring the appointment of members of the boards of independent institutions that are within the competence of the Assembly through a transparent and merit-based process.

#### *Requirements deriving from EC's annual Kosovo Report*

With the aim of addressing the requirements of the EC *Kosovo 2019 Report*, the Assembly of the Republic of Kosovo will continue to empower the exercise of the oversight function over the executive, and parliamentary commissions will continue to exercise parliamentary oversight. Committee for the Oversight of Public Finance, which prepares recommendations adopted by the Assembly, will hold more hearings for ministers. Meanwhile, the role of parliamentary oversight of the Kosovo Security Forces and the Kosovo Intelligence Agency needs to be increased. In addition, the administration of the Assembly will create specialized expertise to provide more effective support to MPs and committees of the Assembly.

Also, as required by the EC *Kosovo 2019 Report*, the Assembly and the Government should implement recommendations concerning the assessment of independent agencies in order to rationalize the number of agencies reporting to the Assembly.

As regards the requirement for the administration of the Assembly to create specialized expertise to provide more effective support to MPs and committees of Assembly, the Directorate of Legal and Procedural Affairs has already recruited staff in accordance with the Regulation on the Responsibilities and Organisation of the Administration of the Assembly. In this regard, the Assembly will strengthen the legislative procedure in order to ensure cross-sectorial expertise and compliance with the *acquis*.

### ***State of Play***

#### *Legislative Framework*

Kosovo's political system is based on the principles of parliamentary democracy. Kosovo Assembly is a legislative institution and is elected directly from the people for a four year term. Kosovo Assembly is the highest representative and legislative body, which exercises its mandate based on the Constitution of the Republic of Kosovo and the Rules of Procedure of the Kosovo Assembly.

The composition and the structure of the Assembly are defined in the chapter IV of the Constitution of the Republic of Kosovo. Article 64 of the Constitution defines the structure of the Assembly, while the first paragraph of Article 64 stipulates, as follows: "*The Assembly has one hundred and twenty (120) deputies elected by secret ballot based on open lists. The seats in the Assembly are distributed amongst all parties, coalitions and citizens' initiatives and independent candidates in proportion to the number of valid votes received by them during the elections for the Assembly.*"

The Regulation on Rules of Procedure of the Assembly of the Republic of Kosovo defines the organisation and the functioning of the Assembly, its bodies and the rights and obligations of the MPs.

Parliamentary committees reflect political composition in the Assembly. The committees have their chairs and two deputy chairs that belong to different parliamentary groups, where at least one deputy chair is from a community other than the chair's community.

One of key roles of the Assembly, in addition to approximation of national legislation with the EU *acquis*, is to review and verify this alignment. The structure in charge of approximation of legislation with the *acquis* consists of the Directorate of Legal Services and Approximation of Legislation and the Assembly Committee on European Integration, the latter reviewing alignment with the *acquis* of each law adopted

by the Assembly. This Directorate and the Committee review not only the texts of draft-laws, but also amendments made by the functional committees, or by MPs, ensuring their alignment with EU legal acts.

Kosovo is a voluntary country in adopting the Resolution No. 06-R-001 on Sustainable Development Goals (SDGs) and also on the establishment of the Council for Sustainable Development. The 2030 Agenda for Sustainable Development and the National Development Strategy 2016-2021 provide the main framework for the Council's activities. The Council aims to bring together parliamentarians and other institutional representatives, international organisations and civil society organisations, to coordinate for common action in achieving, implementing and monitoring the Sustainable Development Goals. The Council is composed of MPs, representatives from the administration, civil society, OPM, KAS and representatives of international organisations.

Within the administration, the Directorate of Legal Standardization, Approximation and Alignment verifies the opinions of the MEI on the approximation of draft-laws with the EU acquis, as well as overseeing the approximation of the legislation with it and with the international standards applicable in Kosovo for all draft-laws proposed to the Assembly for consideration. Furthermore, the Directorate for Protocol and International Relations, namely the International Relations Unit, is engaged in the meetings of the EU - Kosovo Stabilisation and Association Parliamentary Committee, specifically in drafting the topics of discussion as well as in resolutions issued by joint meetings and on the progress of the activity.

In order to improve parliamentary oversight of the executive over budgetary and financial matters, the Budget and Finance Analysis Unit within the Directorate for Research, Library and Archives was made operational in July 2019. This unit prepares reports and analyses for MTEF, state draft-budget, annual budget expenditure reports, analyses, General Audit reports, informs the committees on the areas they cover and prepares comparative analyses between the current and previous budget years for institutions and agencies, based on key data. In order to align with the EU acquis and good European practices, this unit should also provide professional analyses on gender responsive budgeting, in accordance with the Law on Gender Equality and the requirements of Directive No. 2004/113/EC on the application of the principle of equal treatment between men and women in access to and supply of goods and services.

The International Relations Unit also assisted in the developing the discussion topics for MPs and provided further details on the progress of the meeting.

#### *Policy Framework*

The Assembly exercises its activity as a legislative and oversight body based on the following documents:

- Legislative Programme of the Government of the Republic of Kosovo;
- Working Plans of the Parliamentary Committees;
- National Programme for Implementation of the SAA.

The dynamics of the work programme are implemented in two (2) parts: the spring session and the autumn session, which include the work of the Presidency of the Assembly, parliamentary committees and the plenary session.

The Assembly of the Republic of Kosovo, for the purpose of enhancing the professional capacities of its administration, regularly holds continuous training, depending on the needs of the administration.

#### *Institutional Framework*

For its functioning, the Assembly elects the Presidency (the President and Vice Presidents of the Assembly) among its own members and appoints standing and functional parliamentary committees, as well as *ad-hoc* parliamentary committees.

Functioning of the Assembly of Kosovo is explicitly regulated with the Article 65 of the Constitution of the Republic of Kosovo. One of the main functions of the Assembly is the legislative function, and in addition to this function, the Assembly exercises an oversight function. In order to maintain the accountability, the Assembly oversees the work of the institutions and bodies which are elected by the Assembly. In addition to this, the Assembly, mainly through the parliamentary committees, oversees the implementation of laws by recommending measures in case of non-implementation or inadequate implementation of the overseen laws.

The Assembly of the Republic of Kosovo has a total of 120 MPs, including guaranteed seats for non-majority community in Republic of Kosovo.

The constitutional responsibilities of the Assembly also include the process of electing the Government, President, and Independent Institutions. Independent institutions that are elected by the Assembly of the Republic of Kosovo as well as those proposed by the Government and elected by the Assembly, report as it is set forth by the relevant legislation in force.

In terms of coordination, at the administrative level, of the Assembly with the Government, this communication is conducted at the level of directors. In addition, the Unit for Proposals and Submissions is in coordination with the Government liaison officer regarding the processing of draft-laws, reports, proposals for appointments of board members and other letters. In addition, the Assembly through the Office for Proposals and Submissions proceeds to the Government and other Institutions the Decisions, Letters, Parliamentary Questions, Requests for Interpellations, etc. This office submits the Laws passed to the Assembly for decree at the Office of the President, also the Office for Proposals and Submissions submits the Enacted Laws in the Official Gazette for Publication. Also, the Government of the Republic of Kosovo has established a consolidated mechanism and system for coordinating the tasks with the Assembly of Kosovo.

The Assembly regularly reviews parliamentary commission reports on law enforcement and approves recommendations for improving the implementation of monitored laws.

At beginning of every legislature, the Assembly sends the invitation for registration and accreditation through the civil society database of all NGOs.

The Assembly has institutionalized the partnerships with civil society through common responsibilities at every step of the political and decision-making process in drafting and overseeing the implementation of laws and policies, taking into account the Declaration on Partnership between the Assembly and Civil Society. However, according to the CSOs dealing with the framework of the institutionalized cooperation between the Assembly and civil society, this cooperation remains limited, since many CSOs have stated that they have very limited contact with the Assembly. Therefore, greater commitment is required for formal, structured cooperation, and one that is based on mandatory criteria between the Assembly and civil society; as well as to enable civil society transparent communication and genuine and substantive participation, beyond formal aspects.

Pursuant to the principles of the Assembly's Strategy for Information and Public Relations, the Presidency of the Assembly through a decision has established a Forum for Parliamentary Transparency composed of MPs, representatives of the administration and representatives of civil society. This Forum is called to advance and secure greater civic engagement by promoting parliamentary culture through information, access to information and work of Parliament as well as empowering citizens in the legislative process and increasing accountability.

Following an initial research, the Forum developed the Action Plan for an open and transparent Assembly (2016-2020) in order to confirm the transparency and openness of the Assembly according to the international standards. The Forum launched the electronic legislation tracking system LTS, which will enable citizens to track draft-laws at all phases of their drafting. Also, in order to ensure the most accurate and efficient information, in 2018, during the International Day of Democracy, the Forum launched profiles of MPs, an online platform integrated in the Assembly website, which enables the citizens to effectively hold accountable the elected representatives during their mandate in the Assembly. The Forum for parliamentary transparency is at the phase of establishing the *e-participation* platform.

The Presidency of the Assembly has adopted the Communication and Information Strategy, with particular emphasis on communicating the European integration process. The working group has also finalized the Assembly's Vision for Information Technology, Regulation on IT services, and Handbook on MPs and Employees on Technology Services according to standards and Information Technology Strategy, in line with IPU standards 2020-2025.

The administration of the Assembly, under the authority of the Secretary General, provides professional, technical, administrative and other support services necessary for the Assembly and its bodies.

***Medium-term Priority Objectives:***

- Adoption of the new Rules of Procedure of the Assembly;
- Building the legislative capacity of the Assembly, in particular capacities of the Directory for Legal and Procedural Affairs;
- Improving the oversight of the executive, including the security sector, by reviewing the legislation and monitoring the implementation of policies and laws;
- Responsible bodies of the Assembly will ensure a strong oversight over the spending of the parliament budget during the financial year, including the analysis, implementation and monitoring the gender responsive budgeting;
- Parliamentary Committee for European Integration and International Relations will be specially emphasized given their role in the integration process;
- The Assembly will develop professional capacities of its administration through cooperation with parliaments of other countries, through priorities deriving from the Strategy for International Cooperation and Inter-Parliamentary Relations.

**Electoral System Reform**

One of the main priorities of the Assembly of the Republic of Kosovo is to amend the relevant legislation enabling an adequate electoral reform, in line with acceptable European standards. This would ensure effective addressing of the weaknesses identified over the years which continue to have a negative impact throughout the electoral cycle. Many of the recommendations made following the EU election observation missions in 2014 and 2017 have not yet been addressed. On the other hand, after receiving each report of EU election observation missions, the CEC drafts its own action plan to address recommendations that do not require amendments to laws.

The revised Legislative Framework for financing political parties and campaigns should be in line with the recommendations of the Venice Commission. In addition, the CEC, in particular its Political Party Registration and Certification Office, will increase its capacities in order to ensure effective enforcement of rules on financing of political parties and political campaigns. This is intended to be achieved in the medium term by addressing recommendations of the Venice Commission and made specific by reaching a consensus between political parties represented in the Assembly of the Republic of Kosovo.

The respective parliamentary committee to be engaged with electoral reform is expected to address key processes in the electoral system in order to detail these elements in the laws, so as to increase legal



certainty, as well as in order to increase the credibility in the electoral processes, in line with the most democratic European standards and practices. In addition to increasing the financial control of political entities, the following aspects should be addressed by the electoral reform: a) extending the deadlines (deadlines for: organisation of early elections, deadlines for filing complaints, confirmation and challenge of the voter list, application for voting outside Kosovo), b) addressing the shortcomings of voting by mail, and c) gender equality. The leaders of the parliamentary groups of the Assembly of Kosovo have taken in April 2019 a joint initiative to improve and strengthen the electoral process by establishing an *ad hoc* parliamentary committee, involving local and international experts, as well as stakeholders. This committee has failed to complete the work commenced amending the Law on General Elections.

In the context of electoral reform and with the view to fulfil the obligations deriving from the EU reports for Kosovo, Kosovo should amend the Law on General Elections and the Law on Financing of Political Parties, and ensure consistency of content between these two laws. More specifically, the Assembly of Republic of Kosovo will be engaged in establishing an *ad-hoc* Committee for Electoral Reform, to which it will provide budget, in order to meet obligations stemming from this process. Whereas, in order to implement the Law on Financing of Political Parties, the Assembly of the Republic of Kosovo will engage to ensure that the redistribution of political entities' financial control functions be accompanied by: a) strengthening the Office for Political Parties Registration and Certification, which will enjoy a higher degree of independence than the current Office<sup>4</sup>, or b) establishing a new independent authority within any other independent institution.

## *State of Play*

### *Legislative Framework*

The electoral reform in the Republic of Kosovo is regulated based on:

- Law No. 03/L-073 on General Elections;
- Law on Local Elections in the Republic of Kosovo, amended on November 2010;
- Law No. 03/L-174 on Financing of Political Entities.

The Constitution and the Law on General Elections of Republic of Kosovo regulate the electoral system in Kosovo. According to the Constitution and the Law, Kosovo is considered a multi-candidate constituency. While exercising his/her right to vote, a voter shall vote for one (1) certified Political Party and may vote for one (1) candidate from the list of candidates of the same party. Assembly of the Republic of Kosovo has one hundred and twenty (120) deputies elected by secret ballot based on open lists. Seats in the Assembly are distributed amongst all parties, coalitions and citizens' initiatives and independent candidates in proportion to the number of valid votes received by them in the elections for the Assembly. In the framework of this distribution, twenty (20) out of one hundred and twenty (120) seats are guaranteed for representation of non-majority communities in Kosovo. Kosovo's electoral legislation also guarantees gender equality in the electoral system, under Article 7.2 of the Constitution of the Republic of Kosovo.

This legislation provides a sufficient basis for democratic elections in accordance with international instruments to which Kosovo is committed in its Constitution. The Legislative Framework that has regulated the earlier parliamentary elections and local elections despite the shortcomings, however, ensured a normal operation and performance of the overall flow of the electoral process in the parliamentary and local elections of 2017. Elections were peaceful and without major incident. During the last electoral process, the system of 'reserved' seats guaranteed by the constitution for political parties representing non-majority community that is used as a temporary measure for two previous legislatures

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<sup>4</sup> Adapted phrasing of the Opinion of the Venice Commission, point 26, page 9, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2018\)016-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2018)016-e).

has been replaced by the permanent system of 20 'guaranteed' seats for political entities representing non-majority communities.

As part of the electoral reform and in order to fulfil the obligations deriving from the EU reports on Kosovo regarding the financing of political parties and campaigns, on 2 February 2019, the Assembly adopted in the first reading the draft-law on Financing Political Parties. The purpose of this draft-law was to amend the Law on Financing Political Parties, as amended by the Law No. 04/L-058 and Law No. 04/L-122 and the Law on General Elections, with a particular focus on financial control, publishing the prior year's annual financial report and the pre-election campaign financial statement report, punitive provisions, as well as other provisions related to the Law on General Elections. However, after the functional Committee on Budget and Finance reviewed, amended and forwarded the Report for a second reading to the Assembly, the amendments of the functional Committee on Budget and Finance caused numerous public reactions, protests by civil society organisations, as well as the Head of EU Office and Heads of EU Missions in Kosovo<sup>5</sup>; as a result, the Government of Kosovo withdrew the draft-law amending the Law on Financing of Political Entities. This draft-law is part of the 2020 Government Programme and it is foreseen to be adopted in Q4 2020.

Despite a significant number of attempts to reform the electoral system in Kosovo conducted before the last mayoral and municipal elections in the fall of 2017, and early parliamentary elections on 11 June 2017, or at the initiative of the Assembly of Kosovo in April 2019, the reform did not happen. These electoral processes were characterized with a series of shortcomings, which have been also identified by the 2019 European Commission Kosovo Report and the Preliminary Statement of the EU Election Observation Mission. However, a number of intimidations that occurred among numerous Kosovo Serb communities, targeting specifically candidates who do not belong to the Serb List party, represent a concern. A number of long-term weaknesses, especially the funding of political parties, women's participation, electoral dispute mechanisms, incorrect voter lists, and the largely deficient voting system for Kosovo's citizens who live abroad, still remain to be addressed. These challenges should be addressed as a priority issue, guided by the recommendations of the European election observation missions.

The reform of the electoral system should also address the non-compliance of Law No. 03/L-073 on General Elections and Law No. 03/L-072 on Local Elections with the Law No. 05/L-020 on Gender Equality. Currently, the laws concerning the elections provide for a gender quota of at least 30% representation in the voting ballots of political parties, whereas the Law on Gender Equality provides for a quota of 50%. Political parties are obliged to implement, through their internal acts, measures to promote equal participation of women and men in the authorities and bodies of the parties, in accordance with the provisions of Article 6 of this law. These discrepancies would have to be addressed through the expected election reform.

### **1.1.2. Public Administration**

Public administration is a liaison between the government, civil society, private sector as well as men and women citizens, which implements public policies undertaken by the government thus enhancing social cohesion and trust between the State and citizens. Therefore, public administration is constituted by governmental institutional units that regulate the functioning of society. An effective public administration is crucial for country's development by implementing transparent, clear and simple administrative procedures, and services focused on men and women citizens. Public administration also helps businesses in exercising their activity, by facilitating procedures and removing bureaucratic barriers.

#### *SAA Requirements*

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<sup>5</sup> [https://eeas.europa.eu/headquarters/headquarters-homepage/64291/statement-head-eu-officeeur-and-heads-eu-missions-kosovo-draft-law-financing-political\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/64291/statement-head-eu-officeeur-and-heads-eu-missions-kosovo-draft-law-financing-political_en).

As part of the criteria for public administration which are to be met by the government and the relevant institutions of the Republic of Kosovo in accordance with Article 120 of the SAA remains full consolidation of the Legislative Framework (adoption of primary and bylaws, amending) and full implementation of policies and legislation.

Part of the SAA obligations under the Preamble (point 4), civil society development and democratization are elements upon which the parties commit themselves to contribute to Kosovo's political, economic and institutional stabilisation. In this context, the general principles of the SAA (Article 3) in the area of public administration are respect for democratic principles as a basis for policy-making. This requires cross-sectoral cooperation between the Government and civil society, and enabling inclusion in the policy-making process through the public consultation process.

#### Requirements from other EU accession mechanisms

At the third meeting of the Stabilisation and Association Committee held on 8 October 2019, the Committee emphasized that the implementation of public administration reform should be an effort of the whole Government. Concerns about political appointments in public administration were further emphasized. As a result, Kosovo will ensure that all recruitments, especially for senior management positions, take place in line with the principles of merit, transparency and equitable representation.

Managerial responsibilities will be implemented across the Government by the former Ministry of Public Administration (now MIA), the Ministry of Finance and the Office of the Prime Minister in a coordinated manner. The EC also called on Kosovo to implement the Action Plan for the Rationalization of Agencies in a comprehensive and transparent manner. This has been planned to happen in the medium term, starting from 2020.

Concerning the findings of the *EC 201 Kosovo Report*, among the main challenges identified are: the political influence on recruiting senior management positions in the civil service and non-merit based recruitment; delays in adopting specific laws in accordance with the Law on General Administrative Procedure (LGAP); improper performance appraisals, which continue to have little impact on career development for civil servants.

Regarding the recommendations, the bylaws of the Legal Package should be adopted and their implementation commenced as soon as possible; accountability in institutions, in particular at the managerial level, needs to be increased; legislation should be aligned with the LGAP; principles and the removal of policy influence on the administration should be respected during the recruitment; new human resource management units should be created according to the Legal Package and better services should be provided to citizens through the digitalization of services (e-Kosovo Portal).

According to the *Conclusions of the SGPAR meeting in 2019*, planning in the area of public administration should be more strategic and related to Government priorities, sector strategies, mid-term expenditure framework and budget available. In order for this process to be completed successfully, the Government of Kosovo has adopted the package of framework laws on PAR, which establishes the legal basis, whereas this process will be completed after the revision of the provisions of the Law on Public Officials and the Law on Salaries which the Constitutional Court deemed them to be unconstitutional (as a result, the latter suspended these laws until the end of April). These laws have been suspended with the decisions issued by the Constitutional Court on 25 November and 17 December, respectively. Suspension of the Law on Public Officials and the new Law on Salaries has been extended until the end of June 2020. The vacuum created in this case is filled by the Law on Civil Service and the old Law on Salaries of Civil Servants, as well as the bylaws deriving from these laws. Through its Judgment of 30 June 2020, the Constitutional Court has emphasized that the Law on Public Officials contains some articles which are not in line with the Constitution of Kosovo. Consequently, it requested the Assembly of Kosovo to amend those articles, based

on the findings of this judgment. On the other hand, the Law on Salaries has been repealed in its entirety since according to the Constitutional Court it is not in line with the Constitution in its entirety. As a result, this Law has been declared null, while at the same time decisions for imposing temporary measures regarding its suspension have been annulled.

With regards to the public services and human resources management, further efforts are necessary to depoliticize the administration and fully implement the relevant provisions concerning the corruption prevention and promotion of integrity in civil service.

In March 2017 the Assembly and the Government signed a Memorandum of Cooperation on rationalization of state agencies and the working group established by the MPA (now MIA, pursuant to Art. 19 (6.2) of the Rules of Procedure of the Government No. 09/2011 (OG, No. 15/2011, dated 12 September 2011) and Regulation (GRK) No. 07/2020 amending the Regulation (GRK) No. 06/2020 on Areas of Administrative Responsibilities of the office of the Prime Minister and Ministries), finalized the Concept-document on the First Wave of Rationalization and Establishment of Clear Accountability Lines for Agencies under the Assembly of Kosovo, which was adopted by the Government on 9 October 2018, whereas the draft-law on rationalization and establishment of clear accountability lines for agencies under the Assembly of Kosovo will be adopted in second half of 2020. Furthermore, the Special Group on Public Administration Reform (SWGPAR) also highlighted the reduction of administrative burdens as a high priority.

Following the SGPAR meeting of 22 May 2019, MPA formed Working Groups for implementation of the legal package. MPA then assigned tasks and responsibilities for the working groups and set a deadline for performing the activities defined for each group. Draft-regulations deriving from the Legal Package on PAR have been drafted and undergone a public consultation process on the Platform of Public Consultations. Meanwhile, their approval is expected in 2020. All these regulations have been drafted with the support of experts from the EU's project "Support for Public Administration Reform" and are now in the preliminary consultation phase. The government will give high priority to the consolidation of Legislative Framework on PAR, thereby highlighting the acceleration in aligning the suspension of more than 200 parts of sectorial legislation with the Law on General Administrative Procedures in order to guarantee legal security for citizens and businesses.

Kosovo, under the PAR, will develop a comprehensive document of public financial control policy, with a focus on defining and implementing managerial accountability and public internal financial control in the public sector.

As other obligations that came up at the SGPAR meeting in May, and in order to ensure more effective implementation of public administration reform and ensure that the necessary financial and human resources are allocated to this role, the professional development of civil servants will be significantly improved and the quality and number of training provided by KIPA will be improved.

## ***State of Play***

### *Legislative Framework*

The legislative framework in the area of public administration is established; however it has not yet been completed. The primary legislation on Civil Service is in accordance with the EU principles, but gaps appear especially in the regulation of administrative procedures, public liability, and principles of gender equality, court-administrative proceedings; and accountability of public institutions.

The basic laws based on which the public administration functions include:

- Law No. 06/L-11 on Organisation and Functioning of State Administration and Independent Agencies;

- Law No. 06/L-13 on Salaries in Public Sector. This law has been repealed by the Constitutional Court through its 30 June 2020 judgment. Consequently, the Law No. 03/L-47 on Salaries of Civil Servants is back in force.
- Law No. 06/L-114 on Public Officials. This Constitutional Court, through its 30 June 2020 judgement, has requested that this law be amended; while in the meantime the vacuum created will be filled by the Law No. 03/L-149 on Civil Service.
- Law No. 05/L-031 on General Administrative Procedure;
- Law No. 04/L-145 on Government's Information Society Bodies.

### *Policy Framework*

The strategic framework for public administration was determined by the Ministerial Council on Public Administration Reform, by providing the necessary instructions for the roles and responsibilities of relevant institutions. This way, the approach on public administration reform was determined through the Public Administration Reform Strategic Package, which consists of three individual documents, prepared and managed by the main portfolios, centrally coordinated. In designing the new approach to the reform, we have taken into account the main issues as determined in the enlargement strategy by the European Commission, and presented in detail by the OECD/SIGMA through the Public Administration Principles. Specifically, the public administration of the Republic of Kosovo is committed to function on the basis of SIGMA principles, such as:

- Strategic Framework on Public Administration Reform;
- Policy development and coordination;
- Public services and management of human resources;
- Accountability;
- Service provision;
- Public finance management.

In accordance with these principles, the relevant areas are grouped into the three "PAR pillars," as part of the main portfolios, who have been vested the authority to develop one or more strategic documents. The three main pillars of the PAR Strategic Framework are as in the following:

- Pillar I – policy development and coordination – under the responsibility of Office of Prime Minister,
- Pillar II – civil service, human resources, accountability and service delivery – under the responsibility of the former Ministry of Public Administration, now the Ministry of Internal Affairs; and
- Pillar III – public finance management – under the responsibility of Ministry of Finance.

The second pillar should include criteria of service delivery under the principle of equal treatment for women and men.

The policy framework for the First Pillar of Public Administration Reform consists of:

- Strategy on Improving Policy Planning and Coordination 2017-2022; and
- Better Regulation Strategy 2017-2022.

The policy framework for the Second Pillar of Public Administration Reform consists of:

- The Strategy for Modernisation of Public Administration 2015-2020; and
- E-Governance Strategy 2016-2020.

The policy framework for the Third Pillar of Public Administration Reform consists of:

- Public Internal Financial Control Strategy 2015-2019; and
- Strategy on Public Finance Management.

In addition, the Government has also adopted the new *Government Strategy for Cooperation with Civil Society 2019 - 2023*, which aims at improving participation of civil society in the design and implementation of policies and legislation; building a public service delivery system through CSOs; building a system based on criteria set for financial support for CSOs; and fostering an integrated approach to the development of volunteering.

### *Institutional Framework*

Within the former Ministry of Public Administration, now the Ministry of Internal Affairs (MIA), the institutional framework in the area of public administration consists of the Information Society Agency (ISA) and the Kosovo Institute for Public Administration (KIPA).

The former MPA, now MIA, has now built an advanced infrastructure for the delivery of electronic services through the National Network which covers all the offices of central and local administration and the Centre of the State Data. This infrastructure serves all institutions of central and local level. The current architecture of the infrastructure has a strong basis for providing electronic services to citizens and for modernization of public administration. Further modernization of public administration requires constant maintenance and investment services in accordance with the increase of electronic services, trends of technological developments and increased security.

The Regulation on Minimum Standards for Public Consultation Process (No. 05/2016) has been adopted in April 2016 and its implementation commenced in January 2017. Office of Good Governance/Office of the Prime Minister (OGG), according to Regulation No. 05/2016 on Minimum Standards for Public Consultation Process, is the body in charge of coordinating the consultation process, conducted through the *Online Platform for Public Consultation*. This regulation also provides for the use of other forms and techniques of public consultation, with a view to ensuring inclusive involvement of stakeholders in policy-making. These other forms and techniques should be appropriate and accessible to the citizens of Kosovo, depending on the topic being addressed and the specifics of the sensitivity of that topic. In addition to this mechanism, a consultation mechanism between the Government and the CSOs and other stakeholders in the framework of the joint EU - Kosovo institutional structures established by the SAA is also in place. Regulated by the respective guideline adopted by the Ministry of European Integration in 2018, this mechanism is an appropriate forum that contributes to the shaping of policy-making and the implementation of the SAA, and as such should be made use of by the Government and civil society.

Since 2017, following adoption of the Regulation MoF-No. 04/2017, Kosovo has built a system of unified rules regarding public financing of NGOs, which set the minimum criteria related to public financing. Furthermore, on 2 April 2019, by Decision No. 05/96, the Government established the mechanisms for cooperation of the Government with civil society, namely the Council for Cooperation of the Government with Civil Society. It is the main and permanent advisory mechanism that coordinates and improves the whole process of government cooperation with civil society, with the OGG serving as the Secretariat. The Council is co-chaired by Secretary-General of the OPM and Executive Director of the CiviKos Platform. This council consists of 29 members: 15 from NGOs and 14 from institutions.

### *Donor Support*

With regard to the donors in the area of public administration, currently the support is being provided through projects that are focused on building capacities of human resources in administration, provision of better services for citizens and functional review of administration, with a special emphasis on independent and executive agencies. These projects are as follows:

- *Further strengthening of training capacities of the Kosovo Institute of Public Administration (KIPA)*, with the implementation period 2019-2020, supported by the German Government;

- *Improving the Reporting of PAR Strategic Framework, with the implementation period from 1 January – 30 June 2020, supported by SIGMA/OECD;*
- *Support for Strategic Planning Office within the Office of the Prime Minister, supported by EU (IPA);*
- *Support for improving the policy development in Kosovo within the Office of the Prime Minister, with the implementation period from 2016-2020, supported by SIDA.*

***Medium-term Priority Objectives:***

- Creating an apolitical, professional, merit-based and well-managed civil service through reorganisation of ministries and their subordinate bodies, finalization of the process of job classification, implementation of a new system of salaries and promotions;
- Improving the system for human resources management by linking it to the payroll system, after the process of job classification under the new legislation is finalized;
- Capacity building of civil servants coming from non-majority groups in the administration, based on current applicable legislation, by 10% at the central level (from 8.75% currently) and proportional to the population within the relevant municipality at the local level;
- Further strengthen the administration through capacity development for policy planning, analysis, development, and implementation, in order to create substantive, economically efficient and financially affordable policies;
- Completing legal and operational framework of PAR and finalizing costing reforms will form the basis for determining the scope of the general and financial sectorial budgetary support;
- Providing sufficient funds for the Implementation of the Legal Package on PAR;
- Providing better services to citizens through One-Stop-Shops and creating the Services Portal “e-Kosovo”;
- Advancing electronic governance in order to increase the effectiveness of services and transparency to the public. ISA/former MPA (now MIA) aims at modernizing and increasing the quality of electronic services delivery which will increase transparency;
- Increasing transparency to the public through advancing the portal for data opening, where data will be published by central and local level institutions.

**Local self-government**

The constitutional basis for local self-government is granted by the Constitution of the Republic of Kosovo, Chapter X which states that “The basic unit of local government in Kosovo is municipality. Municipalities enjoy a high degree of local self-governance as well as encourage and ensure active participation of all citizens in the decision making process of municipal bodies”.

The right for local self-government is guaranteed by the Constitution and is regulated by law. Also, local self-government is exercised by representative bodies elected through general, equal, free, direct local elections with secret ballots. The Republic of Kosovo observes and implements the European Charter of Local Self-Government to the extent required by signatory country. Local self-government is based on the principles of good governance, gender equality, transparency, efficiency and effectiveness in providing public services, paying particular attention to the specific needs and concerns of women, men, people with disabilities, as well as non-majority communities and their members.

With regard to gender equality, although compliance with the principle of gender equality in local self-government is a legal obligation, municipal gender equality officials face insufficient political will to involve them in policy processes, which contributes to the lack of of gender perspective in local legislation and policies. Moreover, some of such officials have poor capacities for gender analysis and other policy processes, thus preventing them from fulfilling their responsibilities, while lack of executive powers, insufficient funds and political party agendas also undermine their work. These and other obligations are requirements arising from the EU Gender Action Plan.

EC's *Kosovo 2019 Report* states that the level of representation of women in leadership positions at the local level remains a matter to be addressed with higher priority, although progress has been made in this regard. The quality of public consultation at the local level should also be increased. The capacity of human and financial resources should be increased in order to increase the quality of municipal services. The need to further depoliticize local administration and improve oversight of Municipal Assemblies has also been emphasized.

### 1.1.3. Ombudsperson<sup>6</sup>

This chapter covers the scope of the Ombudsperson Institution (OI), as an independent constitutional institution that monitors, protects and promotes human rights and freedoms. It includes criteria derived from European integration process of the Republic of Kosovo, the current state of fulfilment of its mandate and the challenges faced by the Institution and its plans and priorities for the future.

#### *Requirements of SAA*

Since the EU gives particular importance to human rights, in order to guarantee their implementation, it has imposed certain preconditions, including the Copenhagen political criteria, which require stability of institutions that guarantee democracy, rule of law, human rights as well as compliance and protection of the rights of national minorities, in which is included also the Ombudsperson Institution.

In this context, the Articles of SAA relevant to the Ombudsperson Institution and its mandate are as follows:

- Article 3: *"Respect for the democratic principles and human rights as proclaimed in the United Nations Universal Declaration of Human Rights of 1948 and as defined in the Convention for the Protection of Human Rights and Fundamental Freedoms of 1950, in the Helsinki Final Act and the Charter of Paris for a New Europe, respect for international law principles, including full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) and its residual mechanism, the International Criminal Court, and respect for the rule of law as well as the principles of market economy as reflected in the Document of the Bonn Conference on Economic Cooperation of the Conference on Security Cooperation in Europe, shall form the basis of the policies of the EU and of Kosovo and constitute essential elements of this Agreement.*
- Article 4: *"Kosovo commits to abide by international law and instruments, in particular, but not only, related to the protection of human and fundamental rights, to the protection of persons belonging to minorities, and without discrimination on any ground."*
- Article 7: *"The developments of regional cooperation and good neighbourly relations as well as respect for human rights, including the rights of persons belonging to minorities, are central to the SAP. The conclusion and the implementation of this Agreement takes place within the framework of the SAP and are based on Kosovo's own merits".*

Article 120 of the SAA except requiring a professional, efficient, accountable public administration, it expressly states that *"Cooperation shall also include the improvement of efficiency and the capacity of independent bodies that are instrumental for the functioning of public administration and for an effective system of checks and balances."*

#### Requirements from other EU accession mechanisms

The conclusions of the latest meeting of the *Subcommittee on Justice, Freedom and Security* of June 2019, as well as the *EC Kosovo 2019 Report*, emphasize the need to ensure adequate follow-up of the implementation of Ombudsperson's recommendations. It should also be noted that based on the Agreement on Sector Budgetary Contract for Public Administration Reform between the Government of Kosovo and the European Commission, it has been agreed that by 2020 the level of implementation of the recommendations issued by the OI to public authorities in the Republic of Kosovo will increase to 60%.

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<sup>6</sup> This chapter is related to chapter 3.23. *Chapter 23 of the acquis: Judiciary and Fundamental Rights* (matrix of short-term measures).



In general, the Republic of Kosovo should improve the conditions for the functioning of the Ombudsperson Institution, both in terms of implementing the Legislative Framework, ensuring sustainable financial, organisational and functional independence, and adequately addressing and monitoring the implementation of recommendations issued by the OI.

### *State of Play*

#### *Legislative Framework*

Below is listed the main Legislative Framework which regulates the scope of the Ombudsperson Institution in the Republic of Kosovo:

- Constitution of the Republic of Kosovo;
- Law on Ombudsperson;
- Law on Protection from Discrimination;
- Law on Gender Equality;
- Law on Access to Public Documents.

The Ombudsperson Institution has taken new responsibilities with the legal package for human rights, which consists of the Law on Ombudsperson, Law on Protection from Discrimination and the Law on Gender Equality, adopted in July 2015.

In order for OI to be in full compliance with the Paris Principles on National Institutions for Human Rights, which are minimal international criteria that should be fulfilled by every national institution for human rights in a country in order to be considered credible and worthy to carry out its mandate, the new Law on the Ombudsperson attempts to further strengthen the role of this Institution, by adding provisions that guarantee organisational, administrative and financial independence. Furthermore, this law has extended functional immunity not only for the Ombudsperson and his deputies, but to its entire staff, and the government and the municipalities are obliged to provide publicly owned premises suitable for work in order to enable effective performance of the functions and responsibilities of the OI and guarantees financial independence. Article 35 of this law stipulates as follows:

- *“Regardless of the provisions of other Laws, the Ombudsperson Institution prepares its annual budget proposal and submits it for approval to the Assembly of the Republic of Kosovo, which cannot be shorter than previous year approved budget. Budget may be shortened only by the approval of the Ombudsperson.”*
- *In case powers and liabilities of the Ombudsperson Institution increase with this Law and other Laws, it is accompanied with additional, appropriate and specific financial and human resources.*
- *The Ombudsperson Institution independently manages with its own budget”.*

The legal package for human rights, inter alia, has set forth faster time limits for case review, establishment of the National Mechanism for the Prevention of Torture (NMPT), coverage of not only the public but also the private sector, with regard to cases of discrimination, punitive measures for non-cooperation with the Ombudsperson, initiation of court proceedings by the Ombudsperson, appearance of the Ombudsperson as a Friend of the Court (*amicus curiae*) in court proceedings relating to human rights, equality issues and protection from discrimination, etc.

The Ombudsperson, within the responsibilities as NMPT, is obliged to undertake regular and unannounced visits to places of deprivation of liberty (including police detention, detention on remand, stay at health institutions, customs detention, prohibition of emigration and every other place when it is suspected that there are violations of human rights and freedom); as well as to create a special mechanism that will perform all the functions of NMPT. The Ombudsperson should cooperate with international and domestic mechanisms in the area of torture prevention as well as other forms of cruel, inhuman and degrading treatment or punishment. The Ombudsperson may also make suggestions and

recommendations for responsible persons and institutions where persons deprived of their liberty are held regardless of the type or object and circumstances of their deprivation, to improve the treatment and their conditions.

Regarding the transposition of the *acquis* in the national legislation of this area, a *considerable* (partial) transposition has been achieved so far, namely the Law on Protection from Discrimination and the Law on Gender Equality.

The Ombudsperson Institution in Kosovo has continued to work on the fulfilment of the constitutional mission to protect the rights of Kosovo citizens, *vis-à-vis* the actions of public authorities. Currently, OI performs its activity at the Central Office in Prishtina and in the regional offices in: Prizren, Peja, Gjilan, Ferizaj, Gjakova, Gracanica, Mitrovica and Mitrovica North.

According to the annual report of the Ombudsperson, there is a progressive increase from year to year of the number of recommendations addressed to the responsible institutions as well as a positive trend of their implementation, which had an impact on increasing citizen trust to the institution and on increasing accountability by public authorities in terms of meeting their constitutional and legal obligations in terms of service provision to the citizens.

### *Medium-term Priority Objectives*

Based on the OI's mandate and mission, the basic aim and objective of the OI's work is to achieve investigation of cases of complaints submitted by men and women, so that the protection and promotion of human rights and fundamental freedoms is provided with due responsibility, professionally and on time. In this regard, the OI in this period will further increase the percentage and number of cases solved positively and the number of recommendations addressed to the responsible authorities. Likewise, the OI will increase the number of cases handled *ex officio*, by which it will address systematic human rights issues involving a large number of citizens and thus affect the improvement of human rights system in the Republic of Kosovo. The latter will be achieved through the building of professional capacities of OI collaborators in certain areas, which will be followed by a qualitative increase in the handling of cases, recommendations and their implementation, which is expected to mark a significant increase from year to year. The OI will also pay attention to the advancement of cooperation with public authorities, civil society and media, and also to the membership in various international networks, which allows the exchange of information on the latest developments in the area of human rights and experiences of other sister institutions in order to apply them in Kosovo.

More concretely, the midterm priority objectives in this chapter are the following:

- Increasing citizen's trust in the Ombudsperson Institution and promotion of human rights;
- Increasing the level of implementation/enforcement of the Ombudsperson Institution's recommendations by other relevant institutions.
- Protecting human rights and freedoms with a special focus on systematic issues that are more important to citizens' interests and concerns.
- Strengthening the capacities of new departments for realization of their mandate under the Law, with a focus on the Department for Protection from Discrimination and Department for Children's Rights; and
- Advancing cooperation with public authorities, civil society and media, but also with different international networks.

#### 1.1.4. Civilian Oversight of Security Forces<sup>7</sup>

This chapter covers the democratic civil oversight of security institutions, which refers to the exercise of civilian control by the Assembly of the Republic of Kosovo, namely through the respective Assembly committees (Committee on Kosovo Security Force Affairs, Committee on Oversight of the Kosovo Intelligence Agency), the President, Prime Minister and the Minister of Defence.

The SAA contains no specific provision related to this area, but Kosovo implements related requirements deriving from other EU accession mechanisms.

##### *Requirements from other EU accession mechanisms*

Security clearance of the members of the Parliamentary Committee for the Oversight of Kosovo Intelligence Agency (KIA) is found by the Progress Report to be unprofessional and partisan of the security and that the Assembly should increase its capacity and improve its expertise to oversee this area and it remains Kosovo's obligation to amend the Law on Classified Information and Security Clearances and through this to establish the Agency for the Security of Classified Information as a National Security Authority, and, in close cooperation with other mechanisms in the Republic of Kosovo, to include in the decision making processes also security clearances and also the minimum security standards for the protection of classified information that are administered by the relevant institutions of the Republic of Kosovo. The relevant parliamentary committee for security will be the oversight mechanism for the agency and the same shall not be subject to security clearance. EC's *Kosovo 2019 Report* re-emphasizes that parliamentary oversight of the Kosovo Security Forces and the Kosovo Intelligence Agency continues to be insufficient.

##### *State of Play*

###### *Legislative Framework*

Regarding the democratic civil oversight, the Republic of Kosovo has covered this segment with the *current Legislative Framework* as follows:

- Constitution of the Republic of Kosovo - Article 65, paragraph 12;
- Law on Ministry of Defence;
- Law on Kosovo Security Force;
- Law on Service in the Kosovo Security Force;
- Law on Classification of Information and Security Clearances;
- Law on Kosovo Intelligence Agency.

Furthermore, considering the amendment of the Government Legislative Plan for 2018, on September 13, 2018 the draft-law on the Kosovo Security Force, the draft-law on the Ministry of Defence and the draft-law on Service in the Kosovo Security Force, together with the whole package of documents required by the Government's Rules of Procedure have been re-processed to the Government. In its meeting of 13 September 2018, the Government of the Republic of Kosovo, with respective Decisions (No. 04/65; No. 05/65 and No. 06/65), approved and proceeded in the Assembly of Kosovo the three (3) abovementioned laws. The Assembly of the Republic of Kosovo adopted those laws on 14 December 2018 and those laws came into force on January. The new Legislative Framework has defined in more details the powers of the democratic civil control authorities of the KSF.

###### *Policy Framework*

The Strategic Security Sector Review Analysis - adopted in 2014, has set strategic objectives of the Security Sector of the Republic of Kosovo, as follows: independence, sovereignty and territorial integrity;

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<sup>7</sup> This chapter is related to the chapter 3.32. *Chapter 31 of the acquis: Foreign, Security and Defence Policy.*

constitutional order; sustainable economic development; life, welfare, property and security of the citizens of Kosovo; and regional stability and membership in international organisations.

National Security interests and objectives define the basis for the mission and the current and future tasks of institutions in general and security institutions in particular. In the context of national security and interests from the analysis of SSSR, the scope of this strategy relates to the integration of RKS in the EU and NATO, thus regional stability and membership in international organisations.

At the same time, civilian oversight of the security forces must be fully in line with United Nations Security Council Resolution 1325 on Women, Peace and Security, and the current governmental strategies.

#### *Institutional Framework*

Based on relevant legislation, the chain of democratic civil control begins with the Assembly (through relevant parliamentary committees), the President of Kosovo, as Supreme Commander of the KSF, the Prime Minister and Minister of Defence, whose powers are exercised by calling to report, appointment, promotion and oversight of finances.

Institutional framework for civil democratic oversight of the security force consists of the following institutions:

- President of the Republic of Kosovo;
- Assembly of the Republic of Kosovo;
- Oversight Committee;
- Government;
- Prime Minister;
- Minister of Defence.

#### *Medium-term Priority Objectives*

Refer to medium-term priority objectives in Chapter 31.

### **1.2. Regional Cooperation and International Obligations<sup>8</sup>**

The Government of the Republic of Kosovo will continue to promote good neighbourliness and constructive relations with all countries in the region. In view of fulfilling regional policy, Kosovo remains constructively and pragmatically committed to increasing the effective regional cooperation. The main purpose is to strengthen the relationship with immediate neighbours, raise the current level of comprehensive exchanges and to enhance cooperation in all areas of common interest.

Kosovo continues to support dialogue at all levels, regional security, economic cooperation, deepening of trade exchanges, protection and promotion of human rights and freedoms. Kosovo remains committed to full normalization of interstate relations with Serbia and the continuation of dialogue, and it aims to finalize it with mutual recognition, which will allow building a long-lasting peace between the two countries and establishing diplomatic relations and good neighbourly relations in the European spirit, including the participation of women and men in the dialogue processes in accordance with United Nations Resolution 1325 on Women, Peace and Security and the current governmental strategies.

Membership of the Republic of Kosovo in international organisations remains one of the main priorities for the Government of Kosovo, as well as its efforts to become a full member of the UN and its specialized agencies and to increase its participation and representation in multilateral mechanisms, continues. Kosovo

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<sup>8</sup> This chapter is related to the chapter 3.32. *Chapter 31 of the acquis: Foreign, Security and Defence Policy.*

multilateral diplomacy continues to serve the development of Kosovo's national, democratic and economic interests, as well as the assumption of international responsibilities.

The Republic of Kosovo, as a fully-fledged member of regional organisation in the South-Eastern Europe – Regional Cooperation Council (RCC), participates in the annual meetings, board meetings, meetings of the national coordinators and sector meetings of the RCC. Kosovo institutions, in accordance with the requirements of the Law on Gender Equality, ensure that at all gatherings, meetings, seminars and conferences there is equal representation of men and women.

According to EU membership requirements deriving from the SAA, midterm criteria of the Feasibility Study, Subcommittees and other mechanisms of this process as regards regional cooperation and international obligations, Kosovo continues to develop regional cooperation in respecting human rights, particularly minorities, promoting regional cooperation regarding the movement of persons, goods and services and capital. Consequently, Kosovo conducts political dialogue aiming to consolidate the approximation between the EU and Kosovo to enhance new forms of cooperation in the process of normalization of relations between Kosovo and Serbia, as well as actively promotes regional cooperation.

It is essential that Kosovo continues implementing in good faith all agreements reached so far between Belgrade and Prishtina, and engages constructively on the full range of issues with the facilitation of the EU, including the Transport Community Treaty, judicial cooperation and agreements for employment and social policies within the SEE, Employment and Social Policy Network and the SEE Health Network. Full participation of Kosovo in the Roma Decade must be ensured as well.

According to the Conclusions of the Council, of April 1997, regional cooperation is one of the main conditions for assigning contractual relations with the EU. Also, to meet obligations deriving from the FS and SAPD, Kosovo continues to provide active and constructive cooperation with all regional partners. The Government of the Republic of Kosovo continues to be constructive as regards the dialogue with the Republic of Serbia and at the same time intensifies efforts to deepen good relations with neighbouring countries. Membership and proactive participation in regional and international organisations also remains a priority.

According to the EC *Kosovo 2019 Report*, Kosovo needs to finalize its ReSPA membership process in order to be an equal member. In the area of missing persons, Kosovo will establish a central register for missing persons and strengthen inter-institutional cooperation. High priority will be given to the adoption of bylaws in order to support the implementation of the Law on Missing Persons. Capacities to conduct sustainable forensic practices will also be increased, including anthropology and forensic archaeology. According to *Kosovo 2019 Report*, Kosovo should revoke the 100% tax on imports from Serbia and Bosnia and Herzegovina.

## ***State of Play***

### *Legislative Framework*

The legal basis regulating the scope for international agreements consists of:

- Law No. 04/L-052 on International Agreements
- Law No. 04/L-199 on Ratification of the First International Agreement of principles governing the Normalization of relations between the Republic of Kosovo and the Republic of Serbia
- Implementing Protocols of the Basic Agreement for Normalization of Relations.

Whereas, the legal basis regulating the area of missing persons through international agreements consists of the Law No. 04/L-023 for Missing Persons.

### *Institutional Framework and Agreements*

Institutional framework in the area of regional cooperation and international obligations consists of the following institutions:

- Ministry of Foreign Affairs and Diaspora, respectively Department for Regional Relations; and
- The Office of the Prime Minister (in charge of the dialogue on the normalization of relations with Serbia).

The dialogue aims to resolve practical issues between two independent and sovereign states. The dialogue is mediated by the EU and supported by the US. The dialogue has emerged as an international obligation deriving from the UN Resolution of September 2010 for which the Government of the Republic of Kosovo, in accordance with the Constitution of the country and the Resolution of the Assembly has shown willingness to meet this obligation, as well as objectives for improving the life of citizens and bringing Kosovo closer to the EU.

The Office of the Prime Minister, respectively the Office of the Regional Cooperation Council and the Government Commission on Missing Persons; Office of the Regional Cooperation Council, which represents the Republic of Kosovo as National Coordinator for regional cooperation initiatives in the framework of the SEE countries and coordinates the activities of regional cooperation within the Regional Cooperation Council directly with the Secretariat in Sarajevo.

The National Coordinator represents Kosovo at Board meetings and annual meetings of Regional Cooperation Council in Sarajevo. Office of the Regional Cooperation Council is committed to inter-ministerial cooperation with the aim of meeting commitments within the RCC agenda.

The Government Commission on Missing Persons operating within the Office of the Prime Minister, is a government body that manages, oversees, and coordinates activities with local institutions, cooperates with international institutions and organisations and other stakeholders regarding the fate of missing persons in the aftermath of the 1998-1999 war, regardless of ethnicity, religion or military or civilian status.

Government Commission on Missing Persons has a mandate and aims to protect the rights and interests of missing persons and their families, in particular the right of family members to know the fate of missing persons, who disappeared during the period 1 January 1998 - 31 December 2000, in the aftermath of the 1998-1999 war in Kosovo.

With regard to the relations with the international community, Kosovo is a member of the International Monetary Fund, World Bank and the European Bank for Reconstruction and Development. In addition, Kosovo participates in regular CEFTA meetings, but continues to face obstacles created by Serbia where the CEFTA Secretariat requires UNMIK to sign on behalf of Kosovo, which is a violation of the agreement for Regional Cooperation reached in Brussels on 24 February 2012 (for more, see chapter 31).

The Republic of Kosovo is a member to the following regional and international political initiatives:

- South-East Europe Cooperation Process (SEECF);
- Migration, Asylum, Refugees Regional Initiative (MARRI);
- Regional Cooperation Council (RCC);
- Venice Commission;
- Centre for Security Cooperation (RACVIAC);
- International Organization of La Francophonie;
- Central European Free Trade Agreement (CEFTA);
- Vienna Economic Forum (VEF);
- Brdo Process (BP);

- Western Balkans Investment Framework (WBIF);
- Energy Community (EnC);
- South East Europe Investment Committee (SEEIC);
- Regional Rural Development Standing Working Group (SWG);
- South East European Trade Union Forum (SEETUF);
- Electronic South Eastern Europe (eSEE);
- EETO - South East Europe Transport Observatory;
- Network of Associations of Local Authorities of South East Europe (NALAS);
- South East European Public Private Partnership Network (SEPPPN);
- USA – Adriatic Charter (A-5);
- Education Reform Initiative of South Eastern Europe (ERI SEE);
- Regional Environmental Centre (REC);
- Regional School of Public Administration (ReSPA);
- Regional Environmental Network for Accession (RENA);
- South East European Centre for Entrepreneurial Learning (SEECEL);
- Task Force Fostering and Building Human Capital (TF FBHC);
- International Organisation of Pension Supervisors (IOPS);
- International Road Transport Union in Geneva (IRU);
- World Bank (WB);
- European Bank for Reconstruction and Development (EBRD);
- International Monetary Fund (IMF);
- International Bar Association (IBA);
- International Social Security Association (ISSA);
- Regional Rural Development Standing Working Group (RRDWSG);
- Visegrad Group (VG);
- Human Dynamics (HD);
- Implementation of the Single European Sky in South East Europe Programme (ISIS ECAA);
- Investment Compact for SEE (ICSEE);
- European Film Promotion (EFP);
- European Network of the Heads of Environment Protection Agencies (EPA);
- European Investment Bank (EIB);
- Council of Europe Development Bank (CEB);
- Independent Regulators' Group – Rail (IRG – Rail);
- NATO Parliamentary Assembly (NATO PA);
- European Geological Surveys (EGS);
- International Organization of La Francophonie (OIF);
- International Amateur Radio Union (IARU);
- Western Balkans Research and Innovation Centre (WISE);
- Western Balkans Fund (WBF);
- Millennium Challenge Corporation (MCC);
- Bureau of International Exhibitions (BIE);
- Regional Youth Cooperation Office (RYCO);
- European Telecommunications Standards Institute (ETSI);
- Permanent Court of Arbitration (PCA);
- Apostille Convention (AC);
- World Dental Federation (WDF);
- International Federation of Library Associations and Institutions (IFLA);
- International Council of Museums (ICOM);
- Egmont Group of Financial Intelligence Units (EGFIU);
- Transport Community Treaty (TCT);

- International Federation of Arts Councils and Culture Agencies (IFACCA);
- World Customs Organization (WCO);
- International Council of Monuments and Sites (ICOMOS);
- South Eastern Europe Cinema Network (SEE Cinema Network);
- European Film Academy (EFA);
- South East European Regional Council - International Council on Large Electric Systems (SEERC CIGRE);
- World Water Council (WWC);
- Parliamentary Assembly of Francophonie (APF);
- International Union for Conservation of Nature (IUCN)
- International Organization of Supreme Audit Institutions (INTOSAI);
- Réseau international francophone de formation policière (FRANCOPOL);
- International Committee for Animal Recording (ICAR).

Kosovo has also become a member of the following sporting organisations:

- International Basketball Federation;
- International Swimming Federation;
- International Olympic Committee;
- International Handball Federation;
- World Taekwondo Federation;
- International Wrestling Federation;
- International Table Tennis Federation (ITTF);
- International Federation of Associated Wrestling Styles (FILA);
- International Archery Federation (FITA);
- International Weightlifting Federation (IWF);
- International Socca Federation (ISF);
- International Judo Federation (IJF);
- European Minigolf Sport Federation (EMF);
- International Sailing Federation (ISAF);
- World Curling Federation (WCF);
- International Modern Pentathlon Union (UIPM);
- International Gymnastics Federation (FIG);
- European Olympic Committee (WB);
- International Boxing Association (Amateur) (AIBA);
- International Kickboxing Federation (IKF);
- World Chess Federation (FIDE);
- International Shooting Sports Federation (ISSF);
- International Volleyball Federation (FIVB);
- International Association of Athletics Federations (IAAF);
- International Cyclist Union (UCI);
- International Aeronautical Federation (FAI);
- International Tennis Federation (ITF);
- European Athletics Association (EAA);
- International Ski Federation (FIS);
- International Automobile Federation (FIA);
- Union of European Football Associations (UEFA);
- International Federation of Football Associations (FIFA);
- United World Wrestling (UWW);
- World Karate Federation (WKF).



Regarding regional cooperation, Kosovo continues to have satisfactory cooperation with neighbouring countries.

With Albania: in the context of strengthening the strategic cooperation with the Republic of Albania in the economic, political, cultural, sports and other areas, a total of five joint intergovernmental meetings have taken place between the Republic of Kosovo and Republic of Albania.

During the last joint meeting of the two governments alone, numerous agreements were signed, such as:

- Agreement on the abolition of prices of roaming services for public communications networks between the ministries in charge of electronic communications of the Republic of Albania and Republic of Kosovo, on 26.11.2018;
- Protocol on the conduct of joint customs control activities at the joint border crossing point Morine-Vërmicë "between the Ministry of Finance of the Republic of Kosovo and the Ministry of Finance and Economy of the Republic of Albania, on 26.11.2018;
- Agreement on cooperation in the area of public debt, foreign financing and relations with international financial institutions, on 26.11.2018;
- Memorandum of Understanding between the Agency for Industrial Property of RKS and the General Directorate of Industrial Property of the Republic of Albania on 26.11.2018;
- Protocol between the Ministry of Agriculture and Rural Development of the Republic of Albania and the Ministry of Agriculture, Forestry and Rural Development of the Republic of Kosovo for the bilateral recognition and unification of models of health, veterinary and sanitary certificates which will accompany the shipments of live stocks, products of animal origin and vegetable products during import, export and transit between the Republic of Albania and the Republic of Kosovo, on 26.11.2018;
- Agreement on Cooperation in the Area of Youth;
- Agreement between the Council of Ministers of the Republic of Albania and the Government of the Republic of Kosovo for cooperation, promotion of business and diaspora information, on 26.11.2018;
- Agreement between the Council of Ministers of the Republic of Albania and the Government of the Republic of Kosovo for the mutual recognition of driving licenses, on 26.11.2018;
- Agreement of Cooperation in the area of health between the Ministry of Health and Social Protection of the Republic of Albania and the Ministry of Health of the Republic of Kosovo, on 26.11.2018.

In addition, the Kosovo - Albania Joint Secretariat has conducted a series of joint meetings, which has a functional and active role in supervising the agreements reached between the two countries. The Secretariat, at the founding meeting held in Pristina, agreed to meet every two months.

With Montenegro recently the Republic of Kosovo had signed the agreement on the State Border with Montenegro on August 26, 2015, which was ratified by the Kosovo Assembly on March 21, 2018. During the last three years, several important agreements have been signed, including:

- Agreement on "Road transport of passengers and goods" signed between the Government of the Republic of Kosovo and Government of Montenegro on 01 August 2018. This Agreement entered into force on 10 January 2020.
- Cooperation Agreement in the area of culture signed on 28 April 2017 and this Agreement entered into force on 21 November 2017.
- Agreement concerning the Cross-Border Cooperation Programme between Montenegro and Kosovo within the framework of IPA II (2014-2020) signed on 20 February 2017 and ratified with the decree of the President and published in the Official Gazette on 24 April 2017.

- On 5 April 2018, “Tripartite Financing Agreement was signed between EU, Kosovo and Montenegro for Cross-Border Cooperation Programme IPA II” between Kosovo, represented by the Ministry of European Integration and Montenegro. It has been published on 26 December 2018.
- After exchange of notifications, IPA II Agreement for 2018-2020 for “Cross-Border Cooperation” between the Republic of Kosovo and Republic of Montenegro was ratified and entered into force.

With North Macedonia, since the signing of the demarcation agreement, diplomatic relations between the two countries have been established (October 17, 2009), to continue with relations of a fairly good level to this day. The Republic of North Macedonia shares a similar objective to Kosovo's foreign policy, aspiring for full membership in the EU and NATO. The mutual adherence of the Ahtisaari Plan and the Ohrid Agreement has been and remains fundamental for the bilateral relations between the two states.

Within the framework of strategic and neighbourly cooperation, in the last two years a series of memorandums and agreements have been signed, and there are initiatives that are expected to be signed in the near future:

- On 01.12.2017, an authorization has been issued for signing the “Agreement for Readmission of persons residing without authorization and its implementing protocol” between the Government of the Republic of Kosovo and Government of the Republic of North Macedonia;
- Agreement between the Republic of North Macedonia and Republic of Kosovo on “the fight against trafficking in human beings” signed on 16 March 2018. After the exchange of notification, the agreement was ratified and entered into force on 20 January 2020.
- On 20.10.2017, an authorization was issued to sign the “Trilateral Financing Agreement for 2016 for Cross-Border Cooperation Programme IPA II (2014-2020) between Kosovo and North Macedonia” between Kosovo, represented by MEI, EU, represented by EC, and North Macedonia, represented by the Office of the Prime Minister.
- Agreement on “Mutual Recognition of Driving Licences” between the Republic of Kosovo and North Macedonia, signed on 01.08.2018. Entered into force on 9 January 2020.
- Law No. 05/1-149 on Ratification of the Agreement on the Establishment of the Regional Youth Cooperation Office between Kosovo, Albania, Bosnia and Herzegovina, Montenegro, Macedonia and Serbia (Published on: 21.04.2017);
- On 12.07.2018, an authorization has been issued to sign the “Tripartite Financing Agreement between the EU, Kosovo and North Macedonia for 2017, for Cross-Border Cooperation Programme IPA II between Kosovo and North Macedonia” between Kosovo, represented by the Ministry of European Integration, EU, represented by the EC, and North Macedonia represented by the Office of the Prime Minister.
- On August 16, 2017 in Prishtina, a protocol was signed between the Government of the Republic of Kosovo and the Government of the Republic of North Macedonia on the manner of preparation of urban planning and technical documentation of the final project, general cost sharing and maintenance for joint facilities and for the way of carrying out border controls at the Joint Border Crossing Points for International Road Traffic between the Republic of Kosovo and the Republic of North Macedonia "Stanqic - Belanoc”.

Bilateral relations with Serbia are mainly within the EU-mediated process of normalization. There are a number of agreements reached within this process, as outlined below:

**Energy:** Despite the fact that the energy agreement has been negotiated for more than six years, the same cannot be implemented yet, as it is being blocked by not allowing the new company to register in Kosovo in accordance with Kosovo Laws as foreseen by the agreement on energy reached in 2013. In concrete terms, the new company, as a branch of a Serbian company, is refusing to mention Kosovo, as the state where it will operate, in its statute, despite the fact that the agreement requires compliance with the Kosovo Laws.

Failure to implement this agreement has a negative impact on the establishment of the unified system of this sector in Kosovo, impact on the fulfilment of obligations towards Kosovo citizens and energy security in the country, as well as on the 6+ Agenda of the Berlin Process for the Connectivity Agenda.

**Diplomas:** In the area of education Serbia has not expressed willingness to help students by implementing the agreement on mutual recognition of diplomas between the two states, Kosovo and Serbia. Since 2011, when this agreement was reached and later extended further in January 2016, it has never been implemented by Serbia. The motives for blockade seem to be of a political nature, oriented against the Albanians of the Presheva Valley, who particularly need the recognition of their diplomas, as they study in Kosovo due to the absence of the Albanian language university in the Presheva Valley in Serbia and who seek to return and serve in the education sector or be employed in other areas of public sector in the Presheva Valley.

**Cadastral:** The cadastral agreement, achieved in 2011, has not yet started to be implemented. Although the Law on the Technical Agency for the comparison and verification of cadastral documents to be returned to Kosovo was adopted in June 2016, Serbia has not yet started the implementation for returning the scanned and verified Kosovo cadastral documentation.

Although the **full revitalization of the Mitrovica Bridge** and revitalization of the main road in northern Mitrovica has been completed, due to reasons of political nature, the Serbian side is hindering its opening for the free movement of pedestrians and vehicles.

**Elections:** Kosovo has made all preparations for the regular election process related to local elections in the country. Since the last local elections of 2013, there has been a significant improvement in governance in the municipalities in the north of Iber, in accordance with Kosovo's laws, despite the fact that Serbia has not yet completely abolished the parallel structures in Kosovo.

**Integration of former members of parallel structures:** The integration of former police officers into the Kosovo Police in municipalities in the north of Ibër has been concluded successfully. Regarding the integration of individuals of the so-called "Civil Protection", the Government of Kosovo has fulfilled the obligations deriving from the agreement. In this context, a special challenge remains the opening of offices for these employees in the municipalities in the north of Ibër.

Regarding **Integrated Border Management (IBM)**, the Kosovo side is fully implementing this agreement, including IBM's permanent facilities: the construction of a border crossing point in Merdare, which had started on 16 February 2017, is completed, while the Kosovo side has initiated all procedures regarding the construction of the border crossing point in Mutivoda. The Serbian side is making political obstacles regarding the construction of the crossing point in Bernjak, for which the EU has been notified. On the other hand, Serbia has not yet made any progress in the construction of 3 other crossing points, namely: Jarinje, Muqibabe and Dheu i Bardhe.

Regarding **telecommunications**, this agreement is generally being implemented, and the Government of Kosovo is ready to take all actions with a view to its full implementation while ensuring progress on the more problematic issues such as cross-border frequency coordination, interconnection and roaming between operators.

Concerning the Agreement on the Advancement of Freedom of Movement, respectively Reciprocity for **Vehicle Registration Plates**, an agreement that was reached in September 2016 and was scheduled to commence implementation on November 15, 2016, due to delays in adopting necessary decisions for its implementation and due to the recent political developments resulting in national elections and the creation of new institutions in the country, Kosovo has delayed its implementation. The Government of Kosovo is committed to taking all the necessary actions for the purpose of full implementation.

In December 2015, the Constitutional Court issued a judgment on the Agreement on the Association of Serb Municipalities. The Government of Kosovo will always act in full accordance with the Constitution of Kosovo and the Constitutional Court's decision.

The Republic of Kosovo on 31 March 2020 based on decision No. 01/20 removed the 100% tariff on the import of goods originating from the Republic of Serbia and the Republic of Bosnia and Herzegovina. It should be noted that the tariff was imposed by the previous Government in response to Serbia's economic and political approach towards Kosovo, its ongoing campaign to reduce the number of countries that have recognized the independence of Kosovo and the campaign of preventing Kosovo's membership in international organizations. The above decision emphasizes the fact that despite the entry into force of CEFTA, Serbia has nevertheless continued introducing a number of non-tariff trade barriers to the Republic of Kosovo, including transit, technical and political barriers, thus causing Kosovo a large trade deficit. Parallel to the lifting of the tariffs, the Government has introduced reciprocity measures against Serbia. Additionally, the Government will conduct a review of the implementation of these measures at least once a month, starting from 15 June 2020.

On 6 June 2020, through its Decision No. 03/03, the new Government headed by Prime Minister Avdullah Hoti repealed Decisions No. 01/14 and 01/37 of the Kurti Government on reciprocity measures in relations with Serbia. The new decision of the Hoti Government was adopted in the context of removing all obstacles in order to enable continuation of the dialogue with Serbia.

Bosnia and Herzegovina has not changed its position regarding recognition of the independence and sovereignty of Kosovo. Despite the fact that Kosovar citizens should be provided with a visa for entry into Bosnia and Herzegovina, Kosovo authorities, even after the independence and establishment of the visa regime, did not apply the visa requirement for Bosnian citizens to enter Kosovo. Despite the good will of Kosovo, Bosnian authorities did not respond positively, where short-stay visas for citizens of Kosovo continue to be issued only at the invitation of foreign diplomatic missions and international organisations accredited in Bosnia and Herzegovina. Therefore, through a government decision of the Republic of Kosovo, in January 2014, Bosnia and Herzegovina was added to the list of states, whose citizens needed a visa for entry into the territory of Kosovo, whereby Bosnian citizens now have to apply at the embassy of Kosovo in Tirana to be equipped with a visa, and citizens of Kosovo apply for visa at the Embassy of Bosnia and Herzegovina in Skopje.

After the establishment of reciprocal measures, continuous efforts were made to organize technical-level meetings to solve the visa issue, but without success due to political developments and circumstances in both countries, as well as due to the refusal by senior officials of Bosnia and Herzegovina. However, Kosovo institutions remain fully committed and insist on resolving this issue.

Despite the achievements in international relations, there are many remaining challenges undermining Kosovo's position in the international arena. Non-recognition by 5 EU member states is a challenge to Kosovo's path towards European integration. Also, lack of sufficient recognitions hinders Kosovo's membership in other international mechanisms such as the UN, OSCE or Council of Europe, and, as a result, Kosovo is not able to have full benefits of the evaluation mechanisms of relevant conventions.

In the light of the Berlin Process, in July 2018, in the London Summit, Joint Declarations were signed on Regional Cooperation, Good Neighbourly Relations and on War Crimes and Missing Persons, whereby the Republic of Kosovo demonstrated readiness to resolve mutual regional disputes.

In Poznan summit, held in July 2019, progress has been reviewed in these areas of regional cooperation: economy, inter-connectivity, good neighbourly relations, reconciliation and open bilateral issues and security. The initiative of Kosovo and BiH to host the preparatory meetings within the Berlin Process during

2020 has been welcomed. During the Summit, in particular was agreed upon the future investment package for improving the connectivity between the Western Balkan and EU countries. Out of 8 projects approved, Kosovo benefits from the project intended for the development of Railway 10, i.e. Orient/East-Med corridor. It should be noted that the EU will invest with a grant of EUR 180 million, out of EUR 728.2 million as planned to be the investment of 8 projects for the advancement of road, railway and energy transport. The rest of the investment will be covered by the Western Balkans budget and loans from the European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD) and German Development Bank (KfW).

*Implementation of cross-border cooperation programmes:* on cross-border cooperation programmes, see the acquis chapter 22.

#### ***Medium-term Priority Objectives***

- Further expanding the diplomatic network in countries with regional and global powers with the aim of consolidating Kosovo's international subjectivity and membership in international organisations;
- Resolving the fate of missing persons, with an emphasis on identifying mortal remains and respecting the claims and rights of missing persons' families;
- Consolidating the legal basis, including adoption of bylaws, and amending the Law on Missing Persons;
- Regulating the area of Forensic Medicine by consolidating the Legislative Framework and creating a central and case closure register;
- Building sustainable forensic capacities.

## 2. BLOCK 2: ECONOMIC CRITERIA

The fulfilment of the economic criteria for accession is based on requirements deriving from the conclusions of the European Council 1993, known as the Copenhagen Criteria. A functional market economy is the first Copenhagen economic criterion, which includes:

- Existence of a broad consensus on essential economic policy;
- Achievement of macroeconomic stability, including the adequate price stability and sustainability in terms of public finances and external balance of payments;
- Free interaction of market forces based on the mechanisms of supply and demand, including price setting and trade liberalization;
- Eliminating essential barriers to the market input and output (on establishment of new enterprises or bankruptcy of existing ones);
- The existence of a legal system, including regulation of property rights, as well as enforcement of laws and contracts;
- Broad consensus on key issues With regard to economic policy;
- A financial sector sufficiently developed to channel savings towards productive investments.

The Maastricht Criteria, or convergence economic criteria, deal with the monetary integration in the Euro Area, while countries aiming to adopt the Euro need to fulfil numerous economic indicators, measuring:

- Price stability through CPI;
- Sustainability and adequacy of public finance, through limiting the budget deficit (to 3% of GDP) and the government debt in relation to GDP;
- Stability in long term interest rates; and
- Stability in exchange rate.

Based on the 2018 Conclusions of the General Affairs Council, the European Commission has started a new approach in the last three years to promote the economic and political development in Kosovo, similar to instruments and mechanisms used in member states. In such a context, the Enlargement Strategy for Kosovo (and the Balkans in general) is based on three pillars, one of them being economic governance. One of the main instruments to strengthen the economic governance is the dialogue with the EU, including preparing the Economic Reform Programme. Hence, the progress assessment in fulfilling the economic criteria is closely linked to improving economic governance and implementing the economic reform programme.

As a result, the priority objectives and measures within the economic criteria aim at reflecting the substance of structural reforms as contained in the Economic Reforms Programme. They are certainly closely linked to strategic documents such as: Government Programme, sectorial strategies, and National Development Strategy. The document also incorporates measures deriving from the EC Country Report for Kosovo, and the Subcommittee on Economic and Financial Issues and Statistics.

In terms of progress with regard to fulfilling the accession economic criteria, Kosovo needs to continue its efforts in creating a functional market economy, capable to cope with competition, by directing the budget towards growth generating investments, and by strengthening the competitiveness, which in turn would positively affect in reducing the external misbalance. Kosovo needs to continue privatization, as well as work towards increasing the internal taxation. Clarifying the bankruptcy procedures would positively affect the economy. Similarly, Kosovo needs to develop the human capital so as to reduce the high rate of unemployment of men and women, as well as it needs to fight informal economy and address the legal and institutional factors undermining businesses' access to finance, and advancement of fiscal stability towards improving the efficiency of public spending. According to findings of CSOs dealing with issues of gender equality, statistical data on gender implications of informality in the economy are missing. In addition, the KAS Labour Force Survey lacks data on gender pay gap and informal economy disaggregated

by gender, ethnic affiliation and the relevant sector. In order to increase the competitiveness capability, there is still a need for considerable reforms, including, the sector of energy and developing the education system.

#### Requirements from other EU accession mechanisms

According to the EC *Kosovo 2019 Report*, Kosovo has made good progress and is at an early stage of developing a functioning market economy. Government adheres to the fiscal rule, but spending pressures related to social benefits for certain population groups and public employees' wages pose risks to public finances and hinder private sector development. The business environment has improved somewhat, but challenges remain, including the widespread of the informal economy, a slow and inefficient judiciary, high prevalence of corruption and the weak rule of law. Despite strong growth of services exports, economic diversification has advanced slowly.

In order to improve the functioning of a market economy, Kosovo should pay particular attention to:

- Ensuring that the 2020 budget is in line with existing fiscal rules, in particular the wage rule;
- Improving the financial oversight and accountability of publicly owned enterprises and advancing their privatization;
- Further improving access to finance for SMEs by addressing fundamental legal and institutional factors.

## **2.1. Existence of a Functioning Market Economy**

### Economic Governance

There is a broad consensus on market-oriented economic policies and reforms. This is also reflected in the Government Programme 2017-2021, underlining that one of the basic principles of government is to promote rapid and sustainable economic development based on the human potential and natural resources of Kosovo. The Government's vision is to increase welfare, create new jobs and eliminate extreme poverty in Kosovo. To achieve these rates, the Government will focus on the successful implementation of reforms that have a direct impact on improving the economic, fiscal and financial environment.

The Government will have a special programme for economic recovery, because, in addition to the impact on public health and the lives of citizens, Covid-19 will cause an economic shock, negatively affecting production, employment, income and exports. For this reason, the Government of Kosovo will take measures for economic recovery which will be based on a general analysis of the economic impact of Covid-19. These measures will be summarized in the framework of the "Economic Recovery Programme after the Covid-19 Pandemic". Programme measures are expected to result in increased economic activity, especially in the manufacturing, processing and services industries, supporting the expansion of exports, reduction of imports, and consequently improving the country's trade balance. In parallel, the Government will focus its resources on the implementation of major development projects, which will be financed through various public-private modalities. Implementation of these projects, in addition to the medium-term stimulation, will affect the long-term transformation of the economic structure and reduce unemployment.

Throughout the mandate, programmatic development targets will be translated into annual growth targets through the Medium Term Expenditure Framework, the annual work plan of the Government, and annual budgets.

Regarding the **policy framework**, the National Development Strategy 2016-2021 is one of the key policy documents in the medium term. The financing of these priority policies and objectives is then concretized into indicative allocation of funds to the relevant sectors in the Medium Term Expenditure Framework. The programme focuses on five key priority pillars: i) the rule of law, ii) economic development and employment, iii) foreign policy and Euro-Atlantic integration (foreign policy, dialogue with Serbia, EU

integration, contribution to security), and iv) sectorial development (Education, Health, Infrastructure, Social Welfare, Culture, Youth and Sport, and Environment and Spatial Planning).

An integral part of the strengthened institutional cooperation between Kosovo and the EU is the participation in the structured dialogue on economic governance which takes place between the candidate countries on the one hand, and the EU institutions, in particular the Council and the Commission, on the other. In the framework of this dialogue, the Republic of Kosovo has also prepared the next **Economic Reform Programme (ERP) 2020-2022**. ERP is a tool intended to improve economic governance by providing a clear framework in implementing reforms. The document consists of a macroeconomic and fiscal analysis, as well as the overall framework of priority structural reforms for certain sectors. This document is directly related to the National Development Strategy, other strategic documents on structural reforms and management of public finances in the medium term.

### **Macroeconomic Stability**

Recent years, Kosovo marked the average GDP growth rate among the highest in the region. According to official data from the Kosovo Agency of Statistics (KAS), economic activity during 2019, measured by GDP, there was a growth of 4.2%, in real terms, and 5.3%, in nominal terms, compared to the previous year. On the first quarter of 2020, preliminary data from KAS show 1.3% growth compared to the same period of 2019.

During 2019, the largest contribution to GDP growth came from consumption, with 2.3 p.p., export of goods and services, with 2.8 p.p., and investments, with 1.7 p.p. During the first quarter of 2020 the largest contribution to growth came from exports of goods and services, with 5.9 p.p., counteracted by a decrease in the total of investments, by -2.4 p. p., and imports of goods and services, with a negative contribution of 2.3 p,p,

During 2019 inflation increased by 2.7% on average, with a significant increase at the beginning of the year. During the period from January to May 2020 inflation measured by the consumer price index showed an increase of 0.7% compared to the same period of 2019. This is mainly due to the increase of prices in the healthcare sector, by 4.8%, restaurants and catering, by 2.4%, and food and non-alcoholic beverages, by 2%; this price increases in these categories was countered by a decrease in the category of transport, by 3.3%, mainly due to the fall in oil prices in international markets.

The current account balance during 2019 is estimated to have been -5.8% of GDP, while the trade deficit of goods and services around 27% of GDP, which is a slight improvement compared to the previous year. Export of goods and services marked an annual increase of 6.8%. Export of goods was 4.4% higher, while export of services increased by 7.3%. Import of goods and services marked an annual increase of 4.3%, which was in line with the slowdown in investment and consumption, with import of goods increasing by 3.8% while import of services increased by 6.2%. The balance of goods during 2019 marked an annual increase of 3.7%, while the balance of services during 2019 increased by 8.3%. Travel services, with a share of about 78.8% of total exported services and about 43.7% of total imported services, remain in lead.

During the first quarter of 2020 the current account balance was EUR -84.6 million, which shows an increase of 2.6% compared to the same period of 2019. The current account balance, estimated for the first quarter of 2020, is 5.9% of GDP, while trade deficit of goods and services is estimated to be 30% of GDP. Export of goods and services increased by 3.0% compared to the same period of the last year. Export of goods was 25.0% higher, while export of services decreased by 3.1%. Import of goods and services increased by 3.9% compared to the first quarter of 2019. Import of goods increased by 3.3%, while imports of services increased by 7.1%.

Data on **foreign trade** of goods in Kosovo showed a lower trade deficit, by -37.6%, in April 2020, compared to the same period of 2019, respectively in the amount of EUR 161.2 million compared to the deficit of EUR



258.5 million in 2019. Exports cover imports by 16.9%. Export of goods in April 2020 amounted to EUR 32.6 million, while imports to EUR 193.9 million, a decrease of 11.5% for exports and 34.4% for imports compared to the same period of 2019.

Kosovo's export structure is currently focused on the export of base metals and articles of base metals, which during this period accounted for 45.3% of total exports. Kosovo's exports to EU countries reached EUR 12.4 million, or about 38.2% of total exports, with an increase of 1.1%. The main partners for export of goods to the EU were the following: Germany (8.9%), Great Britain (5.6%), The Netherlands (4%), Sweden (4%), etc. Kosovo's exports to CEFTA countries amounted to EUR 16.2 million, or 49.7% of total exports, an increase of 3.9%.

The structure of imports in Kosovo is concentrated in mineral products (9.9%), processed food, beverages and tobacco (16.3%), machinery, mechanical and electrical equipment (13%), base metals and articles thereof (7.5%), etc. Kosovo's imports from EU countries were around EUR 95.4 million, or 49.2% of total imports, with a decrease of 38.9%. The highest share of imports was from the following countries: Germany (10.2%), Greece (6.7%), Italy (4.8%), Poland (3.9%), Bulgaria (3.8%), Croatia (3.3%), etc. Imports from CEFTA countries, in April 2020, amounted to EUR 37.6 million, or 19.4% of total imports, with a decrease of 21%.

**Foreign Direct Investments (FDI)** during 2019 reached the value of about EUR 271.8 million, showing a slight annual decline of 0.1%. The countries that invested the most during this period were the following: Switzerland (22.8%), Germany (26.8%), U.S. (7.9%) and Albania (7.2%). Sectors in which it was invested are the following: real estate, renting and business activities (87.1%), energy (9.1%) financial services (5.8%), whereas there was a decrease in the construction sector (-7.3%), commercial services (-2.7%) and transport and communications (-2.3%).

During the first quarter of 2020 FDI has reached the value of EUR 112 million, which, compared to the same period of the last year, represents an increase of 60.5%. The countries of origin of FDI during the first quarter were the following: Hungary (22.3%), Germany (18.2%), Albania (14.3%) and Switzerland (10.8%). Sectors in which it was invested were the following: real estate, renting and business activities (45.8%), energy (21.2%), financial services (16.9%) and mining (12.3%), whereas there was decrease in the industrial sector (-3.4%) and trade services (-2.1%).

In 2019 the **net balance of the international investment position (IIP)** reached EUR -401.6 million, which is 1.9% lower compared to the previous year. The asset structure was dominated by portfolio investments and other investments, while FDI remains the largest category in terms of liabilities.

The balance of payments in Kosovo was characterized by a decrease in the current and capital account deficit during 2019. The current account deficit reached EUR 410.2 million, which is 19.4% lower compared to the deficit of EUR 508.8 million in the same period of the previous year. The decrease in the current account deficit is attributed to the increase in the positive balance of services, primary income and secondary income, while the goods deficit increased.

The financial account balance was also characterized by deficit reduction, reaching EUR -180.5 million during 2019, which is 46.2% lower than in the previous year, when it had a value of EUR -335.5 million. The reduction of the financial account deficit is mainly attributed to portfolio investments, which during 2019 achieved a value of EUR 59 million, from EUR -199.9 million in 2018.

During the first quarter of 2020 the balance of payments reached the value of EUR -82.7 million, which represents an improvement compared to the same period of 2019 when it reached a value of EUR -86.5 million.

Remittances during 2019 reached the value of EUR 851.53 million, which marked an increase of 6.4% compared to the previous year. Germany and Switzerland are the two countries with a share of 61% of all remittances (40.7% and 20.2%, respectively), followed by the U.S., with 7.1%, and Italy, with 4.9%.

During the first quarter of 2020 remittances reached the value of EUR 187.3 million, marking an increase of 1.4% compared to the same period of the last year. Remittances from Germany had the highest share, with 42.4% of all remittances, followed by Switzerland, with 20.8%, U.S., with 7.3%, and Italy and Austria, with 4.4% and 4.1% respectively.

As regards **public debt**, the primary Legislative Framework for state debt management is the Law No. 03/L-175 on Public Debt, adopted in the Assembly of the Republic of Kosovo on 29 December 2009. The purpose of this law is to provide the Republic of Kosovo the authority “to borrow money; to make loan guarantees, to pay expenses for debt issuance and to pay the principal and interest on its State Debt”. Moreover, according to the Law, the outstanding amount of the total debt shall in no case exceed 40% of Gross Domestic Product (GDP). An amendment has been added to the Law on Public Financial Management and Accountability (LPFMA), which limits the annual budget deficit to no more than 2 per cent of projected GDP.

**Current State Debt Portfolio:** The total debt portfolio currently consists of the state debt of the Republic of Kosovo, which further consists of domestic debt and international debt. According to the table below, the state debt until 31 May 2020 amounted to EUR 1,328.13 million, representing 18.36% of GDP (including government guarantees). Of the total amount of total state debt, EUR 443.69 million are international debt, representing 5.94% of GDP.

The International Debt stock has increased compared to the International Debt at the end of 2019, mainly as a result of disbursement of funds in the amount of EUR 51.96 million by the IMF in April. In addition, the stock of domestic debt has increased with the issuance of new instruments in accordance with the Securities Calendar for 2020 and the 2020 Budget Law.

Table 2.1: Total government debt (in EUR millions and as a percentage of GDP)

	2015	2016	2017	2018	2019	May 2020
<i>International Debt</i>	371.17	373.77	422.15	416.08	409.10	443.69
<i>Domestic Debt</i>	377.78	478.97	574.27	676.62	791.94	884.44
<b>Total Debt</b>	748.95	852.74	996.42	1,093.05	1,201.04	1,328.13
<b>Total Debt (% of GDP)</b>	13.07%	14.38%	16.22%	17.12%	17.48%	18.36%

\* It includes the amount of state guarantees.

International debt represents around 33% of Kosovo's public debt portfolio, while the remaining 67% is domestic debt. International debt consists of programmes with the International Monetary Fund (IMF), World Bank (WB) borrowings, German Development Bank (KfW), UniCredit Bank of Austria, and other lenders, with low share. Excluding IMF programmes, all other borrowings are related to the financing of specific projects in various sectors. Domestic debt consists of instruments of a maturation term of 1 to 10 years. Due to favourable conditions for lending, the Government, in the medium term, aims to be easily oriented towards international borrowing. The Ministry of Finance, in addition, aims to further develop the domestic market of securities by stimulating and supporting the expansion of the investor base, and promoting the secondary Securities market. Expanding the investor base is planned to be done by issuing new debt instruments which will in some cases target new market groups with high investment potential. The development of the secondary market will be supported by the necessary legal and infrastructural arrangements, as well as the strengthening and dynamization of transactions through REPO repurchase agreements.

### **Impact of the Covid-19 pandemic in Kosovo's economy**

In a relatively short period, the economic situation and outlook in Kosovo has changed dramatically as a result of the impact of the pandemic on all areas of the economy, in some of them more and in some less. Measures or decisions taken by the Government following the occurrence of the first cases (restriction of movement and travel of people, closure of a number of business activities, closure of schools, etc.) in order to prevent further spread of Covid-19, have had a significant negative impact on key economic indicators.

On 30 March 2020 the Government of the Republic of Kosovo adopted the Decision on the Fiscal Emergency Package, aiming to address the socio-economic problems caused by the Covid-19 pandemic. This package consisted of 15 measures in total, which were aimed at providing immediate assistance to citizens or those businesses that have been most affected by the restrictions imposed by the Government regarding restriction of the exercise of economic activity for some sectors and of movement of citizens. The purpose of these measures was not to compensate for all the negative effects but rather oriented towards minimizing the damage caused by this emergency public health situation. This package was worth EUR 180 million, or about 2.4% of GDP.

Although restrictive measures were lifted in June 2020, assessing the impact of the pandemic on Kosovo's economy continues to be challenging as there are a number of major uncertainties regarding economic developments abroad, especially in neighbouring countries; fiscal incentives undertaken by respective authorities (such as the case of the Fiscal Emergency Package and Economic Recovery Programme); and reinstatement of restrictive measures in the event of a second wave of infections.

Measures undertaken so far in Kosovo to limit the spread of the Covid-19 virus are expected to have a dual impact on Kosovo's economy. On the one hand, the temporary cessation of business activity for some sectors has led to a reduction in the supply of goods and services in the market. On the other hand, quarantining and restriction of turnover in other economies will reduce demand in the economy through remittance or travel channels in Kosovo. In addition, a similar situation in Kosovo is expected to have an impact in decreasing demand for goods and services, revenues and investments by the private sector.

Under the conditions of an environment marred by uncertainty it is quite difficult to quantify the impact of these measures on the economic situation, although it is clear that they will lead to a significant contraction of production, household spending, corporate investment and international trade. Taking all this into account, real economic growth for 2020 is projected to be negative, -3%, the biggest shock reflected in the second and third quarters, to be followed by a gradual recovery in the fourth quarter of the year. One of the main channels of transmission of this pandemic crisis is remittances, which have historically been one of the main sources of external financing in Kosovo (over 10% of GDP).

During 2020 remittances are expected to fall significantly, by over 12% compared to last year, as a result an expected significant deterioration of economic situation in the countries where Kosovo's emigrants live. Foreign direct investments, which are mainly concentrated in the real estate sector (over 80%) are expected to be at rates close to zero during the second quarter of 2020, which will be further reflected in the deterioration of the construction sector. Bank lending during the second quarter is also expected fall down to very low rates as a result of reduced demand from individuals or businesses, but also as a result of tightening of supply by banks amid growing uncertainty, which is consequently reflected in increasing borrowers' solvency risk. Employment in the private sector is expected to deteriorate as a result of job losses, especially in those sectors directly affected by this crisis (services sector; retail, transport, etc.).

All the aforementioned factors, combined with the increase of uncertainty in the country, are expected to affect a significant decline in consumption and private investment, which are estimated to mark a real annual decline of about -1.8% and -14.1%, respectively. Export of services, characterized by a high travel component, is expected to decline significantly in the second quarter of 2020 as a result of strict travel

restrictions. Performance of the import of services will be similar. Throughout 2020, export and import of services, in real terms, will mark an annual decline of more than 9%, while in subsequent years their performance will be in line with the historical trend. Export of goods will be negatively affected (a real annual decline of 5.9%), mainly as a result of declining demand in foreign economies, but also low prices characterizing international markets (especially the price of nickel in March and April). Import of goods will fall significantly (by about -9.5% compared to last year, in real terms), being in line with the slowdown in private consumption, private investment and slow execution of public spending. Public investment is expected to decline compared to last year, as a result of the situation created by Covid-19, a situation demanding the creation of fiscal space to accommodate necessary and essential expenditures, such as the case of the Fiscal Emergency Package. Due to the latter, Government's current expenditures are expected to increase, which is mainly attributed to the increase in the category of "subsidies and transfers", which will, in turn, lead to an increase in public consumption by about 2% (in real terms).

The Consumer Price Index is expected to fluctuate around the rate of 10% during 2020, remaining significantly below the rate recorded in 2019 (2.7%). Inflationary pressures in the category of food and alcoholic beverages that may come from distortions in the food chain are expected to be dominated by disinflationary pressures that may come from the abolition of the 100% tariff on products from Serbia and Bosnia and Herzegovina, as well as the drastic fall in prices of basic goods (oil, base metals, etc.) in international markets.

#### ***Macroeconomic forecasts for the period 2020-2022***

During 2021 Kosovo's economy is expected to grow at a real rate above its historical trend, by about 5.4%, while in 2022 economic growth will fluctuate around the 4.6% rate. Remittances are expected to continue a downward trend in 2021, given the delayed response of remittances to economic developments, while their performance is expected to stabilize in 2022.

On the other hand, consumption and private investment will accelerate significantly in 2021, marking real growth rates above their historical rate, to stabilize in 2022. In 2021, performance of export and import of goods will improve significantly, reaching a real annual growth of 6.8% and 11.1%, respectively.

Meanwhile, starting from the end of 2020 and the following year, inflation is expected to follow an upward trend, in line with the recovery of the economy and the return of prices in foreign markets to their historical rates. In the 2021-2022 period inflation is expected to fluctuate around the 2% rate.

#### **Functioning of the product market**

##### ***Business environment***

The Law No. 06/L-016 on Business Organisations entered into force in May 2018, and aims at defining the types of business organisations through which economic activities in Kosovo can be developed; other entities required to register with the Kosovo Business Registration Agency; the organisation, powers and functions of the Kosovo Business Registration Agency; the requirements, conditions and procedures for registration and deregistration for each type of business organisation; organisation of business organisations; and the rights and obligations of shareholders, authorized representatives, owners, directors, managers, and third parties with respect to Business Organisations.

The institution in charge of the **institutional framework** is the Kosovo Business Registration Agency (KBRA) at the Ministry of Trade and Industry. It registers all domestic and foreign business organisations in accordance with Law No. 06/L-016 on Business Organisations. The Agency provides information and cooperates with the Office of Statistics, Tax Administration, Customs, Police Service and other agencies. It also registers all new businesses, business data modifications, business closures, issuance of registration certificate with fiscal number, value-added tax certificate, import-export certificate, as well as providing free of charge information and forms.

As regards the **administrative capacities** of KBRA, the agency consists of the directorate for administrative affairs and business registration and 3 sectors (approvers, data processing and collateral). In addition, it has opened 29 one-stop-shop municipal business centres.

Regarding policies and reforms, Kosovo has made progress in facilitating business start-ups and facilitating service delivery through the one-stop-shop concept. The procedures for opening a business have been simplified and shortened, and that can be done at any KBRA municipal centre depending on the location of the application entity's placement activity. For individual businesses and partnerships, registration takes place within 1 (one) day. For joint-stock and limited liability companies (LLC), the registration takes place within 2-3 days. This is also evidenced in the latest Doing Business Report 2019 of the World Bank, where Kosovo has made progress in terms of starting a business, ranking 12<sup>th</sup>.<sup>9</sup>

In the overall rating of "Doing Business 2019" Kosovo has improved its ranking by scoring 71 points in 2019, while it is expected to score 73.2 points in 2020. Kosovo is 48<sup>th</sup> in terms of tax payments, and 31<sup>st</sup> in cross-border trade. However, the main difficulties for businesses remain access to finance; especially for businesses run by women, effective dispute resolution in the judicial system, electricity supply and contract enforcement. One of the issues that hamper business development is the degree of informality in the economy.

### **Legal rules governing the business environment**

#### ***Business environment, judicial system and administrative capacity***

**The judicial system** is a very important factor for the economic development of the country and plays a key role in facilitating investment, adequately protecting the contractual rights of businesses, and enhancing the private sector. This system is regulated by the Constitution of the Republic of Kosovo, Law on Courts, Law on Kosovo Judicial Council. The Law on Courts has defined 7 Basic Courts of First Instance in the territory of the Republic of Kosovo. The Basic Courts are divided into the following regions: Basic Court of Prishtina, Basic Court of Gjilan, Basic Court of Prizren, Basic Court of Gjakova, Basic Court of Peja, Basic Court of Ferizaj, and Basic Court of Mitrovica.

The Law on Courts defines the Internal Organisation of the Basic Court as follows:

- Department of Economic Affairs operating in the Basic Court in Prishtina, for the entire territory of the Republic of Kosovo;
- Department of Administrative Affairs operating at the Basic Court in Prishtina, for the entire territory of the Republic of Kosovo;
- Department of Serious Crimes operating at the headquarters of each Basic Court;
- The General Department operating at the headquarters of each Basic Court, as well as at each branch of the Basic Court;
- Department of Juveniles, operating within the Basic Courts.

The Law on Courts has designated the Court of Appeal as a court of the second instance, with territorial jurisdiction throughout the Republic of Kosovo which has in its organisational structure the Department of Economic Affairs. The Supreme Court of Kosovo is the highest judicial instance in Kosovo. Supreme Court includes Appellate Panel of the Kosovo Property Agency, as well as the Special Chamber of the Supreme Court. Regarding **property right**, Article 119, point 1 of the Constitution of the Republic of Kosovo provides a legal environment conducive to market economy, freedom of economic activity and security of the public and private property. Thus, the form of public property and private property is recognized as a constitutional category. The Constitution guarantees the right to property and offers guarantees that exclude the possibility of arbitrary deprivation of property. Once the types of property are determined by the Constitution, the regulation of their content is delegated to the legislature. The Legislature has issued the Law No. 03/L-154 on Property and Other Real Rights, which governs the creation, content, transfer,

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<sup>9</sup> World Bank Rankings for Doing Business, <https://www.doingbusiness.org/en/rankings>.

protection, and termination of real rights as well as regulates ownership and, as limited real rights, possession, real security rights and real rights of use, while there is still no law regulating public property in general. Different research shows that women and girls have more limited access to the property.

In order to improve the property rights policy framework, the Government of Kosovo adopted the National Strategy on Property Rights in December 2016, which sets out the strategic vision for safeguarding those rights. The key aspects of the strategy are related to the improvement of the Legislative Framework in order to simplify and streamline procedures and create the preconditions for a sustainable economic development.

The laws on inheritance and notary were adopted during 2018. Additionally, AI No. 10/19 for Cadastral Measurements for Cadastre Registration, AI No. 09/19 for Division of Cadastral Zones were approved in November 2019. In order to simplify the registration procedures and reduce relevant costs, AI No. 08/2019 on Fees for Products and Services of Kosovo Cadastral Agency was approved in 2019.

Putting in place an effective property rights system will create legal certainty for investors and will consequently increase investment opportunities, while giving citizens more opportunities to use the property as collateral and therefore ensure an improved access to finance. In general, the impact also includes the improvement of World Bank business environment indicators, such as: lowering the cost of property registration, reducing the overall number of legal procedures for property registration, the number of days required for registration property, improving the land administration index (infrastructure reliability, information transparency, geographical coverage and land dispute resolution).

In the context of the **justice system reform**, which is aimed at ensuring independence, impartiality, transparency, and to increase the efficiency of the judiciary, the Government of Kosovo adopted four laws of the judiciary package (Law amending the Law on Courts, Law amending the Law on State Prosecutor, the Law amending the Law on the Prosecutorial Council, the Law amending the Law on the Judicial Council). In addition, the National Economic Reform Programme 2020-2022 plans to establish and operationalize the Commercial Court, with the core aim being to increase efficiency in the resolution of commercial disputes, as the sole address for resolving all commercial disputes between businesses and foreign investors.

The Legislative Framework for the **area of mediation** is regulated by *Law No. 06/L-009 on Mediation*. The current practice of implementing alternative forms of dispute resolution has proved very useful. However, the analysis and recommendations suggested in practice have shown that there should be better coordination between the mediation centre and the Court or Prosecution Office and that the role and importance of the mediation centre, administration fees of the case in a mediation at the mediation centre, and financial cost covered from the budget of the Republic of Kosovo need to be further clarified.

One of the innovations of the **enforcement procedure**, which affects the enforceability of decisions, has been achieved by Law No. 05/L-118 amending the Law No. 04/L-139 on Enforcement Procedure, which shifted enforcement from courts to private enforcement agents appointed by the Ministry of Justice to perform entrusted public authorizations, excluding the power to decide on enforcement procedure and to apply enforcement in all matters related to family law and the reinstatement of workers and civil servants and other remuneration.

As for the efficiency of the **judicial system**, the Kosovo Judicial Council has delegated responsibilities from the Judicial Council Secretariat to the courts in the areas of personnel, finance, procurement and logistics with the aim of enhancing system efficiency.

The Kosovo Property Comparison and Verification Agency (KPCVA) was established with the approval by the Assembly of the Republic of Kosovo on 9 June 2016 of the Law 05/L-010 on Kosovo Property

Comparison and Verification Agency, which entered into force on November 2016. The KPCVA is an independent Agency, established under the Article 142 of the Constitution of the Republic of Kosovo, which is mandated to receive, compare and through the Property Verification and Adjudication Commission (PVAC) resolve gaps and discrepancies between the original pre June 1999 cadastral documents that were taken from Kosovo by the Serbian authorities and the current cadastral documents in the Republic of Kosovo relating to private property, commercial private property and private property of religious communities.

Upon establishment of the KPCVA, the Kosovo Property Agency (KPA) ceased to exist. According to the Law on KPCVA, in addition to the new mandate granted, all powers of the KPA including the budget, contractual obligations and physical assets will be transferred to the Agency. According to the Law 05/L-010, KPCVA will inherit the mandate of the KPA. Consequently, KPCVA will be mandated through the Property Claims Commission (PCC) to resolve ownership claims and user rights related claims (subject to the right of appeal to the Supreme Court of Kosovo) in respect of private immovable property, including agricultural and commercial property (claims related to the war in Kosovo including circumstances that are directly related to or as a result of it between the period of 27 February 1998 and 20 June 1999) that were previously submitted to KPA. The mandate inherited from the KPA includes also the executive authority to implement KPA decisions and in this respect, in addition to adjudication, the KPCVA in its mandate will have the executive authority to implement KPA and the Housing and Property Directorate.

The main challenges of the judicial system in Kosovo according to international reports including the Country Report consist in the effective implementation of the judicial framework, the strengthening of capacities for effective functioning and the resolution of a large number of backlog cases. This would contribute to improving the environment for doing business.

Regarding **the right to register property through the cadastral system**, the register of immovable property rights is regulated by the following legislation:

- Law No. 2002/4 on Mortgages;
- Law No. 2002/5 on the Establishment of the Immoveable Property Rights Register;
- Law No. 04/L-013 on Cadastre;
- Law No. 04/L-009 amending the Law No. 2002/5 on the Establishment of the Register of Immoveable Property Rights;
- Law No. 04/L-071 on Address System;
- Law amending the Law on RIPR 2003/13.

At the request of civil society organisations dealing with gender equality, this regulation should ensure that all cadastral system data are gender-disaggregated.

The implementing legislation consists of about 15 AIs. Property rights are registered based on the provisions of Law No. 04/L-009 on the Immoveable Property Right Register, according to which they are registered on the basis of:

- Final court decision;
- Decision of the state administrative body;
- Contract for transfer of immovable property right certified by the authority in charge;
- Privatization decision or contract issued by the Privatization Agency of Kosovo;
- Commission decision on cadastre reconstruction;
- Decision of the Land Regulation Commission; and
- Other document that provides for the registration of property rights by special laws.

The cadastral register is maintained electronically at the country rate, while the entire cadastral documentation is maintained at the municipal rate and services are provided to citizens in close proximity to the settlement, i.e. in each municipality.

Immovable property rights include ownership, mortgages, servitudes, as well as rights to use municipal, public, social and state-owned property; and property liens and charges.

The **Kosovo Cadastral Agency (KCA)** is a public institution for the registration, maintenance and updating of owners' rights over immovable property. The Agency is the central authority for the maintenance of the cadastral database, property registers, mapping and GIS. It is also the central authority for geospatial data infrastructure. The agency is in charge of certifying persons in the Municipal Cadastral Offices and licensing companies and surveyors for conducting cadastral surveying. Organisation is at the national rate, and some rights and obligations are delegated, under the cadastre law, to the local government, namely to the Municipal Cadastral Offices. The activities of the municipal offices are linked and reflected in the central database of the Agency.

With assistance of the Norwegian government, a geoportal – a web portal that shows unified geographical information from different sources– has been put in place. Its main purpose is to provide online services enabling access to spatial data for those interested. These cadastral system developments contribute to the facilitation of the business environment by providing better services for property registration and management, spatial planning, tax system assistance and public policy design in many areas. It will also enable the judicial system to apply the principle of legality and property rights more effectively.

To increase the capacity and effective management of public institutions of the cadastral system, the system will be organized vertically. This will make easier to manage the real estate cadastre system as well as the staff recording, maintaining and updating the data, including gender-disaggregated data, as it will be organized by a centre.

Property rights are registered at the Municipal Cadastral Offices (MCOs), which records are monitored on a daily basis and are published on KCA website<sup>10</sup> on daily basis. The legal deadline to apply to the cadastral offices for transactions of sale, inheritance, and lien is 30 days. But based on the latest data from the cadastral offices this process is carried out for 10 days on average.

Kosovo's registering property rank is 37 in the World Bank's Doing Business Report 2019<sup>11</sup>. The time required to register an immovable property is 32 days (according to the World Bank Doing Business Report 2019). While only 6 property registration procedures are required, the difference is relatively small compared to the number of procedures throughout the Europe and Central Asia region.

### **Price liberalization**

The law defines the functions and duties of the Energy Regulatory Office, including the conditions for issuing licenses to carry out energy activities, certification of transmission system operators, procedures for granting authorizations for the construction of new generating capacity, the creation and efficient functioning of competitive energy markets, and the criteria for regulating tariffs and the conditions of energy supply. Pursuant to this law, the regulator has the authority and responsibility to approve the tariff methodologies developed by the Transmission System Operator, Market Operator and Distribution System Operator for the tariffs set for their regulated energy services and to ensure that they are proportionate and non-discriminatory. Tariffs for the end consumer will fully reflect the cost from the energy company.

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<sup>10</sup> Updated data are available at: <http://akk-statistics.rks-gov.net/>

<sup>11</sup> <http://www.doingbusiness.org/data/exploreeconomies/kosovo/#registering-property>.



Regarding **public water and wastewater tariffs**, based on Law 05/L-042, tariffs are set by the water and waste regulator based on the demand and feasibility of providing water and waste services and taking into account price stability from a consumer perspective. Law No. 05/L -042 on Water Services Regulation is drafted for this area and approved by the Assembly of Kosovo, published on 14 January 2016. The methodology for setting tariffs is regulated by the Rule for Service Tariffs Setting for Water and Wastewater Services and Bulk Water Services (R-02/U & K).

WWRO applies three-year tariffs which can be reconfigured when necessary. The regulator monitors the operational and financial efficiency to ensure that the tariffs meet the relevant standards of service provision. The regulator has drafted a Consumer Charter that foresees the development of legal contractual relationships between service providers and consumers both women and men. Hence, the Charter sets out the legal obligations and rights of the participants. To ensure water quality, the regulation obliges each service provider to be equipped with a testing laboratory for water quality control.

According to Law No. 04/L-109 on **Electronic Communications** (LEC), RAEPK has the right to impose price control and cost accounting obligation to entrepreneurs with significant market power under the provisions of Article 35 of the Law. Pursuant to Article 40, the regulator may impose on entrepreneurs having SMP on relevant market obligations relating to cost recovery and price controls, including obligations for cost orientation of prices and obligations concerning cost accounting systems, for the provision of specific types of interconnection and/or access, in situations where a market analysis indicates that a lack of effective competition means that the operator concerned may sustain prices at an excessively high rate, or may apply a price squeeze, to the detriment of end-users. In case of dispute resolution between the operators regarding interconnection, the regulator shall also decide on the interconnection prices when resolving the dispute.

According to Law No. 06/L - 038 on **Postal Services**, adopted in January 2019, drafts and approves the terms and general terms of universal postal service delivery; regulates and approves universal postal service tariffs and other specific services defined by this Law.

Pursuant to the Law No. 04/L-063, the POE Trainkos J.S.C. has the option of **setting tariffs for Kosovo railways**.

In the **area of education**, the fees of private education institutions are independently set by those institutions providing education services. Whereas according to the Law on Higher Education, the Ministry of Education and Science through bylaws sets the maximum fees to be paid for students in public providers. The rates depend on the student's residential status (Kosovo or non-Kosovo), the nature and cost of the study programme. Fees payable in higher education include admission fee, annual fee, re-entry fee for exams, and student card payment. These fees are approved by the respective education institutions and confirmed by the MES.

Prices for private sector **health services** are set and regulated by AI No. 02/2019 - Regulation of Price of Medicinal Products and Medical Devices, while prices for health services provided by the public sector are uniform across Kosovo. They are set by the Ministry of Health based on material cost and labour cost analysis. Price regulation of medicinal products and setting of margins for medicinal products and medical devices is done by the Agency for Medicinal Products and Equipment and the Ministry of Health in cooperation with other government institutions based on Law No. 2013/04-L-190 on Medicinal Products and Equipment.

#### **State influence on the product market**

There are currently 17 Public-Owned Enterprises in Kosovo in which the Government of the Republic of Kosovo is a shareholder. The New Kosovo Energy Corporation JSC (NKEC) was established on 24.05.2018 and is registered as a central-level POE, yet this enterprise has no operational and financial business.

Furthermore, as of July 2019 the Gjakova Airport has been transferred, from the status of a POE that has been until then, to the management and administration of the Ministry of Defence and KSF.

Upon the entry into force of the Law No. 05/L-120 on Trepça, it is transformed into Trepça JSC, with 80% of shares owned by the Government of the Republic of Kosovo and employees owning 20% of the shares.

POEs that have benefited from the budget allocation for subsidies and capital investments in 2019 are the following:

- Transport sector (Trainkos and Infrakos) – EUR 2,769,938;
- Telecommunications sector (Kosovo Post) – EUR 720,000;
- Water sector – EUR 1,954,038;
- Waste sector (KMDK) – EUR 414,060;
- Energy sector (NKEC) – EUR 115,000;
- Gjakova Airport – EUR 73,462.

In addition, based on the Government Programme 2020-2023, one of the objectives for achieving comprehensive and sustainable economic development is through the privatization of Public Owned Enterprises. Privatization or sale of shares in POEs, according to this programme, will be done only in the moments when privatization or sale of shares as a process would maximize the value of the enterprise and other benefits related to the process.

On **state aid**, the new Law No. 05/L-100 on State Aid, adopted in 2016, sets the basis for the development of the state aid system, the principles and procedures for granting it. It sets basic definitions, including state aid, and the mechanism and framework for state aid control, and the basis for establishing the comprehensive inventory and reporting system. Acquis rules in this area are transposed through bylaws. For more on measures in this area, please see Chapter 8 Competition Policies.

### **Privatization and restructuring**

The Privatization Agency of Kosovo (PAK) is established as an independent public body that exercises its functions and responsibilities with full autonomy under the Assembly of Kosovo according to the Law No. 04/L-034 on the PAK, as amended in May 2018 by Law No. 06/L-023 on the PAK for the purpose of allowing the investment of privatization funds in securities, with a view to regulating the treatment of “residual funds”, the treatment of “temporary funds” as proceeds to the Consolidated Fund of the Republic of Kosovo and regulating the Agency's operational processes.

PAK's mandate is to administer, sell, transfer and/or execute liquidation of socially-owned enterprises and their assets. To fulfil this mission, the Agency holds and manages each enterprise (under its mandate), in good faith and for the benefit of its owners and creditors, and sells or liquidates the enterprises and assets in accordance with the law. PAK is the successor of the Kosovo Trust Agency (KTA) and all of the latter's assets and liabilities were transferred as assets and liabilities of the PAK.

Pursuant to the Law No. 04/L-034, privatization takes place through two main methods: the Spin Off method and the Liquidation method or the so called Asset Sale. By February 2020 about 1,993 assets, worth about EUR 745 million, have been sold out. The financial results of the trust funds are summarized in the table below.

Table 2.2: Summary of financial results of funds kept in trust on 31 December 2018

Description	Amount
Sales revenue	766,698,688
Rent revenue	40,312,665
Fees and confiscation fees for participation in sale bids	8,854,164
Interest gained	34,844,700
Other revenues	7,373,150
Agency's stock capital	1,013,200
<b>Total of receipts</b>	<b>864,117,886</b>
Transfer of 20% to employees UITUK	139,355,643
Professional services providers(Liquidation authority)	16,318,984
Goods and services	18,674,223
Public services	2,708,509
Taxes	7,441,363
Court/enforcement agent's decisions (deposits and taxes)	2,526,775
Transfer of funds 5% for covering PAK activities	45,777,947
Other expenses	817,307
Payments to creditors of SOEs	30,221,294
Funds transferred to the Kosovo Budget	326,719,004
<b>Total payments / allocations</b>	<b>590,561,049</b>
<b>Bank balance</b>	<b>273,556,837</b>

### The liquidation process

Until the end of 2019, the liquidation process commenced for 559 Socially Owned Enterprises/ Assets. Since the beginning of the liquidation process, the Agency Board has so far approved 177 Early/Final Distribution Reports for 177 Socially Owned Enterprises in liquidation. The amount of funds approved to date by the Agency Board for distribution to legal creditors since the beginning of the liquidation process has reached the value of EUR 30,705,379.64. About 14,000 various creditors have benefited from these distributions so far. Out of 91,349 various credit claims filed with the Agency so far, the Liquidation Authorities have issued 91,100 decisions on various claimants. The Special Chamber of the Supreme Court of Kosovo has issued Decisions to allow the liquidation process to be completed for 17 socially owned enterprises.

The Privatization Agency of Kosovo (PAK) is the body in charge of the privatization process, including the distribution of 20% to former employees of socially owned enterprises. Out of the 20% proceeds until April 2019 the Agency has distributed around EUR 127 million and from these distributions have benefited about 47 thousand employees and former employees of socially owned enterprises. In 2018-2019 alone around EUR 7 million were distributed to eligible workers. In the meantime, the Agency is in the process of preparing documentation for the distribution of 20% proceeds to eligible employees for some other SOEs, so that the employees of these SOEs and the general public will be informed in a timely manner.

### Functioning of the financial market

This section will mainly focus on the stability and development of the financial sector from the perspective of the structure, size and efficiency of financial intermediation. Aspects of the legislative nature and requirements arising from the SAA will be elaborated in more detail in other relevant chapters such as the chapter on free movement of capital and that of financial services.

The sole supervisory and regulatory authority of financial institutions in Kosovo is the Central Bank of the Republic of Kosovo (hereinafter: CBK) established by Law No. 03/L-209 on the Central Bank of the Republic of Kosovo. The primary objective of the CBK is to promote and maintain a sound financial system including a secure and efficient payment system. Since its establishment, it has developed and

implemented supervisory policies and practices based on the best international standards for the regulation and supervision of financial institutions aimed at ensuring financial stability in Kosovo, mainly based on EU Directives and standards issued by internationally recognized mechanisms for the preparation and alignment of standards in the area of banking, insurance and pension supervision, such as BCBS, IAIS and IOPS.

The financial system consists of the banking sector, with 10 commercial banks (8 of them foreign-owned ones), accounting for 65% of the total of assets of the financial sector, the insurance sector, with 13 insurance companies (7 of them foreign-owned), pension funds (2 funds), financial auxiliaries (51), the microfinance sector, with 20 MFIs (12 of them foreign-owned), and the securities market. The financial system has continued to expand continuously during 2019, reaching the rate of financial intermediation at 101.2% of GDP. Banks are the main financial intermediaries of the financial sector, followed by pension funds and the insurance sector.

CBK, being the sole responsible authority for the licensing, regulation and supervision of financial institutions, has established the following departments and divisions for the supervision of financial institutions: Banking Supervision Department, Insurance Supervision Department, Licensing and Standardization, Division for Supervision of Pension Funds and Securities Market and Division for Prevention of Money Laundering and Prevention of Terrorist Financing, which are embedded in the section of Financial Supervision.

### **Financial market developments**

Kosovo's financial system continued to expand its activities in 2019, at an accelerated pace due to developments in the banking and pension sector. Total assets of the financial system in December 2019, not including the Central Bank of the Republic of Kosovo (CBK), recorded an annual increase of 14.8% compared to the average of the last two years of 8.3%; standing at EUR 7.25 billion (101.2% of GDP). The banking sector remains the dominant sector with 65.6% of the total assets of the financial sector, followed by pension funds and microfinance institutions with 27.3% and 4.2 %, respectively.

According to the latest CBK data, of April 2020, the banking sector continues to remain mainly foreign-owned (foreign banks hold 86.6% of total of assets of the banking sector) and has a high degree of market concentration, which has continued to grow slowly, from 56.9% in December 2019 to 57.1% in April 2020. The value of assets of the banking sector alone amounted to EUR 4,729.8 million.

The lending activity continued its fourth consecutive year of double-digit growth rate. In December 2019, total loans amounted to EUR 3.03 billion, an annual increase of 10.0% lower than the average increase in the last two years. The increase in total loans reflects the increase in loans to non-financial corporations and households. Non-financial corporate loans during this period amounted to EUR 1.92 billion, representing an annual increase of 9.8% compared to the average of the last two years of 10.8%. New loans issued to non-financial corporations during 2019 reached a record rate of EUR 895.8 million, of which about 58.5% were issued for investment purposes. As of December 2019, non-financial corporate loan stock continued to dominate loan portfolios with a 63.2% share compared to households, with a share of about 36.3%. Loans to households increased by 10.4% until December 2019, compared to the average in the past two years of 12.0%. New loans to households decreased by 1% on an annual basis, reaching the rate of EUR 545.2 million.

Deposits in December 2019 amounted to EUR 3.91 billion (EUR 3.23 billion, the average of the last two years), an annual increase of 16.2% (7.7% of the average of the last two years). Household deposits, which represent the largest category of deposits, increased by 11.5%, compared to the average increase of the last two years by 5.0%. Non-financial corporate deposits increased by 19.5% compared to the average increase of 9.0% in the last two years.

The liquidity position of the banking sector remained satisfactory in 2019. The ratio of liquid assets to total assets was 28.9% (average ratio in the last two years: 28.8%), while the ratio of liquid assets to short-term liabilities was 38.7%, compared to 38.5% in the previous year. During the same period, the credit-deposit ratio increased to 77.6%, from an average of 81.1% over the past two years. In December 2019, nonperforming loans decreased to 2.0% (the average in the last two years is 2.9%, which marks the lowest rate since mid-2010). Non-performing loans remain well covered by loan loss provisions with a ratio of 163.5% (average ratio in the last two years: 150.9%). The sector remains well capitalized with a capital adequacy ratio of 15.9%, which is well above the minimum regulatory requirement of 12%.

The average interest rate on loans continued its downward trend during 2019, but in December it marked a slight increase to 6.42% from 5.99% last December. The average interest rate on non-financial corporate loans was 6.23%, which marks an increase when compared to 5.96% in December 2019; while this ratio was 6.79% for household loans (6.25% in December 2018). The average interest rate on deposits increased to 1.60% at the end of 2019, compared to 1.47% in December of the previous year. The average interest rate on non-financial corporate deposits rose to 1.68% from 1.51%, while the ratio for household deposits marked a slight increase to 1.44% from 1.37% in December of the previous year. The interest rate distribution decreased to 4.82 p.p., compared to the average of 5.00 p.p. in the last two years.

The banking sector in 2019 had an annual profit of EUR 86.2 million, which is lower compared to the profit of EUR 88.0 million in the previous year. The profit generated during 2019 was mainly the result of the increase of 4.2% in revenues (influenced by a 7.0% increase in interest income). This year, the profit was by 2.0% lower than in the previous year primarily due to the increase of 7.5% in expenses (mainly from non-interest expenses).

### *Medium-term Priority Objectives*

In the medium term, the main priorities foreseen to be achieved are:

- Maintaining the share of capital expenditure in the budget;
- Continuing with reforms that are important in the context of macroeconomic stability and the financial sector, including the implementation of the fiscal rule for the budget deficit;
- Implementation of the new Law on Public Owned Enterprises;
- Privatization and liquidation of socially owned enterprises;
- Ensuring property rights by addressing informality in the real estate sector;
- Increasing judicial efficiency in order to reach 0% of backlog cases by 2022;
- Improving access to finance for SMEs by increasing the Kosovo Credit Guarantee Fund;
- Continuous improvement of the regulatory framework for the banking system in line with international standards and EU legislation as follows:
  - Adaptation of Pillar II and Pillar III Basel Capital Framework standards;
  - Adaptation of liquidity risk management and leverage ratio requirements based on new standards known as Basel III;
- Further approximation of insurance regulations in Kosovo with relevant European Directives. Subject to changes to EU legal requirements and international standards, existing regulations will be subject to amendment in order to be in full compliance with these requirements.

## **2.2. Capacity to Cope with Competitive Pressure and Market Forces within the Union**

This chapter addresses the second point of Copenhagen economic criteria for accession, which deals with the state capacity to cope with and be competitive in the EU market. Key factors to achieve this goal and on the basis of which the European Commission monitors and assesses the progress towards the membership consists of the following:

- Development of human and physical capital to a satisfactory level where the aspects of development on education, research and infrastructure are assessed,
- Adequate sectorial structure and cooperation, including the sectorial composition, development of SMEs and issues of restructuring of enterprises,
- Limited scale of the state's influence in the competition, where, amongst others, the influence of policies and certain segments in economy including the assistance from the state and the support for NVMs is reviewed, and
- Satisfactory market integration of economy with the EU member states.

Priorities of the Government remain oriented in the development of physical capital, through the development of infrastructure, development of human capital through education reforms and measures for supporting the private sector. The strategic framework setting measures and priority objectives consists of the Government Programme 2020-2023, and sectorial strategic documents, including the Strategy for Development in Private Sector 2018-2022, the Kosovo Education Strategic Plan 2017-2021, the Sectorial Labour Strategy. Development of economically significant sectors such as energy, infrastructure, agriculture, telecommunication and information society and tourism are priority objectives. Similar to the Government Programme, the Strategy for Development of the Private Sector also aims at a sustainable economic development, social policies that increase the welfare, promotion of investments (including the investments fund), the support for small and medium enterprises, privatization and improvements in the performance of public enterprises. In addition, in the midterm, the efforts will be intensified in the improvement of education quality and in better alignment of education with market needs.

In the context of regional cooperation and the process of European integration, the Republic of Kosovo is committed in the accomplishment of objectives of South-eastern Europe Strategy 2020 and the agenda of infrastructural networking including what is now called the 'Berlin Process'. The improvement of competition, labour market and industrial policies, facilitating the trade between the countries of region, the improvements of road infrastructure network and the energy market are some of the main objectives of the regional level. The Republic of Kosovo has integrated their implementation in the framework of strategic objectives and respective action plans.

However, the efforts must continue in addressing the challenges related to the improvements of the countries competitive capacities<sup>12</sup>. For this reason, the country has to engage in the improvement of the education quality and its alignment with the labour market, provision of a stable power supply, infrastructural development and energy efficiency, improvement of the business environment, including the increase of capacities and the efficiency of judicial system, fighting the informal economy, attracting foreign investments and protection of the investors to support the strategic objectives, development of mechanisms for state aid and facilitation of the trade.

In the following, an overview of the developments of each of these key factors of the second economic criterion will be given.

## **Education and innovation**

### *Human capital*

Considering that Kosovo is a country with a population of less than two million, the development of human capital is a crucial factor for the general development of the country and an educated society. The development and transformation of the education system is oriented towards serving the needs and demands of the society in the transition process and economic development, to provide equal opportunities and develop in compliance with the European standards. The education reform is based on the principles of impartiality, equality, quality, lifelong learning, effectiveness and efficiency, institutional autonomy and decentralized system, and public responsibility.

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<sup>12</sup> The challenges are based on the EC Report for Kosovo 2018.

The **Kosovo Education Strategic Plan 2017-2021** is the basic sectorial document for the development of education system in Kosovo. The plan focuses in the fulfilment of 7 strategic objectives, specifically participation and inclusion in education, quality and efficient management of the education system, development of the quality system in line with international standards, increase of quality in teaching, further development of vocational education in order to meet labour market needs and increase of higher education quality. Simultaneously with the Strategic Plan, the implementation Action Plan is developed and approved, which identifies the activities, institutions, time limits and the budget needed for the realisation of these strategic objectives. Whereas, the **Government Programme 2020-2023** states that the structural reform in education is focused in increasing the participation and equal access to education, assurance, guaranteeing and increasing the education quality, managing the education institutions, integration and international cooperation, promotion of science and researches, and financing the education and science through the revision of the financing formula.

In the public calls for textbooks and teaching and learning materials announced this year, MES has requested for textbooks to have an educational function, promote a positive relationship between science/knowledge, development of civic and cultural identity, and gender equality. It was also requested to respect gender equality, eliminate stereotypes and use of discriminatory language.

According to the MES data, the number of public education institutions in Kosovo, in 2019/2020, which report data to EMIS is presented in the table below.

*Table 2.3: Number of public education institutions, 2018/2019*

Level	Parent School	Satellite schools	Total
Preschool Education/ Kindergartens	37	7	44
Primary/ lower secondary Education	635	286	921
Upper secondary Education	107	16	123
<b>Total</b>	<b>784</b>	<b>332</b>	<b>1094</b>

*Table 2.4: Number of students by level of education and gender in public sector, 2018/2019*

Level	M	F	Total
Preschool education (age 0-<5)	2,206	1,958	4,164
Pre-Primary Education (age 5-<6)	11,244	10,416	12,660
Primary and lower secondary	118,085	111,253	229,338
Upper secondary	37,852	36,575	74,427
<b>Total</b>	<b>169,387</b>	<b>160,202</b>	<b>329,589</b>

Source: EMIS/MES

On **vocational education**, in addition to vocational schools, 4 centres of competence have been established. In order to advance the quality management in **pre-university education**, the efforts are focused on increasing the internal quality, implementation of mechanisms for the external evaluation of quality and the capacity building of the Education Inspectorate.

**Higher education** provides study opportunities for every person inside and outside the territory of Kosovo, without discrimination (national, racial, religious, gender). There are already 6 operational public universities within the territory of the Republic of Kosovo, as well as 27 private colleges. Each of these higher education institutions, whether public or private, provides study programmes that are accredited by the Kosovo Accreditation Agency. There is no age limit to enrol or obtain a qualification in higher education in Kosovo.

Table 2.5: Number of children, pupils and students at all levels of education in the public and private sector 2019/2020

Level	Private	Public	Total
University (5+6)	35,989	68,590	104,579
Special education (1+2+3)	0	349	349
Upper secondary (3)	3,480	74,427	77,907
Primary/ lower secondary Education (1+2)	5,252	229,338	234,590
Preschool Education (0)	5,229	4,164	9,393

Source: Kosovo Education Statistics 2019/2020, KAS

The NARIC Centre, which performs the equivalence of the higher education diplomas obtained outside Kosovo, operates within the Ministry of Education and Science. Kosovo did not officially join Bologna process, though the formal application for admission was submitted in 2014. Legal basis aligns the current educational practices with the priorities of the Bologna Group statement, especially in relation to the alignment of certain provisions of the law, with the Law and National Qualification Framework (No. 03/L-060) and the facilitation of recognition of prior-learning and qualifications obtained in other countries through the NARIC Centre.

The Kosovo Accreditation Agency performs the external evaluation of higher education institutions in the institutional and programmes level. However, with the full implementation of the AI on Accreditation (request for 1 PhD for every 60 ECTS of the respective area for study programme) there has been a significant decrease of the accredited study programmes, since some institutions failed to fulfil these criteria. Moreover, the number of higher education institutions and study programmes has significantly decreased.

Due to the dismissal of the members of NQC, the European Quality Assurance Register for Higher Education (EQAR), in the beginning of 2018, has expelled the KAA from this mechanism, whereas the European Network of Agencies for Quality Assurance in Higher Education (ENQA) has placed KAA as a member “under review. The ENQA team of experts concluded that the overall level of compliance with European Standards and Guidelines (ESGs) is inadequate to renew KAA's membership in ENQA. On this occasion, the ENQA Board announced that KAA has the right to reapply two years after issuing this decision. During these two years, the KAA will also be subject to an evaluation by ENQA experts who intend to assist and advise the KAA before formal reassessment application.

The scope of scientific research remains limited. Research support consists of financial support through the mobility scheme, and scientific publications.

Regarding developments in the **labour market**, almost two-thirds of Kosovo's population is of working age (15-64 years old).

Of the working-age population, 59.5% are not economically active, a much higher rate for women (79.6%) than for men (40.6%), meaning that they are not employed and have not been active in seeking employment over the past four weeks and / or are prepared to start work within two weeks. Of the 40.5% (488,485 persons) of the population that is economically active, 25.7% (125,305 persons) of them are unemployed. The ratio of employment to the population (employment rate) is with 30.1% (363,180 persons) employed, whereas 59.5% of the working age population is inactive.

There are large gender disparities across the labour market. One in five working age women (21.1%) is active in the labour market, compared to about three-fifths of working age men (59.7%). Among persons in the labour force, unemployment is higher among women than men (34.4%, compared to 22.6%). Employment rate among working age women is only 13.9%, compared to 46.2% among men. This very low unemployment rate for women stems from the combination of very low labour force participation and high



unemployment. Women are mainly employed in the education, retail and health sectors (53% of employed women). Men are mainly employed in the retail, construction, and manufacturing sectors (employing 46.3% of employed men).

Youth unemployment is very high in Kosovo. In 2019, the youth in Kosovo were twice as likely to be unemployed compared to the adults. Among persons aged 15-24 and in the labour force, 49.4% were unemployed. Unemployment was higher among young women (60.3%) than among young men (44.1%). Almost one third (32.7%) of persons aged 15 to 24 in Kosovo are not in education, employment or training (NEET). This figure is 34.2% for young women, compared to 31.4% for young men. Most of those who are employed report working full time. 93.3% of respondents reported working full time in their main job.

The reasons for working part-time differ between the two genders, as women, taking more of the role of care within the family, have reduced hours available for employment. The number one reason for men not working full-time was the lack of a full-time job. 18.8% of employed persons belonged to the category of unsustainable employment. This means that they are either employed in their own business or contribute to a family business. Only 45.3% of employed persons had a permanent contract in their main job, while 54.7% of them had a temporary contract, with no significant differences between the sexes. Persons who had temporary contracts were asked why they had this type of contract, and 90.8% of respondents reported that there was no other contract available.

### **Physical capital and infrastructure quality**

The share of public and private investment is expected to increase in 2020, as projected. This level of investment is projected to be maintained in 2020 and next year in part due to current on-going projects and large incoming infrastructure projects, such as the power plant. In the coming period, special emphasis will be given to the investment clause through which the Government of the Republic of Kosovo intends to invest in large infrastructure projects in order to overcome the structural challenges that have hindered the leverage of the country's development potential. To enable inclusive economic growth in the country, the Government has increased the space for capital expenditure at the municipal level.

### **Road infrastructure**

Main objectives in this sector include the following: i) the integration of Kosovo in regional road network through the development of the roads 6 and 7 through the pan-European corridors, ii) decreasing the transport expenses, and decreasing the traffic loads through new roads including transit roads around urban centres, iii) increasing the safety through horizontal and vertical signalization, improvement of road infrastructure quality and campaigns for traffic safety, and iv) maintenance and improvement of existing roads that enable good private and public transport service.

The Government of the Republic of Kosovo remains committed to further improve the road and rail infrastructure, focusing on the completion of major international and regional road sections, as well as the international railway line to enable faster and cheaper movement of citizens and freight, thus reducing the costs and distance of transporting people and goods to and from Kosovo. This will make it easier for businesses to place goods in local and international markets, while modernizing the international rail network will help the exporting sector of mining and agricultural goods.

Construction works on the R6 highway has been completed in the Pristina-Hani i Elezit section (65.6 km long) and was officially launched in May 2019. This new highway has 13 bridges, including the longest in the region, 5.7 km long kilometres. As for the N9 national road, work has continued on the Kijevo-Zahaq section. Also, in May 2019 work has started on a new section, the Lumi i madh (Grand River)-Gobjule, National Road M2, Prishtina - Mitrovica.

The part of the highway Prishtina-Vermice, which is a part of the national highway Vërmicë-Merdare (R7) that is linked with the international corridors 8 and 10, has been completed. The segment Prishtina-Milloshëve of highway M2 is also complete. Also, the project for the construction of the Prishtina - Hani i Elezit Highway has been completed and the road has been put into operation.

Following the launch into operation of the R7 Highway sections, Morine - Gjurgjica (Link N9) Bresje - Besi, the Ministry of Infrastructure, in cooperation with WBIF (Western Balkan Investment Framework) and EIB, finalized the Completion of the Feasibility Study and Environmental Impact Study for the Besi - Merdare section (border with Serbia). This project will last 14 months and is funded by WBIF.

In cooperation with the Western Balkans Investment Framework (WBIF) and EBRD, a feasibility and environmental impact study for the Kijevo-Zahaq (32 Km) section has been completed and project development is on-going and is expected to take 12 months, and after completion of the implementation project efforts will continue in defining further steps of financing this project.

### **Railway transport**

The infrastructure of Kosovo Railways JSC (INFRAKOS) manages the railway infrastructure under state ownership. This is a publicly owned limited liability company, with 100% of shares owned by Kosovo Trust Agency.

The railway network of Kosovo consists of 335,079 km of railway. Four railway lines need different levels of rehabilitation, in order to bring them to modern standards of speed and safety. Last year, there was a growth in both people and cargo transport.

A limited maintenance is done. Specifically the railway infrastructure is as follows:

- Railway 10 (bordering Serbia - Leshak - Mitrovice - Fushe Kosove - Hani i Elezit - North Macedonia border), of length 149.110 km, with a single pair of rails, not power supplied, wide 1435 mm, Category D3, axis masses 22.5 tons and longitudinal masses 7.2 tons/m;
- Eastern railway line (Serbian border - Podujeve - Prishtine - Fushe Kosove), length 45.198 km, a single pair of rails, not power supplied, width 1435 mm, category D3, axis masses 22.5 tons and longitudinal masses 7.2 tons/m and 5 tons/m;
- Western railway line (Fushe Kosove-Peje) length 81.940 km, a single pair of rails, not power supplied, width 1435 mm, Category C2, axis masses 20 tons and longitudinal masses 6.4 tons/ m; and
- Southwest railway line (Kline Xerxe-Prizren) length 58.831 km, a single pair of rails, not power supplied, width 1.435 mm, Category D3 and B1, axes masses 22.5 tons and 18 tons, and longitudinal masses 7.2 tons/m and 5 tons/m.

The Law 04/L-063 on Kosovo Railways establishes the Railway Regulative Authority that consists in independent organs, except the investigative organ that is under the prime minister office to monitor and regulate the railway sector.

The Ministry of Infrastructure has developed the Sectorial Strategy of Multimodal Transport 2015-2025 that includes the railway sector. The strategy considered the interoperability of European railway system, safety and the standard of European railway system, the developed strategies according to the Agreement of Transport Community between the Southeast Europe Transport Observatory (SEETO).

Since the railway 10 connects Kosovo with Serbia and North Macedonia, it is a part of the corridors and SEETO railway routes, and it is of priority for modernization. Pursuant to investment Clause, according to the IMF Stand-By Agreement, the rehabilitation of the railway Route 10 – the Institution implementing this Project is the Public Enterprise “Infrakos”, Prishtina. The total cost of the Project is expected to be EUR 195, 4 million. This Project shall be funded by EBRD, European Investment Bank and the EU.

## **Air transport**

Kosovo has the Prishtina International Airport “Adem Jashari” that operates with combined military and civil services. In April 2010 entered into force the public-private partnership contract between the Republic of Government of Kosovo and Turkish-French Consortium Limak- Aeroport de Lyon to give the Prishtina International Airport on concession, and that was also an example of successful of the concession projects in South-eastern Europe.

The new terminal, inaugurated on 23 October 2013, is an investment of about EUR 100 million and it provides more comfort for passengers, first class services, as well as sufficient space and a relaxing social environment for passengers, men and women. The new terminal has a surface of 44,000 m<sup>2</sup>, and a capacity enabling the reception of 4 million passengers a year. As part of the basic regional and international network, the goal is to expand and continuously increase the capacity of this airport.

## **Energy**

Security of energy supply is a condition for economic development and increased welfare. Security of energy supply as the main goal depends, among other things, on the state of energy production, transmission and distribution capacities.

The energy system in the Republic of Kosovo consists of electricity generation, electricity transmission, electricity distribution, unregulated customers, as well as customers with the right to universal service. Suppliers and wholesalers are also among electricity market participants.

Generation is mainly lignite power plants based (TPP *Kosova A* and TPP *Kosova B*) and HPP Ujmani, owned by the Government of the Republic of Kosovo, as well as other privately-owned HPPs and RES.

KOSTT is the sole transmission and market operator and is 100% owned by the Assembly of Kosovo. It operates with two separate licenses: transmission system operation licence and market operation licence. The market operator is in charge of the organization and development of the electricity market, while the Transmission System Operator is in charge of the transmission of electricity, operation and maintenance of the transmission system, and the balancing of the system.

KEDS is the sole distribution operator and is privately owned. This operator is in charge of the operation and maintenance of the distribution system and management of the generators connected to the distribution system.

KESCO is a supplier that is licenced for electricity supply, including the Public Service Obligation set by the Regulator to supply customers with the right to universal service. In addition, the Regulator has assigned it the last resort supplier obligation.

Other suppliers: so far 7 electricity suppliers have been licensed, which are privately owned but have not yet started their commercial operation.

Currently the burden of electricity generation falls on coal-/lignite-based power plants, covering about 97% of all electricity generation, while the rest is provided by RES-powered power plants (mostly small hydropower plants) and from import. Dependence on electricity import ranges from 10% to 15%.

Electricity in the country is mainly generated by Kosovo Energetic Corporation (KEK), which consists of two thermal power plants (Kosovo A and Kosovo B) and the Coal Mines. As TPP Kosova A is quite outdated (more than 40 years of operation), and also TPP Kosova A has a significant period in operation, new investments are necessary in order to ensure sustainability of electricity supply.

According to the 2019 Annual Report of ERO, the total production of electricity in 2019 was 5,718 GWh, while in 2018 it was 5,311 GWh, which means that there is an increase of 7.7%. Moreover, compared to the electricity balance for 2019, the rate of realized production was about 100.4%. Overall electricity losses have been reduced from 27.9% in 2018 to 25.9% of distribution demand.

Kosovo, as signatory of Energy Community Treaty, transposed the EU Regulation No. 347, adopted by the Energy Community, on Common Regional Investments. In March 2019, ERO amended the Guideline on Liberalization of Electricity Market in Kosovo in order to extend the regulation of supply prices, until 31 March 2020 for customers supplied at a 35 kV voltage, and up to 31 March 2021 for 10 kV customers.

In 2019 three hydropower plants, with a capacity of 18.7 MW, have been installed, one with a photovoltaic generator operating at a capacity of 0.4 MW and another with a capacity of 3 MW. The Energy Strategy 2017-2026 foresees a capacity of 1436 MW by 2025, 450 MW of which are generated from renewable sources. This production capacity is foreseen to produce about 7703 KWh for one year, with 934 KWh, or 12.1% of it, generated from renewable sources. Currently a total of 21 RES generators are in operation, with a total installation capacity of 104.83 MW: 13 HC (61.1 MW); 6 PV-Solar (10MW) and two (2) wind generators (33.73 MW).

Space heating in Kosovo is largely realized from biomass (mainly firewood). District heating sector in Kosovo consists of 4 district heating companies (Prishtina, Gjakova, Mitrovica and Zvecan). At the end of 2014, District Heating Company "Termokos" in Prishtina has been connected to the cogeneration system in TPP Kosova B. This has significantly affected the increase of heating supply quality for citizens of Prishtina and reduction of environmental pollution.

Although Kosovo has no natural gas network, it should be stated that recent developments in the region provide optimistic signals even for Kosovo. At the end of 2018, the Ministry of Economy and Environment of the Republic of Kosovo, in cooperation with the Ministry of Infrastructure and Energy of Albania, carried out, through the WBIF/EBRD platform, the pre-feasibility study of the pipeline between Kosovo and Albania (ALKOGAP). Pursuant to recommendations of the aforementioned study, the former MED (now MEA) in early 2019, through the WBIF platform, has applied for financial support in the form of a grant for the preparation of the Master Plan on the distribution of natural gas in Kosovo. The Steering Committee of the Western Balkans Investment Framework (WBIF) approved in June 2019 in Berlin a grant of EUR 1.5 million for the preparation of the Master Plan for Natural Gas in Kosovo, which is planned to be implemented during 2020-2021.

Furthermore, WBIF has approved a EUR 653,250 grant for the implementation of a feasibility study for the North Macedonia - Kosovo gas pipeline, which will enhance co-operation between the two countries and has hired IFCO consultancy for the preparation of Terms of Reference. Based on the initiative of the Millennium Challenge Corporation (MCC), a pre-feasibility study for Kosovo gasification is being conducted by consultants engaged by MCC. A draft of the scope of work has been completed and terms of reference prepared by the MCC-hired consultants have been adopted. The main institutions leading the energy sector are the following:

- Ministry of Economy and Environment (MEA);
- Energy Regulatory Office (ERO), that acts as an independent regulatory agency, in charge of energy market regulation (electricity, natural gas and heating energy);
- Independent Commission for Mines and Minerals (ICMM) – that acts as an independent regulating agency for regulation of the mining activities, including coal;
- Electricity Transmission, System and Market Operator (KOSTT JSC), which is a public enterprise that manages the transmission network and has the role of the Electricity Transmission, System and Market Operator.

Other governmental institutions, such as the Ministry of Infrastructure (MI), the Ministry of Finance (MoF), as well as the Kosovo Competition Commission, have an important role in monitoring the social, economic and spatial responsibilities of the energy sector.

### **Electronic communications market**

In Kosovo, the ICT sector is of great economic importance considering that, in the last ten years has had a share of about 10% in GDP of Kosovo. With regard to market developments, the **landline** historically has had a low development in our country. In total, we have four operators for the provision of fixed telecommunications services:

The operators in question are the following:

- Kosovo Telecom J.S.C. (former PTK -), licensed on; 30/07/2004,
- IPKO Telecommunications LLC, licensed on; 08/09/2006,
- Kujtesa.Net, licensed on 07/01/2014 and
- Fiberlink (Decision No. 607 (prot. No. 013/B/15), has assigned the numeric block from the geographic numbering series for use by "FiberLink" L.L.C.)

The number of active landlines during this quarter appears to be increasing significantly because data from the MTS DOO operator have been included since this period. In the second quarter of 2019, the number of subscribers decreased by -7.65% compared to the same period last year, and decreased by -0.82% compared to the previous quarter. Also, data on the penetration rate of landline in Kosovo in this quarter recorded a positive trend, namely 3.18%.

The highest share in the market belongs to the Kosovo Telecom Company, followed by *MTS D.O.O and then IPKO*<sup>13</sup>. However, all landline telephony indicators show a very slow and declining trend.<sup>14</sup>

Regarding **postal services**, the Law No. 06/L-038 on Postal Services was adopted by the Assembly of Kosovo on 21 December 2018, and entered into force on 2 February 2019. Its purpose is to establish rules for ensuring provision of postal service and universal postal service across the territory of the Republic of Kosovo, setting conditions for access to the postal network, promoting free competition, setting tariff principles, ensuring the transparency of universal postal service accounts, setting universal postal service standards and establishing a system to ensure compliance with them. This law is partially in line with Directive 97/67/EC of the European Parliament and of the Council. According to RAEPC data, there is a significant decrease in the total number of postal deliveries. The POE Post of Kosovo J.S.C covers the overall postal services market, with 86.90%, while private operators' share is 13.10% of the overall market.

The **mobile telephony market** has the widest spread in all electronic communications. For the time being, in Kosovo there are two authorized operators of mobile telephony networks in the frequency band 900/1800 MHz:

- Kosovo Telekom J.S.C./Vala licensed on 30/07/2004 (ART Prot. No. 111/04) with a validity period of 15 years;
- IPKO Telecommunications LLC licensed on 06/03/2007 (ART Prot. No. 77/07) with a validity period of 15 years;
- mts D.O.O., with temporary authorization

In addition to three authorized mobile network operators MNO (Mobile Network Operator) mentioned above, two other virtual mobile operators have been licensed (MVNO) 9:

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<sup>13</sup> Due to the inclusion of data on operator MTS DOO, the participation of other operators in the market has decreased, especially this has affected the Telecom of Kosovo, which had the largest participation in the market.

<sup>14</sup> [http://arkep-rks.org/repository/docs/Pasqyra%20e%20tregut%20t%C3%AB%20KE%20\\_Indikator%C3%ABt%20krvesor%20p%C3%ABr%20TM2%202018.pdf](http://arkep-rks.org/repository/docs/Pasqyra%20e%20tregut%20t%C3%AB%20KE%20_Indikator%C3%ABt%20krvesor%20p%C3%ABr%20TM2%202018.pdf).

- Dardafon.net LLC (Z Mobile) licensed on 12/06/2008 (ART Prot. No. 112/08) with a validity period of 15 years, and
- Dukagjini Telecommunications J.S.C. (D3 mobile) licensed on 24/06/2008 (ART Prot. No. 124/08) with a validity period of 15 years.

The total number of mobile phone users at the end of the fourth quarter (Q4 2019) reached 2,074,556, respectively 5.36% higher compared to the same period of the previous year (Q4 2018). Compared to the previous quarter (Q3 2019), the number of users was 1.22% lower (or 26,662 users).

Similar to the number of users, penetration of mobile telephony services in the reporting period has decreased compared to the previous quarter, with a slight increase compared to the same quarter of the previous year (Q4 2018). The penetration of mobile telephony services is now at the rate of 114.22% of the population.

The number of broadband fixed line internet lines up to Q4 2019, reported by the operators, was 356,544 internet subscribers. This shows an increase of 4,001 subscribers, or 1.13%, compared to Q3 2019, respectively a more pronounced increase of 8.64% compared to Q4 2018. Internet penetration through fixed broadband Internet access for households is 120%, meaning that Internet penetration by inhabitants (per 100 inhabitants) turns out to be 19.64%.

The number of users of mobile internet services (mobile broadband) or internet access through 3G and 4G mobile networks in the period Q2 2019 has reached 1,316,939 users, which marks a slight increase of 1.35% compared to Q3 2019, respectively about 2.2% compared to the same period of 2018.

The trend of the number of subscribers accessing the Internet through mobile network since the beginning of providing these services in the market has been characterized by a continuous increase, yet in the reporting period (Q4 2019) there was a decrease in penetration for mobile access and a slight increase in the fixed access.

Regarding the market of internet services market by *users per operator*, at the end of Q4 2019 the Kosovo Telecom 8.06%, IPKO 31.39%, Kujtesa 23.93%, Artmotion 18.20% and others the remaining share.

Concerning the **regulatory framework and policy**, the Law for Electronic Communications and other applicable legislation determine an overall Legislative Framework, in compliance with EU Directives (Package of Directives of 2009, as amendments to the 2002 Package for Electronic Communication sector).

The Law on Electronic Communications, inter alia, has made a legal basis for transition from the License regime to General Authorization regime, for the provision of electronic services and communication networks. This implies an increase of opportunities and quality improvements of the environment for new investments and fair competition, which is also a main objective (priority) of the Government.

The vision and strategic objectives of the Government of Kosovo for the IT sector, thus also for the electronic communications sector, are expressed in the document *Electronic Communication sector Policy – Digital Agenda for Kosovo 2013-2020*. It is in line with objectives set forth in the European Commission Communiqué of 19 May 2010 for the European Parliament, Council of Europe, European Economic and Social Committee and the Regions Committee *Digital Agenda for Europe*. The midterm priorities based on the policy document on electronic communications are the following: development of ICT infrastructure, development of services and electronic contents and promotion of their use, advancements in skills of Kosovo inhabitants, women and man, in the use of ICT.

This document transposes the ideas and strategic objectives planned in the Digital Agenda for Europe, by considering and adjusting to the reality and the state of the ICT sector in Kosovo.

### **Sectorial and enterprise structure**

A total of 2,311 enterprises were registered in the first quarter of 2020, a decrease of 3.9% compared to the same period of 2019. The largest number of enterprises registered during the first quarter of 2020 was in sectors of wholesale and retail, repair of motor vehicles and motorcycles, with a total of 590 new enterprises, followed by enterprises in the manufacturing sector, with 363 new enterprises. The number of enterprises closed during this period was 430, which compared to the same period last year marks a decrease by 11 enterprises. The number of registered businesses owned by women was 484, or 20.9% of the total number of registered enterprises. In terms of the size of registered enterprises, 98.4% or 2,273 of them, were micro-enterprises, while 1.5%, or 34 of them, were small enterprises,

Table 2.6: Number of registered businesses, 2013 - (October) 2019

Description	2014	2015	2016	2017	2018	2019	Q1 2020
Registered	9,404	9,833	10,553	9,335	9,966	10,054	2,311
Terminate	1,671	2,205	2,378	1,589	1,892	1,766	430
Owned by women	1,529	2,020	2,332	2,096	2,443	3,016	484

Source: Kosovo Business Registration Agency

The total number of newly-registered enterprises in 2019 (10,594) was higher than that of new enterprises registered in 2018 (9,966). The total number of newly enterprises registered in the period between 2014 and 2019 has fluctuated between 9,404 and 10,054, with a significant increase in 2016. A similar trend has been observed in closed businesses, with the largest number of closed businesses (2,378) in 2016 as well. The number of registered women-owned businesses, although generally low, has been on the rise from 2014 onwards. A total of 3,016 women-owned businesses were registered in 2019, 23% more than in 2018.

GDP in Q1 2020 had a real increase of 1.3% compared to Q1 2019. On the structure of GDP by economic activities, data show a real GDP growth as follows: financial and insurance activities have had a real increase of 5.7%; scientific, professional and technical activities an increase of 4.2%, extraction industry, electricity, waste treatment and management activities a real increase of 4.1%; while there was a real decline in the construction sector by 12.4%, and the arts, entertainment and recreation by 26.8%.

GDP by expenditure has increased in export of goods and services by 29.5%, final consumption of households and non-profit institutions in service of households (NPISH), by 0.22%, while there was a real decline in gross capital formation by 9.4 % compared to the same period of the previous year.

In terms of the **size of the private sector**, the share of the private sector in GDP ranges between 84 and 86 percentage points in the period from 2016 to 2022, as shown in the table below. Private investment is expected to show the same trend in 2020, 2021 and 2022.. Private consumption, based on projections for 2020, is expected to show the same trend as before.

Table 2.7: Participation of the private sector in GDP, in%

Description	2016	2017	2018	2019	2020 (proj.)	2021 (proj.)	2022 (proj.)
Private consumption	86%	84%	85%	85%	86%	85%	85%
Private investments	20%	21%	22%	22%	20%	21%	22%

Source: MTEF 2020-2022, MoF

### **Economic integration with EU and price competitiveness**

In 2019 Kosovo had an increase in the volume of trade in goods with other countries. Thus, trade turnover compared to the same period of the previous year increased for 4.5%, reaching the value of EUR 3.8 billion. Even during this time, Kosovo's trade balance is characterized by a high trade deficit. In the general composition of trade exchange imports represent 90% of foreign trade and export a very small percentage of only 10%. Goods exported from Kosovo in the first half of this year increased by 4.4%, reaching the value

of EUR 383 million, EUR 16 million more. Growth of export of goods during this semester was more pronounced in metals and its products, plastic and rubber products, as well as in the food and beverage industry. On the other hand, export of mineral products, vegetable products, textiles and leather declined.

There is also an increase in imported goods, with the value of imports in 2019 close to EUR 3.5 billion, an increase of EUR 150 million, which is 4.5% higher compared to 2018. The highest increase was recorded in import of the following products: means of transport, food, beverages and tobacco, products of animal origin, products of the chemical industry, textiles, etc.

Table 2.8: Overview of Kosovo's trade balance (2014 - 2019)

Indicator/ Year	2014 amount (000 euro)	2015 amount (000 euro)	2016 amount (000 euro)	2017 amount (000 euro)	2018 amount (000 euro)	2019 amount (000 euro)
Export	324,543	325,294	309,626	378,010	367,500	383,504
Import	2,538,336	2,634,694	2,789,493	3,047,018	3,347,007	3,493,472
Trade balance	<b>-2,213,793</b>	<b>-2,309,400</b>	<b>-2,479,867</b>	<b>-2,669,008</b>	<b>-2,979,507</b>	<b>-3,109,968</b>

The sectorial and geographical composition of trade remains largely similar compared to previous years, with the exception of export of goods to Asian markets, with a large decline in export value mainly to the Chinese and Indian markets. The structure of exports has in general been almost the same for years, yet in recent years there was a big difference regarding the plastics sector products. Kosovo has exported plastic products worth over EUR 50.8 million, covering 13.3% of total exports, an increase of 13.4%. As a sectors considered with export potential, the food industry is constantly growing. However, export of base metals and minerals are the main basis of Kosovo's exports, covering 45% of overall exports during 2019.

The structure of imports has remained approximately the same as in previous years. Imports continue to be dominated by the minerals sector (fuel, oil and its products), the food industry sector, machinery and equipment, etc. Yet, import of oil and oils as a product dominated in total imports (EUR 351.2 million, 10% of total imports), motor vehicles (EUR 225.3 in imports, or 6.4% share in total imports), followed by imports of rods steel, electricity, cigarettes, medicines, etc.

Table 2.9. Overview of exports to EU states

Partners	2018	Ranking	% of total	2019	Ranking	% of total	Difference (2019/2018)
Germany	24,872	6	6.8%	30,907	4	8.1%	24.3%
Italy	7,799	14	2.1%	22,607	7	5.9%	189.8%
Netherlands	14,651	8	4.0%	16,302	9	4.3%	11.3%
Slovenia	13,684	9	3.7%	7,005	13	1.8%	-48.8%
UK	9,830	10	2.7%	11,242	10	2.9%	14.4%
Partners	2018	Ranking	% of total	2019	Ranking	% of total	Difference (2019/2018)
Germany	24,872	6	6.8%	30,907	4	8.1%	24.3%
Italy	7,799	14	2.1%	22,607	7	5.9%	189.8%
Netherlands	14,651	8	4.0%	16,302	9	4.3%	11.3%
Slovenia	13,684	9	3.7%	7,005	13	1.8%	-48.8%
UK	9,830	10	2.7%	11,242	10	2.9%	14.4%

Trade with EU countries and countries of the region that are part of CEFTA constitutes the most important part of Kosovo's trade integration, with about 66% of all foreign trade. However, during 2019 Kosovo has, for a nuance, further increased its integration with other countries outside the CEFTA and EU blocs. Thus, currently the representation of countries outside these two trade regions in the general structure of Kosovo's main trading partners has changed. Trade integration with countries outside the region, however, has only gone in favour of imports from these countries to Kosovo, and not so much in favor of export from Kosovo to countries outside the region. Therefore, in terms of integration with countries outside the EU



and CEFTA bloc, there is mainly increase in imports from Turkey, China, Switzerland, and in particular Israel, increasing the value of imported goods by EUR 170 million, or 25%. Goods imported from these countries cover 24% of Kosovo's total imports.

However, regarding exports, a large share of exported goods (following CEFTA) have gone to EU countries, reaching EUR 138.5 million, or 35% of total exports, an increase of 25%. However, we can consider that the most important countries for domestic exports are the following: Germany, Italy, The Netherlands, Slovenia, England, Poland, etc. Regarding the structure of exports that went to EU markets, it mainly includes goods belonging to the sectors of minerals, plastics, beverages, etc. Meanwhile, imports from the EU reached EUR 1.7 billion, an increase of 20%. Most of the goods imported come from EU countries (covering 51% of total imports). Kosovo imports goods mainly from Germany, Greece, Italy, Slovenia, Poland, etc.

Table 2.10: Overview of imports from EU states

Partners	2018	Ranking	% of total	2019	Ranking	% of total	Difference (2019/2018)
Germany	394,143	1	11.8%	447,612	1	12.80	13.6%
Italy	205,495	6	6.1%	222,436	6	6.4%	8.2%
Greece	124,156	8	3.7%	196,527	7	5.60	58.3%
Slovenia	95,267	9	2.8%	131,337	8	3.8%	37.9%
Poland	87,218	10	2.6%	104,888	10	3.0%	20.3%

CEFTA is an important trading partner, covering 17.2% of Kosovo's total trade exchange, an exchange that results in a 35% decrease in trade in goods. Kosovar goods which are exported to CEFTA countries, amounting to EUR 164.8 million, cover 43% of total exports, a decrease of 5%. Imports from CEFTA countries amount to around EUR 502.6 million, 41% less, covering 14.3% of total imports to Kosovo. Of course, the decline in Kosovo - CEFTA trade is as a result of the imposition of a 100% tariff on goods originating from Serbia and Bosnia and Herzegovina. For both countries the measure has served mainly as a prohibitive tariff, i.e. officially a tariff that reduces imports down to nearly zero. Currently, of the CEFTA countries only North Macedonia and Albania are among the ten largest importers.

The balance of services during the period from January to December 2019 has increased by 9.2% compared to the previous year. Travel services dominate with about 78.8% of the total services exported, while import of travel services reached 43.7% of the import of services. There is an overall relatively high concentration of import and export services.

During 2019 the export of services reached EUR 1,676,300,000, an increase by 8.3%, while the value of imported services increased by 6.2%, reaching EUR 705.8 million.

Trade in services in Kosovo during 2019 was EUR 2,425,700,000 million, of which total exports were EUR 1,676,300,000, and total imports EUR 749,400,000. This shows a positive trade balance of EUR 926,900,000 million. Compared to the same period of 2018, when trade balance stood at EUR 855.8 million, an increase of 8.3% can be observed. The largest export sectors in 2019 were travel services, with EUR 1,321,400,000; other business services with EUR 121,700,000; computer, information and telecommunication services, with EUR 68.2 million, and construction services, with EUR 20.05 million. The positive balance of services has resulted in the reduction of the high trade deficit in the balance of payments account.

Table 2.11: Balance of trade in services with EU for the period January-June for 2018 and 2019

Year	Export (million Euro)	Import (million Euro)	Balance (million Euro)
2019	1676.3	749.4	926.9
2018	1561.6	705.8	855.8

Source: Central Bank of Kosovo

The travel sector had an increase of EUR 93 million compared to 2018. High exports in the travel sector are attributed to the diaspora. Other business services, with exports of EUR 121.7 million, with a discount compared to the same period of 2018 of EUR 0.8 million. ICT sector also increased in 2019 by 22.2%, or EUR 12.4 million, compared to 2018.

Based on the statistics mentioned above, it can be concluded that travel (tourism), ICT and business service sectors are considered successful in terms of exports and can be considered as a way of reducing the balance of payments deficit. Other business services include various business services, such as: research and development, professional and management consultancy, technical and trade related services, and other business services, waste treatment and disposal, agricultural services, mining services, operative leasing, trade related services and other business services. This is one of the most productive sectors in trade service, and exports in this sector continued to grow in 2019 and are therefore very important to focus and further improve the sector's performance.

Two sectors that have consistently performed a negative trade balance in services are the following: transport, with EUR -79.1 million, and insurance services, with EUR -20.8 million, in 2019.

*Medium-term priority objectives:*

- Reduction of energy consumption through energy efficiency measures by implementing these measures in public buildings, houses and apartment stores in 2021 and 2022;
- Further development of electricity generating capacities, including coal-based production capacities in order to meet increasing needs for electricity;
- Improving the environment for innovation and entrepreneurship, including increasing the financial and infrastructural support of innovation and entrepreneurship and building human capacity;
- Extension of ICT network infrastructure for socio-economic development, particularly extension of broadband infrastructure to areas not covered and digitalization of businesses.
- Increasing cost-effectiveness of international trade transactions by simplifying and standardizing all formalities and procedures at the border, with the aim of aligning practices, in accordance with multilateral agreements.
- Aligning supply and demand through development of occupational standards and curriculum review;
- Promoting quality in vocational education and training based on labour market requirements;
- Increasing access of youth and women to the labour market by providing quality employment services, active employment measures and entrepreneurship;
- Improvement of social and health services through the functioning of the health insurance fund.

### **3. BLOCK 3: EUROPEAN STANDARDS – APPROXIMATION OF KOSOVO’S LEGISLATION WITH THE EU ACQUIS**

#### **3.0. Legal Framework on Approximation of Kosovo’s Legislation with the EU Acquis**

Approximation and implementation in accordance with EU acquis are the main prerequisites for the membership of the Republic of Kosovo in the EU. The approximation process implies compliance of internal legislation of the Republic of Kosovo with EU acquis. Approximation of legislation has two components: firstly, assuming the obligations deriving from EU acquis, and secondly, their enforcement in practice.

Within the first component, the undertaking of obligations deriving from the EU acquis is specified under Article 74 of the SAA. The Article defines the gradual approximation of legislation of the Republic of Kosovo with that of the EU and its effective Enforcement. Article 74 of the SAA requires that the approximation initially focuses on the basic elements of the EU acquis in the area of the internal market, in the area of freedom, security and justice, as well as in other trade-related areas. Also, Article 74 of the SAA stipulates that the process of approximation of legislation should be carried out according to a programme agreed between the Republic of Kosovo and the European Commission.

Specifically, Article 74 requires the Republic of Kosovo and the EC to determine the modalities for monitoring implementation of the legislation alignment. The obligations deriving from Article 74 of the SAA in the Republic of Kosovo are combined in several legal acts, whereas priorities and specific reforms for alignment of legislation and modalities for monitoring implementation of legislation approximation are set out in the present Programme (NPISAA).

Specifically, Article 74 requires the Republic of Kosovo and the European Commission to determine the modalities for monitoring the implementation of legislation alignment. Consequently, the monitoring of progress in the alignment of legislation is of utmost importance due to the updating of the progress regarding the process of aligning the legislation of the Republic of Kosovo with EU acquis.

The legislation alignment programme and modalities to monitor the implementation of legislation are the essential mechanisms documenting how legal obligations under the EU acquis determined under Article 74 and other respective Articles that cover different sector of the SAA, reflect the grade, level, quality and substantial legal content within the legislation of the Republic of Kosovo.

In the framework of the second component, the implementation of obligations under Article 74 of SAA requires administrative capacity and legal mechanisms with technical and guiding content as to the approximation of the legislation of the Republic of Kosovo with EU acquis. Currently, the process of approximation of the legislation of the Republic of Kosovo with EU acquis is based on legal acts and guidelines/manuals for approximation of the legislation with EU acquis approved by the Government of the Republic of Kosovo.

Applicable legal acts concerning the process of approximation of the legislation approved by the Government of the Republic of Kosovo are the following:

- Regulation No. 09/2011 of Rules and Procedure of the Republic of Kosovo,
- Regulation No. 13/2013 on Government Legal Service, as well as
- AI No. 03/2013 on Standards for the Drafting of Normative Acts.

Guidelines/manuals for approximation of the legislation of the Republic of Kosovo with acquis are the following:

- Practical Guideline for Approximation of the Legislation of the Republic of Kosovo with EU Legislation 2013, and
- Manual on Compiling Tables and Statement of Compliance 2015.

Guidelines/manuals for approximation of legislation are instruments of technical content that provide instructions and serve responsible officials during the process of drafting and aligning the legislation of the Republic of Kosovo with the EU acquis. The legislative framework with technical content and guidelines are particularly important during the process of aligning the legislation. In general, legal acts and guidelines refer to the process of approximation of the legislation in a general fashion.

In the procedural aspect, the process for assessing the approximation of the legislation of the Republic of Kosovo with EU acquis refers to several steps. The initial step commences from responsible institution that drafts the draft normative act; at this stage, this institution, by compiling the Statement of Compliance (SoC) and Tables of Concordance (ToC) with EU acquis, preliminarily assesses the level of approximation. The next step is the assessment of approximation with the EU acquis. This assessment, through the legal opinion on compliance with EU acquis, summarises two types of findings: on the substance of the draft-normative act, and on the level of compliance of the Statement of Compliance (SoC) and Tables of Concordance (ToC) with the EU acquis. The next step includes forwarding the legal opinion on compliance with EU acquis to the responsible institution that has compiled the draft normative act. In addition, the responsible institution that drafted the normative draft act forwards it to the Office of the Prime Minister for approval in the procedural and constitutional aspect, and then is forwarded to the Government for approval. After approval by the Government, the draft normative act (this applies only to draft-laws) is sent to the Assembly for adoption. Mostly, the package of the draft-law with all relevant documents is sent to the Committee on Legislation and the Committee on European Integration and other committees, depending on the scope of the draft-law, which review, analyse and amend the relevant draft-law if necessary and then submit it for adoption.

The legal approximation process is also related to the translation of EU acquis into official languages in the Republic of Kosovo (Albanian and Serbian). Translation of EU acquis is integral of the approximation process. One of the responsibilities of the future AEI, deriving from the scope of its mandate, is coordination of the translation of the EU legislation into official languages of the Republic of Kosovo. The process of translation of the EU legislation is governed by the Regulation No. 02/2015 on the Process of Translation of EU Acquis into Official Languages of the Republic of Kosovo, which sets out procedures of translation, coordination of translation process, as well as unification of the terminology of the EU acquis into official languages of the Republic of Kosovo. In the framework of regional cooperation, the Ministry of European Integration of the Republic of Kosovo and Ministry for Europe and Foreign Affairs of the Republic of Albania signed a Cooperation Agreement on Establishment of the Technical Commission for Translation of EU Legislation into Albanian language, as well as cooperation in the area of legislation approximation, coordination of joint agenda for translation of EU acts based on relevant acts for approximation determined in SAA, as well as exchange of EU legal acts translated by both countries. It is worth mentioning that the Technical Commission has established the electronic platform "albterm.net", where acquis acts translated into Albanian are published. In addition, in 2015 the Ministry of European Integration and the University of Prishtina "Hasan Prishtina" signed the Cooperation Agreement on translation of the EU legislation, in view of ensuring the professional translation of legal acts into official languages of the Republic of Kosovo.

### *Medium-term Priority Objectives*

The medium-term priority objectives in the area of approximation and translation in the Republic of Kosovo are continuous coordination, cooperation and reporting on the alignment process. Specifically, the strengthening and coordination of capacities within the government legal service will allow for the fulfilment of legislative obligations deriving from Article 74 of the SAA.

*Medium-term priority objectives in the area of approximation:*

- Revision of the legislation concerning the government legal service and of practical guidelines/manuals for approximation of legislation in order to improve the scope of the process of approximation of Kosovo legislation with EU acquis;
- Full functionalization of electronic platform for alignment of legislation;
- Functionalization of the maintenance of the database for alignment of the legislation of the Republic of Kosovo, and
- Increasing the number of advanced professional trainings that are intended for substantial alignment of the Kosovo legislation with EU acquis in primary areas of approximation for eight chapters: Freedom of Goods Movement, Right of Establishment and Freedom to Provide Services, Public Procurement, Company Law, Intellectual Property Law, Competition Law, Judiciary and Human Rights, Justice, Freedom and Security.

*Medium-term priority objectives in the area of translation:*

- Increasing the number of translations of EU acquis acts into official languages of Kosovo,
- Certification of EU acquis acts translated into official languages of Kosovo;
- Strengthening cooperation between stakeholders (line ministries and the coordinator of the process (AEI) in Kosovo in relation to the translation of EU acquis acts;
- Strengthening cooperation and coordination between stakeholders in the region (coordination units in line ministries and in respective ministry) in relation to the translation of EU acquis acts,
- Maintenance of database for publication of EU acquis acts translated in the official languages of the Republic of Kosovo, and
- Continuing awareness raising and capacity-building in the area of translation through various activities.

### **3.1. Acquis Chapter 1: Free Movement of Goods**

This chapter covers the requirements of EU legislation in order to ensure completely free movement of products in the internal market and observance and implementation of the general principle by all member states. To ensure observance and implementation of this basic principle for the functioning of the internal market, so that products will meet the standards and requirements in order for them to be traded in the internal market of the EU, application of this chapter by the acceding countries requires them to align their entire legal and regulatory framework in accordance with the EU, with the —old approach (which sets specific requirements for products) and the —new approach (which defines the essential specifications for products). Alignment of the national legislation is achieved through full transposition of the EU acquis within the scope of this chapter until the full membership. In addition to this, acceding countries are also required to develop and implement national policies to ensure implementation of legislation aligned with the EU acquis, and to establish and fully functionalize the entire institutional system and the institutional capacity needed to implement this legislation and policies, as well as to implement horizontal and procedural measures in specific areas of standardization, conformity assessment, accreditation, metrology and market surveillance.

Free movement of goods is a key element in creation and development of the internal market. Articles 34, 35 and 36 of the Treaty on the Functioning of the EU (TFEU) prevent Member States from adopting and imposing unjustified restrictions on the free trade of goods within the internal market, in addition to trade within the EU. The provisions of the TFEU do not exclude prohibitions justified and applied proportionally, on grounds of public morality, public policy or public security, protection of health and life of humans, animals or plants, or the protection of industrial and commercial property, as well as other mandatory requirements recognized by the Court of Justice (for instance environmental protection). Measures having an effect equivalent to a quantitative restriction, with some exceptions, are also prohibited. This especially means elimination of technical barriers to trade and respect for the principle of mutual recognition, including procedures for exchange of information.

Legislation of the new global approach covers low voltage devices (LVD), electromagnetic compatibility (EMC), toys, machinery, elevators, noise emissions from equipment for use outside facilities, emissions of pollutants from the engines of non-road mobile machineries, personal protective equipment (PPE), equipment and protective systems intended for use in explosive atmospheres (ATEX), medical equipment, gas equipment, vessels under pressure, cableway installations, construction products, handicrafts recreational requirements of eco-design for energy-related products (ErP), and radio equipment and telecommunications terminal (R & TTE). The old approach legislation covers the areas of motor vehicles and chemicals<sup>15</sup>.

### *SAA Requirements*

The Stabilisation and Association Agreement between the EU and Kosovo (SAA), “considering the commitment of the Parties to free trade, consistent with the relevant principles of the World Trade Organisation which are to be applied in a transparent and non-discriminatory manner” under Title IV –Free movement of goods contains some key provisions relevant to Chapter 1 of the EU acquis.

Article 20 states that the EU and Kosovo will gradually create a free trade area over a maximum period of 10 years starting from the entry of the SAA into force. Article 22 (“EU concessions for industrial products”) states that quantitative restrictions on imports into the EU and measures with equivalent effect, for products originating in Kosovo shall be abolished on the date of entry of the SAA into force. Kosovo has taken over the same concession towards industrial products originating in the EU (Article 23). In Article 24 (“Obligations and restrictions on exports”) both parties declare that the entry of the SAA into force will abolish all quantitative restrictions on exports and equivalent measures.

Article 35 of the SAA defines the issue of geographical indicators, but this issue is elaborated in chapter 7 of intellectual property. Article 42 gives the parties a right to take protective measures in the event of a finding of dumping actions, these actions must be in accordance with WTO rules, the part which implements article 6 the GATT 1994.

As regards the protection of the market, SAA requires application of Article XIX of GATT 1994 and the WTO rules for market protection. Article 43 requires that measures for market protection must be taken only for the purpose of addressing the problem, and the same article states that these measures must not be taken in a period longer than two years.

### *Requirements under other EU accession mechanisms*

EC’s *Kosovo 2019 Report* estimates that Kosovo needs to improve inter-institutional co-ordination to enable proper implementation of legislation and strengthen capacities of Kosovo institutions in the area of quality infrastructure. Kosovo must approve important bylaws related to the laws on standardization, metrology, accreditation and technical requirements for products and conformity assessment and continue to ensure implementation of the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

Conclusions from the meeting of the Subcommittee on Trade, Industry, Customs and Taxation state the need to complement the primary legislation with bylaws in areas of Quality Infrastructure.

### *State of Play*

#### *Legislative and Policy Framework*

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<sup>15</sup> Pharmaceuticals and cosmetics are covered in Chapter 28.

### Horizontal issues

Legislative framework in the area of standardization consists of the following relevant main normative acts:

- Law No. 06/L-019 on Standardization;
- AI No. 08/2018 on the Professional Standardization Council;
- AI No. 10/2018 on Logo of Kosovo Standardization Agency;
- AI No. 16/2018 on Standardization Technical Committees.

These normative acts have partially transposed the Regulation (EU) 1025/2012, laying out the requirements for standardization-partially.

Legislative framework in the area of accreditation consists of the following relevant main normative acts:

- Law No. 05/L-117 on Accreditation;
- Regulation No. 02/2018 on Professional Council. Professional Council is the advisory body of the Kosovo General Directorate of Accreditation (DAK);
- AI No. 03/2018 setting up Accreditation Tariffs.
- AI No. 04/2019 on Determining the Form, Content and Usage of the Kosovo General Accreditation Directorate Logo, Accreditation Symbol and Text Reference to Accreditation.

These normative acts have transposed the Regulation (EC) No. 765/2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products – partially.

The legislative framework in the area of conformity assessment consists of the Law No. 06/L -041 on Technical Requirements for Products and Conformity Assessment, which has transposed the Decision No. 768/2008/EC of the European Parliament for a common framework for marketing of products – partially.

The legislative framework in the area of metrology consists of the following main normative acts:

- Law No. 06/L -037 on Metrology;
- Regulation No. 04/2018 on Non-Automatic Weighing Instruments;
- Regulation No. 03/2018 on Pre-packages;
- AI No. 04/2018 on Bottles as Measuring Containers;
- AI No. 05/2018 on the Amount and Procedure of Payment for Metrological Services;
- AI No. 14/2018 for Technical and Metrological Requirements for Measuring Transformers and Measuring Groups on Measuring Electricity.

These normative acts have transposed the following acquis acts:

- EU Directive 2014/32 on alignment of laws of Member States relating to the making available on the market of measuring instruments – partially;
- Document D1:2012 of OIML -partially;
- Directive 2014/31/EU, adopted on 11 June 2018 – partially;
- Directive 76/211/EEC, adopted on 28 May 2018 – partially;
- Directive 75/107/EEC, adopted on 28 May 2018 – partially.

The legislative framework in the area of market surveillance consists of the following relevant normative acts:

- Law No. 06/L-041 on Technical Requirements for Products and Conformity Assessment;
- Law No. 04/L-078 on General Product Safety;
- Law No. 03/L-181 on Market Inspectorate and Inspective Supervision.

### New and global approach

The legislative framework in the area of Low Voltage Devices (LVD) consists of the Law No. 06/L-041 on Technical Requirements for Products and Conformity Assessment, which represent the basis for the technical Regulation No. 06/2018 on Electrical Equipment Designed for Use within Certain Voltage Limits, which has partially transposed the Directive 2014/35/EU.

The legislative framework in the area of Electromagnetic Compatibility (EMC) consists of the Law No. 04/L-039 on Technical Requirements for Products and Conformity Assessment represents the basis for Regulation No. 01/2017 on Electromagnetic Compatibility, which has partially transposed the Directive 2014/30/EU and its amendments. This Regulation will continue the implementation until its alignment with the new Law No. 06/L-041 on Technical Requirements for Products and Conformity Assessment.

The legislative framework in the area of toys safety consists of the Law No. 04/L-039 on Technical Requirements for Products and Conformity Assessment, which represents the basis for Regulation No. 02/2017 on Toys Safety, which partially transposes Directive 2009/48/EC and its amendments. This Regulation will continue implementation until it is aligned with the new Law No. 06/L-041 on Technical Requirements for Products and Conformity Assessment.

The legislative framework in the area of machineries consists of the Law No. 04/L-039 on Technical Requirements for Products and Conformity Assessment, which represents the basis for the Regulation No. 04/2013 on Safety of Machinery, which partially transposes Directive 2006/42/EC. This Regulation will continue to be implemented until aligned with the new Law No. 06/L-041 on Technical Requirements for Products and Conformity Assessment.

The legislative framework in the area of noise emissions from equipment used outside buildings consists of the AI No. 08/2009 on Allowed Values of Noise Emissions from Pollution Sources, which partially transposes the Directive 2000/14/EC.

The legislative framework in the area of lifts consists of the Law No. 04/L-039 on Technical Requirements for Products and Conformity Assessment, which represents the basis for Regulation No. 03/2017 on Safety of Lifts, which transposes the Directive 2014/33/EU. This Regulation will continue to be implemented until aligned with the Law No. 06/L-041 on Technical Requirements for Products and Conformity Assessment.

The legislative framework in the area of Personal Protective Equipment (PPE) consists of the Law No. 04/L-039 on Technical Requirements for Products and Conformity Assessment, which represents the basis for the Regulation No. 08/2012 on Personal Protective Equipment, which partially transposes the Directive 89/686/EEC. This Regulation will continue to be implemented until aligned with the Law No. 06/L-041 on Technical Requirements for Products and Conformity Assessment. The Regulation 2016/425/EU on Personal Protective Equipment will be transposed in the technical regulations during 2019.

The legislative framework in the area of equipment and protective systems intended for use in potentially explosive atmospheres (ATEX) consists of the Law No. 04/L-039 on Technical Requirements for Products and Conformity Assessment, which represents the basis for Regulation No. 04/2012 on Equipment and Protective Systems Intended for Use in Potentially Explosive Atmospheres, which partially transposes the Directive 94/9/EC. This Regulation will continue to be implemented until aligned with the Law No. 06/L-041 on Technical Requirements for Products and Conformity Assessment.

The legislative framework in the area of gas appliances and hot water boilers consists of the Law No. 04/L-039 on Technical Requirements for Products and Conformity Assessment, through the Regulation No. 06/2016 for Appliances burning Gaseous Fuels, which partially transposes the Directive 90/396/EEC. This Regulation will continue to be implemented until aligned with the Law No. 06/L-041 on Technical Requirements for Products and Conformity Assessment.



The legislative framework in area of *pressure equipment* consists of the Law No. 06/L-031 on Pressure Equipment, which partially transposes the following acquis acts:

- Directive 2014/68/EU;
- Directive 2014/29/EU;
- Directive 2010/35/EU;
- Directive 2008/47/EC.

The legislative framework in the area of *simple pressure vessels (SPVD)* consists of the Law No. 06/L-031 on Pressure Equipment. AI on Simple Pressure Equipment, which derives from the old Law No. 02-L-103, partially transposes the Directive 2009/105/EC, and will remain in force until the issuance of the Regulation on Simple Pressure Equipment, which will partially transpose the Regulation 2014/29/EU.

The legislative framework in the area of *aerosol dispensers* consists of the Law No. 04/L-039 on Technical Requirements for Products and Conformity Assessment, which represents the basis for approval of the Regulation No. 13/2014 on Aerosol Dispensers, which partially transposes Directive 75/324/EEC.

The legislative framework in the area of *cable cars* consists of the Law No. 04/L-039 on Technical Requirements for Products and Conformity Assessment, which is the basis for approval of the Regulation No. 05/2012 on Cable Cars for Transport of Persons, which partially transposes Directive 2000/9/EC.

The legislative framework in the area of *construction products* consists of the Law No. 06/L-033 on Construction Products, which partially transposes the EU Regulation 305/2011 on Construction Products.

The legislative framework in the area of *recreational boats* consists of the Law No. 06/L-041 on Technical Requirements for Products and Conformity Assessment. However, Kosovo has not adopted yet the bylaws which should transpose the Directive 94/25/EC.

In the area of *eco-design requirements for energy-related products (ErP) and energy labelling of products*, the Horizontal Directive 2009/125/EC on eco-design and relevant vertical legal acts have not been transposed yet in the domestic legislation.

The legislative framework in the area of *Radio Equipment and Telecommunications Terminal Equipment (R&TTE), Technical Regulation on Radio Equipment*, consists of the Law No. 04/L-109 on Electronic Communications, which partially transposes the Regulation 136/2009/EC. With regard to the area of conformity of radio equipment and telecommunication equipment, the Technical Regulation No. 032/B/17 on Radio Equipment partially transposes the Directive 2014/53/EC.

The legislative framework in the area of *explosives for civil uses and pyrotechnics items* consists of the Law No. 2011/04-L-022 on Civil Use of Explosives, which partially transposes the Directive 93/15/EC on Explosives and Directive 2013/29/EC on Pyrotechnics.

The legislative framework in the area of *medicinal products and medical devices* consists of the following relevant main normative acts:

- Law No. 04-L-190 on Medicinal Products and Medical Devices;
- AI No. 01/2015 on Marketing Authorization for Medicinal Products;
- AI No. 07/2015 on laying down the requirements of good manufacturing practice, issuing manufacturing authorization and certificate of good manufacturing practice for medicinal products;
- AI No. 09/2017 for Pharmacovigilance of Medicinal Products for Human Use in the Republic of Kosovo.

The following normative acts have transposed these acquis acts:

- Directive 2001/83,
- Directive 2002/98,
- Directive 2003/63,
- Directive 2004/24,
- Directive 2004/27,
- Directive 2008/29,
- Directive 2009/53,
- Directive 2009/120,
- Regulation 726/2004
- Regulation 1394/2007 – partially
- Directive 2001/83,
- Directive 2011/62,
- Directive 2001/20,
- Directive 2003/94 - partially

#### Old approach

As regards the old approach, in addition to the relevant products manufacturers, the state is also in charge of product safety and therefore it must create and strengthen relevant state authorities for implementing conformity assessment (i.e. registration, evaluation and approval).

The legislative framework in the area of *motor vehicles* consists of the Law No. 05/L-132 on Vehicles, from which derives the AI No. 2/2018 on Determining the Conditions and Procedures for Vehicle Homologation.

With regard to the *emissions of pollutants from engines of non-road mobile machinery*, in Kosovo there are no manufactures of products (vehicles) covered in the Directive 97/68 on non-road mobile machinery. Liabilities for economic operators will be applied by importers and distributors.

The legislative framework in the area of *Chemicals – Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)* consists of the Law No. 04/L-197 on Chemicals, which partially transposes the Regulation (EC) 1907/2006.

The legislative framework in the area of *Chemicals (Classification, Labelling and Packaging (CLP) motor vehicles* consists of the Law No. 04/L-197 on Chemicals and AI No. 17/2014 on Classification, Labelling and Packing of Hazardous Chemicals, which partially transpose the Regulation (EC) 1272/2008 on Classification, Labelling and Packaging of Substances and Mixtures.

In the framework of *Good Laboratory Practices (GLPs)*, Directive 2004/9/EC establishes an obligation for Member States to designate the authorities in charge of GLP inspections on their territory. It also includes reporting requirements and internal market (mutual acceptance of data). The Directive requires that the Revised OECD Guidelines for Compliance Monitoring Procedures for GLP and OECD Guidance for Exercising Plant Inspection Test and Study Audits must be followed during laboratory inspections and study audits.

Directive 2004/10/EC require Member States to take all measures necessary to ensure that laboratories performing safety studies in chemical products will comply with the OECD Principles of Good Laboratory Practice.

The legislative framework in the area of *detergents*, specifically for defining the requirements and conformity assessment procedures, consists of the Law No. 04/L-197 on Chemicals and Regulation No. 02/2015 on Detergents partially transposing the Regulation (EC) 648/2004.

The legislative framework in the area of *fertilizers* consists of the following relevant main normative acts:

- Law No. 2003/10 on Artificial Fertilizers;
- AI No. 10/2006 for the Artificial Fertilizers Quality;
- AI No. 17/2007 on Establishment and Functioning of Regulatory Service and Artificial Fertilizers Advisory Board;
- AI No. 04/2009 on setting of taxes for license of subjects that are dealing with import and trading of the artificial fertilizers.

These normative acts have partially transposed the Regulation (EC) 2003/2003.

The legislative framework in the area of precursors and drugs consists of the Law No. 02/L-128 on Narcotic Drugs, Psychotropic Substances and Precursors, which partially transposes the Regulation (EC) 273/2004. Whereas the AI No. 02/2019, approved in the beginning of 2019, regulates the wholesale and retail prices of medicinal products in private sector sold by licensed entities, the price of medicinal products from the list of essential medicaments and products from the list of medicaments reimbursable under the Health Insurance Fund.

#### Procedural measures

In terms of transparency regarding the pricing and reimbursement of medicinal products, Kosovo has not yet aligned its legislation with the EU acquis in this area.

The Legislative Framework concerning the area of *Crystal glass* consists of the Regulation No. 04/2012 on Crystal Glass Products, which partially transposes Directive 69/493/EC.

The legislative framework in the area of *Textile* consists of the following main relevant normative acts:

- Regulation No. 01/2018 on Labelling and Marking of Textile Products
- Regulation No. 11/2012 on the Content of Raw Materials and Textile Labelling
- Regulation No. 1/2012 Quantitative Analysis Methods for Dilution of the Triple Textile Fibres
- Regulation No. 12/ 2012 on Quantitative Analysis Methods for Dilution of Dual Textile Fibres

The above normative acts have transposed the following acquis acts:

- Directive 73/44/EEC;
- Directive 96/73/EC;
- Directive 2008/121/EC;
- Regulation (EU) No 1007/2011 of the European Parliament and of the Council of 27 September 2011 on textile fibre names and related labelling and marking of the fibre composition of textile products.

The legislative framework in the *shoes* sector consists of Law No. 04/L-039 on Technical Requirements for Products and Conformity Assessment, which is the basis for Regulation No. 03/2016 on Labelling of Footwear, which partially transposes Directive 94/11/EC. This regulation will remain applicable until its full alignment with Law No. 06/L-041 on Technical Requirements for Products and Conformity Assessment.

In Kosovo, there are some manufacturers of shoes and/or other components at the micro level that are covered by the Directive 94/11/EC. Obligations for economic operators apply mostly for importers and distributors.

## *Institutional Framework*

### Horizontal issues

The institutional framework regarding the quality infrastructure consists of the following institutions:

- Ministry of Trade and Industry, namely the Division for Quality Infrastructure within the Department of Industry
- Kosovo Accreditation Directorate (DAK) within the MTI;
- Market Inspectorate within the MTI;
- Kosovo Standardization Agency (KSA);
- Kosovo Metrology Agency (KMA)

### New and global approach

The institutional framework in this category consists of the following institutions:

- Ministry of Trade and Industry;;
- Ministry of Economy and Environment, in charge of recreative boats and overseeing construction products;
- Ministry of Internal Affairs, in charge of explosives for civil use and pyrotechnical products;
- Ministry of Health, in charge of medicinal products and medical devices;
- Kosovo Medicines Agency (KMA), in charge of medicinal products and medical devices;
- Regulatory Authority for Electronic and Postal Communications (RAEPC), in charge of legal approximation as well as for market surveillance in the area of Radio Equipment and Telecommunications Terminal Equipment (R&TTE)).

### Old approach

The institutional framework in this category consists of the following institutions:

- Ministry of Infrastructure, namely the Department of Vehicles. The 'approving authority' powers are performed by the Ministry of Infrastructure, while the 'technical service' ones by private bodies authorized by the Ministry of Infrastructure. The Department of Vehicles is the authority in charge for market surveillance of motor vehicles (cars, buses, trucks, tractors) in the country's territory, whereas environmental authorities are in charge of chemicals and detergents, namely transposition of the Regulation (EC) 1907/2006. Market surveillance is performed by the Environmental Protection Inspectorate and the Phytosanitary Inspectorate;
- Ministry of Trade and Industry, in charge of transposition of EU legislation into national legislation as regards emissions of pollutants from engines of non-road mobile machineries;
- Ministry of Agriculture, Forestry and Rural Development, authority in charge of issuing legislation on fertilizers, while market surveillance is carried out by the Phytosanitary Inspectorate;
- Ministry of Health, authority in charge of legislation on drug precursors, while implementation is the responsibility of the Kosovo Medicines Agency (KMA). Market surveillance is carried out by the KMA and the Health Inspectorate.

### Procedural measures

The institutional framework in this category consists of the following institutions:

- Kosovo Medicines Agency (KMA), in charge of transparency regarding pricing and reimbursement of medicinal products;
- Ministry of Trade and Industry, in charge of transposition and implementation of legislation on crystallized glass, textiles and footwear.

## ***Donor Support***

Kosovo institutions are supported by the European Commission (through IPA) and other bilateral donors with the projects summarized below.

*Current and planned projects supported by IPA*

Description: Free Movement of Goods 2 – The project aims further alignment of legislation, awareness-raising of business, capacity building of officials and integration in relevant European organisations.

Beneficiaries: Ministry of Economy and Environment, Ministry of Trade and Industry, Ministry of Labour and Social Welfare, Ministry of Infrastructure.

Implementation period: 2018 – 2020

*Support to Kosovo Institution in the integration process* is a project of the Government of Luxembourg that aims at building institutional capacities of the Republic of Kosovo in the implementation of priorities emerging from the SAA. This project has commenced in 2019 and will provide Kosovo institutions with assistance on quality infrastructure.

This chapter will also be indirectly supported by German donors, through implementation by GIZ.

***Medium-term Priority Objectives***

In order to fulfil the obligations deriving from the SAA and the other EU accession documents and mechanisms in the areas within the scope of Chapter 1, the focus for the period 2019-2023 will be on the following medium-term priority objectives:

*Horizontal measures:*

- Adoption of bylaws for implementing the general inspection law, with emphasis on market surveillance;
- Full membership of KAD in EA, signing of MLA with EA;
- Full membership of the Metrology Agency in BIPM, OIML and Euramet;
- Operationalization of the time and frequency laboratory and empowerment of existing metrology laboratories;
- Implementation of at least 20 awareness-raising activities for business on the role of the quality infrastructure;
- Conducting a survey on how well informed the business are about the quality infrastructure, including the SAA;
- Capacity building of the staff in charge of quality infrastructure.

*New and global approach*

- Transposition of EU acquis into national legislation on access to new products and market surveillance - with a focus on the Regulation on Consumer Product Safety and Regulation for Surveillance of Market Products;
- Adoption of bylaws for implementing the law on construction products.
- Capacity building.

**3.2. Acquis Chapter 2: Freedom of Movement for Workers**

The acquis in this chapter requires that citizens of an EU member state have the right to work in another member state. EU migrant workers must be treated in the same way as national workers in relation to working conditions, social conditions and tax advantages. The acquis also includes a mechanism to coordinate national social security provisions for insured persons and their family members who move to another member state. The structure of the Chapter is divided into four parts that will be briefly presented below.

The acquis on **access to the labour market** foresees the rights of the citizens of a Member State to work in other Member States, reside in that state with their families, and be therefore treated equally to the nationals of that State in terms of working conditions, social advantages and taxes. This also includes supplementary pension rights for employees, including the self-employed within the EU.

**EURES network** (European Employment Services) aims to promote freedom of movement for workers within the EU through cooperation between national employment services and exchange of information on employment opportunities.

The workers right to move is complemented by a **social security coordination system**, which includes the right of migrant workers and their family members to cumulatively obtain and transfer social security benefits including the payment of such benefits. This is based on EU regulations that do not approximate but rather coordinate social security systems of Member States by requiring them to cooperate with one another.

**European Health Insurance Card** is given to all citizens for the purpose of reimbursing medical expenditures for necessary treatment of those ill or involved in accidents during their temporary stay in another member state, for example tourists.

#### *SAA Requirements*

Article 55 of the Stabilisation and Association Agreement (SAA) provides that a company of the EU established in Kosovo or a Kosovo company established in the EU, in accordance with the legislation in force in the country of establishment, has the right to hire at its branch workers who are nationals of EU or Kosovo, respectively, if such personnel is key personnel - specified in paragraph 2 of this Article.

With regard to employment and movement of workers linked to the fulfilment of public contracts, Article 79, paragraph 9, the EU acquis related to third country nationals shall apply as regards Kosovo citizens in the EU. With regard to EU nationals in Kosovo, Kosovo shall grant reciprocal rights to workers who are nationals of a Member State similar to those of Kosovo citizens in the EU, with regard to employment and movement of workers linked to the fulfilment of public contracts

#### *State of Play*

##### *Legislative Framework*

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 04/L219 on Foreigners
- Law No. 03/L-212 on Labour
- Law No. 04/L-131 on Pension Schemes Financed by the State
- Law No. 04/L-220 on Foreign Investment

The above normative acts have transposed the following acquis acts:

- Directive 96/71/EC concerning the posting of workers in the framework of the provision of services and amending Regulation (EU) No. 1024/2012 on administrative cooperation through the Internal Market Information System ( 'the IMI Regulation' ).
- Directive 96/71 in 2014, which regulates in more detail the issue of the inspection of foreign workers and the process of international cooperation by the competent social security authorities of the countries from which the foreign workers are posted, namely foreign employers located in Kosovo for a certain time.
- The directive which regulates the inspection of foreign workers is Directive 2014/67/EU of the European Parliament and of the Council of 15 May 2014 on the enforcement of Directive 96/71/EC

concerning the posting of workers in the framework of the provision of services and amending Regulation (EU) No. 1024/2012 on administrative cooperation through the Internal Market Information System ('the IMI Regulation') Text with EEA relevance.

- Regulation (EC) No. 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems.
- Regulation (EC) No. 987/2009 of the European Parliament and of the Council of 16 September 2009 laying down the procedure for implementing Regulation (EC) No. 883/2004 on the coordination of social security systems.

*Institutional and framework:*

- Ministry of Economy and Environment;
- Ministry of Labour and Social Welfare;
- Ministry of Trade and Industry;
- Ministry of Foreign Affairs and Diaspora;
- Ministry of Internal Affairs;
- Assembly of Kosovo.

*Medium-term Priority Objectives*

In order to fulfil the obligations deriving from the SAA and other EU accession documents and mechanisms in the areas within the scope of Chapter 2, the focus for the period 2019-2023 will be on the following medium-term priority objectives:

- Negotiating and reaching social security agreements for its citizens living and working outside of Kosovo, as well as for employees of EU Member States employed in Kosovo, in line with European Commission recommendations.
- Reviewing the Legislative Framework for regulation and management of pensions and benefits including better management of state-funded pensions through a single body in MLSW;
- Approximation of legislation with *acquis* by transposing:
  - Directive 79/7/EEC on equal treatment in matters of social security in accordance with the country's possibilities and capacities;
  - Directive 2014/67/EU of the European Parliament and of the Council of 15 May 2014 on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services and amending Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System ('the IMI Regulation') Text with EEA relevance;
- Review of the Legislative Framework for social and family services and the formula for funding social and family services.

### **3.3. Acquis Chapter 3: Right of Establishment of Companies and Freedom to Provide Services**

The EU legislation on the freedom of establishment and freedom to provide services requires member states to ensure that the right of establishment of EU nationals and legal entities in each Member State and the freedom to provide cross-border services defined in Articles 49 and 56 TFEU, will not be hampered by national legislation, apart from the exceptions set out in the EU Treaty. The basic legislation in this area consists of Directive 2006/123/EC on services in the internal market ("Services Directive"). The case law of the European Court of Justice is also part of the *acquis* and should be respected.

In connection with the **freedom of establishment and freedom to provide services**, the Services Directive aims to facilitate the establishment and provision of services in other Member States and to provide cross-border services between Member States. Since the directive is a horizontal instrument covering a wide range of services, its implementation requires a combination of legislative, organisational and practical

measures. The provisions of the directive at a considerable extent are based on case law of the European Court of Justice in the areas of freedom of establishment and provision of services and complement existing EU instruments. The Directive obliges Member States to create a 'single point of contact' and participate in an electronic information system<sup>16</sup> for information exchange and cooperation in the supervision of services between Member States.

As regards **mutual recognition of professional qualifications**, Directive 2005/36/EC amended by Directive 2013/55/EC establishes the rules on the recognition of diplomas and other qualifications between Member States. This facilitates the work of EU citizens in other countries for regulated professions. The Directive also regulates the temporary provision of services by professionals (Title II of the Directive) and a common training curriculum minimum for certain regulated professions (Chapter III of Title III of the Directive). There is also legislation regulating the exercise of activity for judges, commercial agents and recognition of professional qualifications relating to the use, trade and distribution of toxic products. In terms of administrative capacity, there is a requirement for a national point of contact for receipt of requests for recognition of professional qualifications and administrative cooperation with the authorities of member countries.

In the area of **postal services**, basic legislation consists of First Postal Directive 97/67/EC (Framework Directive) amended by the Second Postal and Third Postal Directive 2008/6/EC aiming to create the internal market for postal services by gradually opening the market to competition, and providing a universal postal service of high quality for users. As regards administrative capacity, there is a requirement for creating an independent national regulatory authority to ensure proper implementation of EU legislation.

#### *SAA Requirements*

The main SAA provisions regulating this area are contained in Articles 51, 56, 57, 58, 59 and 74. According to Article 51, Kosovo is obliged, after the entry into force of the SAA, to ensure equal treatment of EU companies with domestic ones in terms of working conditions, payment and treatment of workers and legal entities who are legally established in the territory of Kosovo. Article 57 of the SAA stipulates that after 6 years from the entry into force of this Agreement, the Stabilisation and Association Council (SAC) will need to establish the modalities for extending provisions of the chapter on providing of services to EU citizens and citizens of Kosovo. Article 58 of the SAA states that, five years after the entry into force of this Agreement, SAC shall take the necessary measures to gradually allow provision of services by companies of the EU from Kosovo companies or EU nationals and citizens of Kosovo which are located in the territory of one Party, to persons other than those for whom the services are intended.

Pursuant Article 74 of the SAA, Kosovo is obliged to align its legislation with the existing and future EU acquis and to ensure its entry into force and appropriate implementation. Initially, alignment will focus on fundamental elements of the EU acquis in the area of the Internal Market as well as in areas related to trade.

As regards *regulated professions*, under Article 56 of the SAA, the Stabilisation and Association Council (SAC) is obliged, within two years from the entry into force of the Agreement, to examine what steps are necessary for the mutual recognition of qualifications, in order to facilitate this process for EU nationals and citizens of Kosovo and to begin and pursue regulated professional activities respectively in Kosovo and the EU.

#### *Requirement of other EU accession mechanisms*

With regard to the *freedom of providing services*, the 2019 EC's Kosovo Report stresses that Kosovo must in the following year eliminate identified barriers to the free movement of service by implementing the action

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<sup>16</sup> Internal Market Information System



plan for the full implementation of the Law on Services, and commence with the implementation of a new test phase for the full functioning of the Single Point of Contact.

In relation to *postal services*, the *EC Kosovo 2019 Report*, requires responsible institutions to continue with transposition of *acquis* in the domestic legislation and further opening of the postal market in Kosovo. Also, the report highlights the need for approving secondary legalisation following the adoption of the Law on Postal Services in 2018. Furthermore, the report emphasises that 30% of the territory of Kosovo is still not covered by the universal postal service, and encourages relevant institutions to move forward with plans for full liberalisation of postal market by 2021.

In the area of *mutual recognition of professional qualifications*, the *EC Kosovo 2019 Report*, states that the Law on Regulated Professions is partially aligned with the *acquis* and further alignment is required. Bylaws needs to be approved and Kosovo needs to continue its efforts to develop necessary institutional structures in order to guarantee and facilitate the mobility of professionals and services.

The conclusions from the meeting of the *Subcommittee on "internal market, competition and consumer protection"* emphasizes the need for Kosovo to align its legislation with that of the EU, establish the Single Point of Contact, and build the capacities of institutions dealing with the services.

## **State of Play**

### *Legislative and Policy Framework*

#### *Legislative and Policy Framework on the right of establishment and freedom for provision of services*

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 05/L-130 on Services;
- AI on the Manner of Functioning of Single Point of Contact;
- AI on Procedure of Notification and Compatibility Assessment of Draft Normative Acts.

The above normative acts have transposed the Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market.

Other laws regulating specific aspects of this area include the following:

- Law No. 06/L-016 on Business Organisations (The right of establishment of business organisations in Kosovo);
- Law No. 04/L-202 on Permit and Licence System. This law regulates permits and licenses for the provision of cross-border services currently applicable to all sectors requiring professional licensing. Regulation No. 06/2015 on Central Registry of Types of Permits and Licenses has been issued for the purpose of implementing this Law. This Regulation determines the procedures for the establishment, management and operation of a central registry of permits and licenses at the central level in the Republic of Kosovo.
- Law No. 04/L-219 on Foreigners, as amended by Law No. 06/L-036 on Foreigners. This law regulates the conditions of entry, movement, residence and employment of foreigners in the territory of the Republic of Kosovo. AI No. 01/2014 on the Procedure of Issuance of Residence Permit for Foreigners and the Certificate for Notification of Work has been adopted to implement this Law. This Regulation regulates the procedural aspects pursued by the administrative body (the Department for Citizenship, Asylum and Migration together with the Department of Labour and Employment within MLSW) when they issue a staying permit (especially for work purposes in Kosovo).
- Law on the Bar - (Provision of legal services);
- Law on Notary - (Provision of legal services);

- Law on Enforcement Procedure (Provision of legal services);
- Law No. 04/L-176 on Tourism, which regulates the tourism and hotelier activity.

Legislative and Policy Framework on postal services

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 06/L-038 on Postal Services;
- AI No. 2012/05 on Licencing of Private Operators.

The above normative acts have transposed the following acquis acts:

- Directive 97/67/EC – partially;
- Directive 2002/39/EC – partially;
- Directive 2008/06/EC related to restrictions on the reserved area – partially.

Legislative and Policy Framework in the area of mutual recognition of professional qualifications

The legislative framework in this area consists of the following main relevant normative act: Law No. 05/L-066 on Regulated Professions.

The above normative act has transposed the following acquis acts:

- Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications;
- Directive 2013/55/EU of the European Parliament and of the Council of 20 November 2013.

With respect to mutual recognition of professional qualifications, only four professions (accountants, architects, engineers and lawyers) are currently legally regulated in Kosovo. Foreign professional qualifications are recognized as long as they are certified by an accredited authority in the country of origin.

*Institutional Framework*

Right of establishment and the freedom to provide services

The institutional framework in this area consists of the following institutions:

- Ministry of Trade and Industry (Kosovo Investment and Enterprise Support Agency – KIESA, and Department of Trade);
- Central Bank of Kosovo (Financial services);
- Ministry of Justice (Legal services);
- Ministry of Health (Healthcare services);
- The Ministry of Internal Affairs (residency permit for foreigners);
- Ministry of Infrastructure;
- Ministry of Finances (Financial Services);
- Ministry of Culture, Youth and Sports (Restoration services);
- Regulatory Authority of Electronic and Postal Communications (RAEPC) (Telecommunications services);
- Chamber of Private Enforcements Agents;
- Notary Chamber of the Republic of Kosovo;
- Chambers of Healthcare Professionals.

Postal services

The institutional framework in this area consists of the following institutions:

- Ministry of Economy and Environment;
- Regulatory Authority of Electronic and Postal Communications (RAEPC).

Mutual recognition of professional qualifications

The institutional framework in this area consists of the following institutions:

- Ministry of Education and Science, namely the Division for Examination of Regulated Professions;
- National Qualifications Authority.

### ***Donor Support***

Kosovo institutions are supported by the European Commission (through IPA) and other bilateral donors with the projects summarized below.

#### *Current and planned projects supported by IPA*

Description: Support and Development of Trade in Kosovo

Beneficiary: Ministry of Trade and Industry

Implementation period: 2018 - 2020

In the light of the IPA financial agreement 2016 in the sector of “Competiveness and innovation” we have foreseen the project “Supporting the implementation of the EU service directive” which is expected to commence implementation in the second half of 2020. This is a project with a twining character.

*Support to Kosovo Institution in the integration process* is a project of the Government of Luxembourg that aims at building institutional capacities of the Republic of Kosovo in the implementation of priorities emerging from the SAA. This project has commenced in 2019 and will provide support to the Trade Department.

### ***Medium-term Priority Objectives***

In order to meet the obligations deriving from the SAA and other EU accession documents and mechanisms in the areas within the scope of Chapter 3, the focus for the period 2019-2023 will be on the following medium-term priority objectives:

#### *The right of establishment and freedom to provide services*

- Implementation of the Action Plan for Transposition of the Directive on services in the internal market (2006/123/EC) for the period 2017 – 2022,;
- Implementation of the AI No. 04/2018 on the manner of the functioning on the Single Point of Contact;
- Preparing the analysis on the diagnosing the important sector of trade services as the grounds for formulation of suitable policies.

#### *Postal services*

- Adoption of bylaws for implementing the Law on Postal Services;
- Development of the National Strategy on Postal Sector Development in the Republic of Kosovo for 2021 – 2025;
- Gradual liberalization of the reserved area for postal deliveries.

#### *Mutual recognition of professional qualifications*

- Evaluation of 7 regulated professions in Kosovo (General Practitioners, Nurses, Midwives, Dentists, Pharmacists, Architects and Veterinary Surgeons) in relation to EU Directive 2005/36/EU;
- Development and publication of the list of regulated professions;
- Completion of bylaws for implementing the Law on Regulated Professions.
- Capacity building of the staff in the area of regulated professions.

### **3.4. Acquis Chapter 4: Free Movement of Capital**

Member States must remove all restrictions on the movement of capital and payments, with some exceptions, both within the EU and between Member States and third countries. The acquis of this chapter

is based on the Treaty for the Functioning of the EU, in particular Articles 63–66. The definition of different types of capital is provided in Annex I to Directive 88/361/EEC. Case law of the European Court of Justice and Commission Communications provide additional interpretations of the above articles.

EU legislation also includes rules for cross-border payments and execution of transfer orders concerning securities. The Directive on combating money laundering and financing of terrorism requires entities that are subject to it to identify customers and report suspicious transactions, especially when it comes to high value objects and cash transactions of high value. This directive also requires entities to take additional steps such as record keeping, training and establishment of internal procedures in this area. A key requirement in the fight against financial crime is the creation of effective administrative and enforcement capacities, including cooperation between authorities dealing with supervision, enforcement and prosecution. The new directive is aligned and goes beyond recommendations of the Financial Action Task Force (FATF) on money laundering and terrorist financing.

Acquis in this area also consists of Conventions No. 141 and No. 198<sup>17</sup> of the Council of Europe and EU legislation on cooperation in the area of justice and police (including the Joint Action 98/699/JHA, Council Framework Decision 2001/500/JHA and the 2000 Protocol extending the powers of Europol in the area of money laundering). Similarly, the Council Decision 2000/642/JHA of 2000 establishes a framework of cooperation between the Financial Intelligence Units of EU countries.

#### *SAA Requirements*

Kosovo's obligations in the SAA with regard to free movement of capital derive from the Articles 51, 63, 64, 65 and 89. Article 51 of the SAA obliges Kosovo to ensure that subsidiaries and branches of the EU companies, within five years of entry into force of the SAA, enjoy the right of acquisition and enjoy property rights over immobile property same as Kosovo companies.

Article 64 of the SAA provides for the obligations arising in relation to any payment or transfer in the current account of balance of payments between the EU and Kosovo, in accordance with Article VIII of the Articles of Agreement of the International Monetary Fund. In regard to transactions on capital and financial account of the balance of payments, since the entry into force of the Agreement, the Parties shall ensure the free movement of capital related to commercial transactions or provision of services including financial loans and credits, in which a resident of a Party takes part.

Article 65 of the SAA obliges Kosovo within five years from the entry into force of this Agreement, to provide national treatment to EU citizens who buy real estate on its territory.

Article 89 of the SAA envisages cooperation of the parties in relation to money laundering and terrorist financing.

#### *Requirement of other EU accession mechanisms*

According to the EC Kosovo Report, there has been little progress on payment services following the entry into force of the amended regulation on tariffs for these services. The recommendations of the preliminary report on the equal treatment of EU nationals who acquire immovable property in Kosovo and on increasing efforts to combat economic and financial crime have not been addressed yet.

Kosovo is recommended to undertake concrete steps in providing state treatment to EU nationals who acquire immovable property in Kosovo in accordance with the SAA.

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<sup>17</sup> This complements Convention 141 and is also ratified by the EU.

Conclusions from the meeting of the Subcommittee on Internal Market, Competition, Health and Consumer Protection highlights the need for Kosovo to prepare legislation on equal treatment of EU citizens in acquisition of real estate in Kosovo, in line with the SAA provisions. The Subcommittee also recommends that this law be followed by bylaws.

With regard to *preventing money laundering and terrorist financing*, the *EC Kosovo 2019 Report* and the conclusions of the meeting of the Subcommittee on Internal Market, Competition and Consumer Protection highlights Kosovo's need to increase its efforts for combating economic and financial crime and alignment of the Law on Prevention of Money Laundering and Combating Terrorist Financing with EU acquis.

The EC Report also highlights that the Law on the Prevention of Money Laundering and Terrorist Financing complies only partly with the acquis and the recommendations of the Financial Action Task Force. Finally, inter-institutional cooperation in the fight against economic and financial crime needs to be strengthened to ensure proper investigation and prosecution of criminal offenses.

## ***State of Play***

### *Legislative and Policy Framework*

#### *Liberalization of capital movement*

The legislative framework in this area consists of the Law No. DL-016-2009 on Property and Other Real Rights.

On the transposition of acquis acts in it, this law does not specify the possibility of acquiring the right to immovable property from natural or legal persons. On the other hand, the EU acquis includes the possibility for natural and legal persons to acquire the right to immovable property in any EU member state.

The policy framework in this area consists of the National Strategy on Property Rights 2017-2021.

#### *Payment system*

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 03/L-209 on Central Bank of the Republic of Kosovo and Law No. 05/L-150 amending Law No. 03/L-209 ;
- Law No. 04/L-155 on Payment System;
- Regulation on Electronic Instruments;
- Regulation on Reporting of Payment System Instruments.
- Regulation on licensing and regulating payment system operators.

The above normative acts have transposed the following acquis acts:

- Directive 2007/64/EC on payment services in the internal market;
- Regulation (EU) No. 1409/2013 of the European Central Bank on payments statistics (ECB/2013/43);
- Regulation (EU) No. 260/2012 establishing technical and business requirements for credit transfers and direct debits;
- Directive 2007/64/EC on payment services in the internal market, Regulation No. 1409/2013 of the European Central Bank on payments statistics (ECB/2013/43) and Regulation No. 260/2012 establishing technical and business requirements for credit transfers and direct debits in euro.

The policy framework in this area consists of the following documents:

- CBK Strategic Plan, which foresees the following:
  - Amendment of the regulation related to the oversight of payment systems in accordance with international standards and best practices;
  - Overall advancement of the oversight function of the payment system in Kosovo;
  - Supporting and further modernization of payment services and promotion of cooperation amongst the stakeholders of the national payment system;
  - Advancement of the role of CBK as a catalyst for progress in the area of payments in the Republic of Kosovo.
- Policies and Standards for the Supervision of Aligned Payment Systems according to CPSS-IOSCO Principles;
- Manual for Supervision of Payment System, based on EU Regulation No. 795/2014.

#### Prevention and combating of money laundering

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 05/L-096 on the Prevention of Money Laundering and Combating Terrorist Financing;
- AI on Politically Exposed Persons;
- CBK Regulation on Prevention of Money Laundering and Combating Terrorism;
- AI No. 01/2018 on Keeping Statistics on Prevention of Money Laundering and Combating Terrorism;
- AI MoF-No. 04/2018 on National Money Laundering and Terrorist Financing Risk Assessment;
- UA MoF (FIU-K) No. 02/2017 on Training on Preventing of Money Laundering and Combating Terrorist Financing;
- Regulation MoF (FIU-K) No. 01/2017 on the Compliance Function and the Suitable and Appropriate Criteria for the Compliance Officer;
- AI No. 01/2017 on the Exclusion of Certain transactions from Reporting;
- Guideline to the List of High-Risk Jurisdictions;
- AI MoF (FIU-K) No. 01/2020 on the Prevention and Detection of Money Laundering, Related Criminal Offenses and Terrorist Financing in Online Environments.

The above normative acts have transposed the Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (partially), and based on the recommendations of the Financial Action Task Force;

The policy framework in this area comprises the Strategy and Action Plan for Prevention and Combating of Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2019-2023.

#### *Institutional Framework*

The institutional framework consists of the Ministry of Justice, in the area of liberalization of the free movement of capital, the Central Bank of Kosovo, in the area of payment system, and the Financial Intelligence Unit within the Ministry of Finance, in the area of prevention of money laundering and combating terrorist financing.

#### **Donor Support**

##### *Current and planned projects of bilateral donors*

*Support to the drafting of the Civil Code and dealing with property issues:* it aims to finalize the Civil Code and deal with property issues. The project is divided into three phases: 1. *Initial phase (three months)*; 2. *Implementation phase (36 months)*; and 3. *Departure phase (6 months)*.

*Support through the Property Rights Programme:* is a USAID-funded project aimed at better coordination and determination of property policy priorities, promotion of women's property rights and access to information on the importance of property rights.

*Support to Kosovo institutions in the European integration process:* aims at building institutional capacities for the Kosovo Public Administration in meeting the obligations deriving from the SAA. Among the priority chapters that will be funded by this project is also Chapter 4 with three components of this chapter to be supported by this project. The project is supported by Norway and is expected to start implementation in 2019. In other words, the Central Bank of Kosovo, the Financial Intelligence Unit, the Ministry of Justice and the former Ministry of European Integration are in need of training in order to understand deeply the key requirements of the Acquis on the free movement of capital. Advanced training sessions, on techniques for investigating money laundering and terrorist financing offences, policy analysis on EU transposition issues and payment systems supervisory standards, are planned for early 2020. In addition to other activities, these training sessions will be useful for professional staff in charge of transposing the Acquis and implementing policies that directly contribute to EU reforms.

### ***Medium-term Priority Objectives***

In order to meet the obligations deriving from the SAA and other EU accession documents and mechanisms in the areas within the scope of Chapter 4, the focus for the period 2020-2024 will be on the following medium-term priority objectives:

#### *Liberalization of capital movement:*

- Implementation of the National Strategy on Property Rights 2017-2020;
- Adoption of primary and bylaws in the area of property rights of foreign nationals

#### *Payment system:*

- Amending Law No. 04/L-155 on Payment System for purposes of approximation with Directive No. 2015/2366 on payment services in the internal market.
- Drafting Strategy for the Development of Payment Systems in the Republic of Kosovo.

#### *Prevention of Money Laundering and Financing of Terrorism:*

- Transposition of Directive 2015/849 and Directive 2018/843 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing through the amendment of Law No. 05/L-096 Prevention of Money Laundering and Combating Financing of Terrorism;
- Improving the quality of information that the FIU receives from reporting entities;
- 3<sup>rd</sup> National Money Laundering and Counter Terrorism Financing Risk Assessment;
- Kosovo's membership in Moneyval.
- Increase in the number of FIU staff;
- Provide specific instructions to reporting entities on how to prepare and conduct risk assessments;
- Strengthen the overall structure of the supervisory framework and develop supervision based on risk and on the most vulnerable sectors;
- Strengthen capabilities to identify beneficial ownership and limit abuse of legal entities and legal agreements for the purposes of AML/CFT;
- Review of AML/CFT risk assessment methodology and strengthen of risk assessment, risk management and strategic framework;
- Investigation and prosecution of terrorist financing;
- Capacity building for preventive measures against terrorist financing and on financial sanctions.

### **3.5. Acquis Chapter 5: Public Procurement**

The acquis Chapter 5 (Public Procurement) is based on the general principles of transparency, equal treatment, free competition and non-discrimination deriving from the Treaty on the Functioning of the EU,

Part III, Title IV and Title VII and from the jurisprudence of the European Court of Justice. These general principles are applicable to all procurement procedures including procedures that are outside the scope of EU directives on procurement, such as procurement procedures below the EU minimum.

Granting of public contracts for works, supplies and service delivery is coordinated by two specific Directives: Directive 2004/18/EC repealed by Directive 2014/24/EU on public procurement and Directive 2004/17/EC repealed by Directive 2014/25/EU on coordination of procurement procedures by entities operating in the water, energy, transport and postal services sectors. Also, concessions are governed by Directive 2014/23/EU on the award of concession contracts.

These directives provide a framework for e-procurement application. Directive 2009/81/EC regulates the award of some contracts in the area of defence and security. Implementation of these directives requires adequate administrative capacity to ensure that all areas related to public procurement operate efficiently including key aspects of policy-making, drafting of legislation, monitoring, control, operational aspects and adequate statistics.

EU legislation also includes Directive 2007/66/EC of the European Parliament and of the Council of 11 December 2007 on Legal Remedies. This directive provides provisions for the establishment of independent and effective procedures to review certain values against decisions taken by contracting authorities. Review institutions should be independent and have adequate capacity to guarantee the effectiveness and efficiency of operation of the procurement system. In accordance with the principle of legal protection deriving from the EU legal order, review mechanisms are required to also operate outside the scope of the relevant implementing directives.

#### *SAA Requirements*

Chapter I, Title VI respectively of Article 79 of the SAA explicitly imposes a number of obligations on Kosovo.

According to the SAA, with the entry into force of the Agreement, Kosovo companies regardless if they are established in the EU or not, are allowed access to application for public contracts under the EU procurement rules and have equal treatment with companies from EU countries. The same access is offered to EU companies established in Kosovo under Chapter I, Title V of this Agreement. Meanwhile, for companies established in the EU, their access to public contracts in Kosovo applies with the exceptions set out in paragraph 5 of Article 79.

Opening the award of public contracts is considered a desirable objective on grounds of non-discrimination and reciprocity, complying in particular with the WTO rules. These rules are based on the Agreement on Government Procurement (AGP) signed by the EU and are negotiated during the negotiations for WTO membership. Under Article V of the Agreement, developing countries may negotiate preferential treatment for public procurement within a transitional period.

Paragraph 9 of Article 79 defines that public procurement in the area of services between Kosovo and the EU will be in line with Articles 56-60 of the SAA, which provides provisions for mutual progressive treatment for services, regulated professions, self-employment and transportation. Transitional modalities and periods for these areas will be in line with the respective conventions (for instance, in the area of transport) and will be reviewed by the SAA Council. Paragraph 5 defines the transitional period for the removal of any existing preferences for Kosovo companies or companies of the EU established in Kosovo and for contracts awarded under the criteria of the most economically advantageous and lowest price tender, with a preference price. The transitional period is 5 years and the reduction of the price preferences will start gradually from the entry into force of the agreement.



### Requirements of other EU accession mechanisms

In the area of public procurement, the EC *Kosovo 2019 Report* and the conclusions of the Subcommittee on Internal Market, Competition Policy and Consumer Protection highlight the need of Kosovo for further approximation of public procurement legislation with the Acquis, including public-private partnerships and concessions, and ensure proper implementation of the Law on Public Procurement. Kosovo should also ensure that the board of the Procurement Review Body (PRB) is fully operational, and that staff capacity constraints are addressed. The EC report and the conclusions of the Subcommittee also recommend that Kosovo increase the capacity of all public procurement institutions and their cooperation to ensure the continuous implementation of the public procurement regulatory framework.

Although Kosovo has some level of preparation for public procurement, little progress has been made with the further extension of the electronic procurement platform.

Kosovo still needs to address the weak capacity of public procurement institutions to manage public procurement, insufficient monitoring and enforcement of contracts, and weak legal remedies systems, all of which are vulnerable to corruption.

Kosovo's public procurement Legislative Framework is largely aligned with EU 2004 Directives on classical procurement and utilities as well as on public-private concessions and partnerships. Further alignment with the 2014 EU Directives, including public-private partnerships and concessions, is still needed. All legal and financial instruments used in the area of public procurement and concessions, including intergovernmental agreements with third countries, should reflect the principles of transparency, competition, equal treatment and non-discrimination.

Centralized procurement is mandatory for 14 categories of goods and services listed by the Ministry of Finance, and it applies to agencies that report to the Assembly with fewer than 50 employees. However, the staff and other resources of the Central Procurement Agency are insufficient to meet the requirements. The shortcomings result from poor planning and failure of contracting authorities to conduct market research. Insufficient analysis and data collection contributes to poor contract execution. Only when the 'lowest price' criterion is used in producing supplies can lead to higher lifecycle costs and poor quality purchases. Contract management and implementation monitoring is inadequate.

### *State of Play*

#### *Legislative and Policy Framework*

The Legislative Framework is partially aligned in compliance with the EU standards and it is non-discriminatory. Amendment of the LPP eliminated the preferential treatment for local bidders.

The legislative framework in the area of public procurement consists of the Law No. 04/L-042 on Public Procurement in the Republic of Kosovo, as amended by the Law No. 04/L-237, Law No. 05/L-068 and Law No. 05/L-092.

With regard to public procurement bylaws and policies, the main documents include:

- Rules and Operational Guidelines for Public Procurement, and the standards documents to be used in carrying out public procurement activities.
- National Public Procurement Strategy (2017-2021);
- PRB Strategic Plan 2018-2020.

The above normative acts have transposed the following acquis acts:

- Directive 2014/24/EC of the European Parliament and of the Council of 26 February 2014 on the coordination of procedures for the award of public works contracts, public supply contracts and

public service contracts, repealing Directive 2004/18/EC, which should be transposed by Member States within 24 months from its entry into force.

- Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC.
- Directive 2007/66/EC of the European Parliament and of the Council of 11 December 2007 related to legal remedies.

The PPRC has initiated the amendment of the Law on Public Procurement upon identification of the emerging needs. This amendment will incorporate the provisions of the new EU Procurement Directives, complete the basis for the proper functioning of the e-procurement platform, define opportunities for SMEs to participate in procurement activities, and eliminate all difficulties encountered during the implementation of the Law on Public Procurement in practice. The process is in the final stage of the draft Concept-document on the treatment of public procurement legislation. The objectives provide for the new LPP to be adopted in the second half of 2020.

Regulation of concessions was removed from the law to avoid confusion and inconsistency with the specific law on the procedure for concessions which was adopted in 2005. A significant number of bylaws to enable implementation of the law has been prepared, including standard forms for each type of notice, code of ethics, a form for reporting on signed contracts, the standard forms of tender files, a form for filing complaints to the Procurement Review Body and instructions for procedures with minimal value.

In order to enable better functioning of the electronic procurement platform, increase transparency in the area of public procurement and implement it more properly, three (3) amendments to the Public Procurement Rules and Guidelines and two amendments to Standard Form B58 have been made.

The first amendment of A01 Rules and Operational Guidelines on Public Procurement and the Standard Form B58 Notification of the Decision of the Contracting Authority entered into force on 16 April 2018.

The Regulation A01 on Public Procurement Rules and Operational Guidelines was amended for the second time on 3 September 2018, aimed at better functioning of the e-procurement platform in order to increase the transparency. It makes it mandatory for the contracting authorities to publish contracts on the e-procurement platform. The second amendment to the Standard Form "B58 Notification on the Decision of the Contracting Authority" entered into force on 3 September 2018 and this amendment and the Rules and Operational Guidelines for Public Procurement made it mandatory to publish all notification letters to bidders.

The third amendment to the regulation, A01 Rules and Operational Guidelines for Public Procurement, entered into force on 10.04.2019. This amendment by the Contracting Authorities requires the publication of bid opening minutes in the e-procurement system during the implementation of procurement activities, Standard Form B12.

### *Institutional Framework*

#### *Institutional framework in the area of public procurement*

The institutional framework in the area of public procurement consists of the following institutions:

- Public Procurement Regulatory Commission (PPRC)
- Procurement Review Body (PRB)
- Ministry of Finance / Central Procurement Agency (CPA).

The Public Procurement Regulatory Commission (PPRC) acts in the capacity of an independent regulatory agency and is in charge of the development, operation and oversight of the Public Procurement System.

According to the Law on Public Procurement, the Commission is in charge of the design and distribution of bylaws, including manuals on rules of procurement, guidelines, standard forms, and model contracts and to prepare recommendations for improvement of the LPP and the general system public procurement for the Government and the Assembly.

The Procurement Review Body (PRB) is in charge of carrying out the functions assigned by the Law on Public Procurement and the Law on the Procedure for the Award of Concessions, concerning complaints related to these laws. This body is a quasi-judicial body in charge of the review of administrative decisions issued by central procurement institutions for carrying out procurement procedures and to review appeals from bidders under the review procedure.

The Central Procurement Agency (CPA) operates as an agency under the Ministry of Finance with broad responsibilities concerning procurement procedures of the central level. CPA implements and carries out functions and responsibilities specified in the Law on Public Procurement Agency while the main function of the Agency is central procurement.

#### Public procurement reform

In pursuance of the Government's decision of 2016, all budget organisations have started with the application of the e-procurement system from 1 January 2017. Whereas, effective 1 January 2018, the use of the e-procurement system has become mandatory for all contracting authorities and for all procurement procedures worth over 1000 Euros, i.e., about 98% of procurement procedures are carried out in the e-procurement system up to contract signing.

The PPRC, in view of increasing the use of the electronic procurement system by the economic operators, issued a decision in mid-2018, according to which bids may only be submitted electronically for all centralized procurements carried out by CPA starting from 5 July 2018, whereas bids may only be submitted electronically for all large value procurements published by all contracting authorities starting from 1 September 2018. Hereby, 98% of all procurement activities, including submission of bids, are implemented through the e-procurement platform (excluding contracts with a minimal value under EUR 1000).

In order to improve management during implementation of signed contracts and increase transparency in this area, the PPRC, with the support of DAI USAID project, is working on modifying the electronic procurement system to support electronic contract management tools and contractor performance evaluation. These tools will be ready for use by the middle of next year (2020). With the application of electronic tools (modules) for the implementation of electronic management of signed contracts, by the end of 2020, the management of up to 50% of large value contracts signed through e-procurement system will be implemented, with the aim of increasing this number in the coming years.

The PPRC, with the aim of facilitating and supporting the contracting authorities at all levels, has initiated a continuous training process that will be continuous as far as it will be considered necessary and/or requested by the contracting authorities and economic operators.

PPRC in cooperation with KIPA organized training on Basic Procurement, Code of Ethics in Public Procurement, E-procurement and Ethics, and Contract Management. Training was attended by judges, internal auditors, business representatives, directors of municipal departments, officials who are members of tender opening and evaluation commissions, and school principals of several municipalities. During 2019, PPRC, in cooperation with KIPA and in support of DAI USAID project, held advanced level training for procurement officers.

The objectives and planning are to continue with the training of procurement officers and other stakeholders in public procurement in 2020 and beyond, with a focus on the use of the criterion, "The most

economically advantageous tender”, to encourage the contracting authorities to use this criterion for the award of public contracts in order to achieve sustainable procurement.

### ***Donor Support***

Kosovo institutions are supported by the European Commission (through IPA) and other bilateral donors in the projects summarized below.

#### *Current and planned projects supported by IPA*

- The reform of the public procurement system in Kosovo is widely supported by relevant projects funded by the EU and the World Bank.
- DAI USAID “*Transparent and Accountable Municipality - Component of Transparency and Accountability Municipality*” Project, which aims to improve administrative capacities in the area of public procurement in Kosovo and is expected to be completed by the end of June 2022.
- The UK Embassy is supporting the Procurement Review Body with experts who will contribute to ensure that the PRB’s decisions are properly justified and fully implemented. The project is foreseen to last until March 2020.
- Implementation of the project: Technical Assistance to support the implementation of Public Finance Management Reforms, funded by EU funds, commenced in January 2020.
- The project managed by the future Agency for European Integration within OPM (the former MEI) and the Government of Luxembourg, aimed at building institutional capacity for the public administration of Kosovo in meeting its SAA obligations.

The reform of the public procurement system in Kosovo is widely supported by relevant projects funded by the EU and the World Bank.

Since December 2017, public procurement in Kosovo has been supported by the DAI USAID project “*Transparent and Accountable Municipality - Component of Transparency and Accountability Municipality*”, which aims to improve administrative capacities in the area of public procurement in Kosovo and is expected to end by the end of June 2022.

Moreover, this project has continued to assist the PPRC in providing training, whose overall objective is to ensure the proper administration of public funds, transparency and efficiency in public spending through the improvement of the public financial management system and creating an effective public governance framework in Kosovo and building public trust by increasing public accountability. The project aims to increase transparency, efficiency and accountability in all municipalities of Kosovo. Initially, a pilot project was initiated in five (5) municipalities and later it is expected to include all the municipalities in the country.

Regarding support to the Procurement Review Body, the Embassy of Great Britain has started to support the PRB with experts that will contribute to ensure that the PRB’s decisions are properly justified and fully implemented. The project is foreseen to last until March 2020.

As of January 2020, implementation of the EU-funded project Technical Assistance to Support the Implementation of Public Finance Management Reforms has started. The purpose of the public procurement component project is to support the Central Public Procurement Bodies in their regulatory, advisory, monitoring, supervisory, implementing and reviewing roles in order to strengthen the effectiveness of public procurement, ensuring the best value for money. The project will also support PPRC in drafting and implementing the public procurement legislative framework in Kosovo, which is in line with the EU acquis, including implementing legislation. The project is expected to last 3 years.

The Luxembourg project, which will implement the Chapter 5 activities in 2020, aims to develop the institutional capacity of the Kosovo Public Administration in meeting its SAA obligations. Among other

things, it is foreseen to develop the PPRC's capacities in administering the electronic procurement system, efficient monitoring of such activities as well as providing training in public procurement. Similarly, in early 2020, among other things, advanced training in the application of legal changes - in particular the transposition of EU Directives, IT security system training, and training in connection to concession contract awarding under the Public-Private Partnership - is also planned.

### *Medium-term Priority Objectives*

In order to fulfil the obligations deriving from the SAA and the other EU accession documents and mechanisms in the areas within the scope of Chapter 5, the focus over the period 2020-2024 will be on the following medium-term priority objectives:

- Gradual approximation of the country's legislative framework with the EU Legislative Framework based on the SAA requirements, and utilizing the experience and best practices of EU member states in the area of public procurement.
- Increasing efficiency in the Public Procurement system including the electronic system, setting of rules and monitoring according to the principle of transparency and access to information at all stages of procurement activities during the use of public funds.
- Improving responsibility, integrity, accountability, control for policy implementation and legislation in public procurement, making the necessary amendments to the LPP.
- Training and enhancement of the quality of Public Procurement training, including training on e-procurements, aimed at development of professional procurement staff in the procurement sector to cope with an increasing procurement market and its expected role in national economic development.
- Communicating and raising awareness about public procurement in Kosovo.

### **3.6. Acquis Chapter 6: Company Law**

Legislation for companies includes rules on the formation, registration, merger and division of companies and financial reporting requirements aimed at supporting the freedom of establishment.

In the area of **company law**, the Directive 2009/101/EC on coordination of safeguards which are required by the companies for the protection of the interests of members and third parties (formerly known as First Company Law Directive) contains requirements for mandatory disclosure. The Second Company Law Directive 2012/30/EU consist in the rules for the establishment of public companies with limited liability and their capital. The Eleventh Company Law Directive (89/666/EEEC) regulates disclosure requirements for branches opened in a Member State and governed by another country. The Twelfth Company Law Directive (2009/102/EC) requires Member States to recognize in their laws single-member limited liability companies. Directive 2004/109/EC (Transparency Directive) requires alignment of transparency requirements for listed companies. Directive 2017/1132 has been adopted recently, codifying and replacing 6 Directives: 82/891/EEC, 89/666/EEC, 2005/56/EC, 2009/101/EC, 2011/35/EU, and 2012/30/EU.

The Third Directive (78/855/EEC) and the Sixth Directive (82/891/EEC) of the Company Law align national rules for protection of shareholders and creditors in the context of mergers and divisions of local public limited liability companies. Acquis in this area also contains several other directives that regulate the cross-border aspects of the functioning of companies.

EU legislation also contains a number of regulations governing certain European legal forms such as the European Economic Interest Grouping and European Company - *Societas Europaea* leaving at the competence of Member States to regulate the operations and internal structure. Four Recommendations of the Commission (2004/913/EC, 2005/162/EC, 2009/385/EC and 2009/384/EC) address the principles of corporate governance for the payment of directors and payment to financial institutions, the independence of the committees of the board and non-executive directors.

In the area of **financial reporting and auditing**, the *acquis* rules require the publication of annual and consolidated accounts of public and private limited liability companies (Seventh Company Law Directive), statement of revenues and profit (Fourth Company Law Directive) including simplified rules for small and medium enterprises. Application of International Accounting Standards is mandatory for some entities of public interest. These guidelines also set requirements for auditing and obligations for disclosure and publication of data. In addition, the *acquis* specifies rules for the approval, professional integrity and independence of statutory audits.

There are regulations which oblige companies which are listed on a regulated market to ensure their accounts comply with the international standards adopted by the European Commission. Finally, the Eighth Company Law Directive (2006/43/EC) on Statutory Audit aligns rules, including, *inter alia*, approval and registration of statutory auditors, external assurance, public oversight, auditor independence and the possible application of international auditing standards.

#### *SAA Requirements*

The SAA obligations for the gradual transposition of EU legislation and effective implementation derive from the Article 74 of the agreement. These obligations include the area of company law, where paragraph 3 of Article 74 gives priority to the transposition of internal market legislation and trade in the first phase of the transitional period.

According to Article 51, Kosovo is obliged, with the entry into force of the SAA, to provide equal treatment for EU companies same as for domestic ones in terms of working conditions, payment and treatment of workers and legal entities that are established legally in the territory of Kosovo.

#### *Requirements of other EU accession mechanisms*

The EC *Kosovo 2019 Report* points out that in the area of company law, after adoption of the new Law on Business Organisations, Kosovo needs to ensure its proper implementation. Similarly, it has been highlighted that further alignment with the company law *Acquis* is necessary, including on the minimum capital requirement, shareholder rights, and company takeovers.

Among other things, the transposition of the provisions of Directive EU/2017/1132 was requested in the future legislative initiatives and further alignment of the legislation with that of the EU in areas where there is a deficiency or partial approximation of the Law on Business Organisations, including minimum capital requirements, information disclosure aspects for companies and their subsidiaries, cross-border mergers, single-member companies, shareholder protection, and takeover bids.

In the area of *financial reporting and auditing*, the EC *Kosovo 2019 Report* highlights that with the new Law on Accounting, Financial Reporting and Audit, large economic operators should implement the international standards of Financial Reporting. Similarly, the need to find a solution for the financing of the Public Oversight Board is highlighted, which should guarantee the independence of the Council in carrying out the legal obligations.

Conclusions of the Subcommittee on “*Internal Market, Consumer Protection and Competition*” highlight the need for further alignment of the Law on Business Organisations with the EU *Acquis*, and for building the operational capacity of the Kosovo Financial Reporting Council in public oversight of the financial reporting, accounting and auditing system.

#### ***State of Play***

##### *Legislative and Policy Framework*

The Legislative and Policy Framework in the area of company law consists of the following main relevant normative acts:

- Law No. 06/L-016 on Business Organisations;
- AI No. 11/2018 on setting of taxation for services provided by the Business Registration Agency;
- AI on setting forth the requirements, conditions and procedures for the creation of the unique identification number.

The above normative acts have transposed the following *acquis* acts:

- Directive 2009/101/EC of the European Parliament and of the Council on coordination of safeguards which, for the protection of the interests of members and third parties, are required by Member States of companies within the meaning of the second paragraph of Article 48 of the Treaty, with a view to making such safeguards equivalent;
- Council Directive 89/666/EEC concerning disclosure requirements in respect of branches opened in a Member State by certain types of company governed by the law of another State
- Directive 2011/35/EU of the European Parliament and of the Council of 5 April 2011 concerning mergers of public limited liability companies;
- Council Directive 82/891/EEC 1982 based on Article 54 (3) (g) of the Treaty, concerning the division of public limited liability companies, hereinafter Directive 82/891/EEC;
- Directive 2005/56/EC of the European Parliament and of the Council on cross-border mergers of limited liability companies;
- Directive 2012/17/EU of the European Parliament and of the Council of 13 June 2012, amending Council Directive 89/666/EEC and Directives 2005/56/EC and 2009/101/EC of the European Parliament and of the Council as regards the interconnection of central, commercial and companies registers;
- Partial transposition of Directive 2012/30/EU of the European Parliament and of the Council of 25 October 2012 on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 54 of the Treaty on the Functioning of the EU, in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent.
- Directive 77/91/EEC on coordination of safeguards,
- Directive 78/855/EEC of 9 October 1978 based on Article 54 (3) (g) of the Treaty concerning mergers of public limited liability companies (joint stock companies);
- Directive 82/891/EEC of 17 December 1982 based on Article 54 (3) (g) of the Treaty, concerning the division of public limited liability companies (joint stock companies);
- Directive 89/667/EEC of 21 December 1989 on single-member private limited-liability companies
- Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies;
- Directive 89/666/EEC concerning disclosure requirements in respect of branches opened in a Member State by certain types of company governed by the law of another State.

The policy framework on this area consists of the following documents:

- The Government Programme, which includes the following objectives for this area:
  - Sustainable economic development, establishment of competitive trade policy and improvement of the business environment;
  - Operationalization of free zones, combating informal economy, and facilitating and promoting investment including strategic investment partnerships;
  - Completion and implementation of legislation on establishment, operation and closure of businesses and reduction of bureaucracy, support of small and medium enterprises, especially production and value added services;

- Private Sector Development Strategy 2018-2021;
- Southeast Europe 2020 Strategy.

Financial reporting and auditing:

The Legislative Framework on this area consists of the Law No. 06/L-032 on Accounting, Financial Reporting and Auditing.

It has transposed the following acquis acts:

- Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts;
- Directive 2008/30/EC of the European Parliament and of the Council, amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts;
- Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC; and
- Directive 2014/56/EU of the European Parliament and of the Council, amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

*Institutional Framework*

Institutional framework in the area of Company law

- Ministry of Trade and Industry / Kosovo Business Registration Agency.

Institutional framework in the area of financial reporting and auditing:

- Kosovo Council for Financial Reporting;
- Ministry of Finance.

**Donor Support**

*Current and planned bilateral donor projects*

Support to Kosovo institutions on the integration process, is a Luxembourg Government programme aimed at building the institutional capacities of the Republic of Kosovo in implementing the priorities deriving from the SAA. This project will provide support to KBRA and KCFR as main bearers of this chapter.

**Medium-term Priority Objectives**

In order to fulfil the obligations deriving from the SAA and other EU accession documents and mechanisms in the areas within the scope of Chapter 6, the focus over the period 2019-2023 will be in the following medium-term priorities:

Company law:

- Completion of bylaws for the implementation of the Law on Business Organisations;
- Legislation approximation including BRIS interconnection system;
- Development and implementation of corporative governance;
- Improvement of the human and technical capacities of one-stop shops and of business services;

Financial reporting and auditing:

- Issuance of bylaws aligned with the amended Law on Accounting, Financial Reporting and Auditing;
- Development and implementation of auditing and financial reporting standards, Vocational Education and Continuing Professional Development rules in Accounting and Auditing;
- Development and implementation of audit quality inspection methodology in line accordance with the audit regulation.



### 3.7. Acquis Chapter 7: Intellectual Property Law

The EU acquis in this area specifies aligned rules for the protection of industrial property, copyright and related rights.

In the area of industrial property rights, the acquis sets out rules for legal protection of trademarks and design (Directive 2008/95/EC) and partially aligned rules for patents for mandatory licensing of commercial patents. For the patent system in the EU it is important the membership in the European Patent Convention and the European Patent Organisation.

The acquis also contains Regulation (EC) No. 40/94 and Regulation (EC) No. 06/2002, which regulate industrial design and trademarks in the EU. Participation in the Madrid Protocol and the Hague Agreement are important not only for the system of trademarks and design in the EU but also for the international registration of industrial design and trademarks. There are also provisions (within both Regulations) on supplementary protection certificates offering the invention authors additional protection in the events the patent is covered by an administrative marketing authorization that does not allow for full benefits from the use of patent (particularly in areas of pharmaceuticals, plant products etc.).

In the area of copyright and related rights, the main objective is alignment of certain aspects of information society in line with technological developments. This involves the EU legislation deriving from the international treaties obligations on copyright and related rights adopted in the framework of the World Intellectual Property Organisation (WIPO). The Directive No. 2006/115/EC regulates the copyright and related rights. This Directive regulates a number of related rights, including the right of reproduction, transmission, and distribution. Directive 2006/116/EC as amended by Directive 2011/77/EU sets the term of protection for different types of work and other related matters for the EU Member States. There are several other directives regulating audio-visual cross-border broadcasting (satellite), the right to resell the benefits of copyright, protection of computer programmes, databases, digitization, and online presentation of the work for which the authors are either unknown or cannot be located (contacted).

Regarding the enforcement of the rights of intellectual and industrial property, EU legislation requires Member States to apply effective and proportional measures and penalties for counterfeiting and piracy of goods. It aims to establish equal treatment for holders of rights throughout the EU. Regulation (EC) No. 1383/2003 gives customs administrations an important role in preventing and stopping the flow of products that infringe industrial right or copyright. Implementation of the acquis in this area requires effective and adequate capacities and structures. There should be an institution that receives the applications for protection in all areas of intellectual property. EU is a member of the World Trade Organisation, which administers the Agreement on Trade-Related Aspects of Intellectual Property Rights.

#### *SAA Requirements*

SAA provisions require that Kosovo institutions in charge of intellectual property provide first of all the legislative framework, aligned with EU directives and regulations, and secondly provide equal protection of these rights in Kosovo at the same level as those of the EU. Articles 77 and 78 of the SAA oblige Kosovo to take all necessary measures in order to guarantee the protection of the intellectual property rights, including effective means of enforcing such rights.

More specifically, based on the SAA articles, Kosovo shall:

- Establish a system of intellectual property in Kosovo in conformity with international standards in the area of intellectual property;

- Pay attention to regional and international cooperation, because Kosovo is not a signatory to any international or regional agreements, likewise, it is not a member of any international and regional organisations in the area of intellectual property;
- Kosovo is obliged to draft legislation and policies in a way that will conform with National Treatment Principle, whereby Kosovo and the EU will give companies of each other treatment no less favourable than what they give to any third country under the Bilateral Agreements;
- Cooperate, in line with SAA Article 109, in the audio-visual area to promote the audio-visual industry in Europe, and support co-production in the areas of cinema and audio-visual media, where, under this Article, cooperation may include programmes and facilities for the training of journalists and professionals in the audio-visual media industry, as well as technical assistance to Kosovo's public and private media, aiming at strengthening their independence, professionalism and ties to the European media;
- Approximate its policies on regulating aspects of content of cross-border broadcasting with those of the EU;
- Align its legislation with the EU *acquis* in the area of the acquisition of intellectual property rights for programmes and broadcasts as well as ensure and strengthen the independence of the relevant regulatory authorities;
- Engage in the protection of Geographical Indications and Designations of Origin in accordance with Articles 2, 6, 7, 8 of the Agreement on the Reciprocal Recognition, Protection and Control of Wine, Alcoholic Beverages and Aromatized Wines names;
- Encourage cooperation in civil scientific research and technological development in accordance with Article 118 of the SAA, on the basis of mutual benefit and taking into account available resources, appropriate access to their respective programmes, conditioned by appropriate levels of efficient protection of intellectual, industrial and commercial property rights.

#### Requirements from other EU accession mechanisms

In the area of *copyright*, the EC *Kosovo 2019 Report* underlines the need for determining the fees for usage of copyrighted material and underlines that the obligation taken by Kosovo to guarantee intellectual property rights is still far from being met.

On the other hand, on industrial property, the EC 2018 *Kosovo Report* states that Kosovo has some level of preparation in this area but little progress has been made in aligning the legislation with the EU *acquis*. However, the State Intellectual Property Agency and the Industrial Property Agency still need more funding, staff and training. Significant efforts are still needed to ensure implementation, including effective means of exercising intellectual property rights, in line with SAA obligations.

In the following year, Kosovo needs to further strengthen the capacity and coordination of law enforcement agencies to enforce intellectual, industrial and commercial property rights and to further align with the *Acquis*, to address the lack of resources of the Industrial Property Agency to deal with the backlog of applications for IPR, and to raise awareness of the protection of industrial property rights. The need for a government strategy for IPRs is also emphasized.

Based on conclusions of the Subcommittee on Internal Market, Consumer Protection and Competition, the Industrial Property Agency is required to address the lack of administrative capacity of the Industrial Property Agency, including the nomination of the Director-General and the permanent recruitment of 2 officials. They also stress the need to reduce the backlog of applications for intellectual property registration, while requiring the organisation of awareness campaigns for SMEs on the importance of industrial property. Ensuring effective implementation of the Directive on the enforcement of intellectual property rights, further alignment of legislation with EU legislation, including the Trademark Package, Directive on Protection of Trade Secrets, Geographical Indications, appointing the members of Commission on Geographical Indications, and continuing training of judges on copyright and industrial property rights.

On horizontal aspects of intellectual property rights enforcement, the EC *Kosovo 2019 Report* concludes that there is a lack of coordination between the relevant institutions in prosecuting and handling intellectual property perpetrators and that better coordination between the judges and prosecutors is needed.

Regarding *Customs*, the report finds that the sector dealing with intellectual property rights needs to be strengthened as there are now only two officials in charge of this area. Administrative requirements to be complied with in order to obtain police authorization to carry out market investigations on IPR violations undermine the market inspectorate's effectiveness in prosecuting legal violations.

The conclusions of the Subcommittee on Internal Market, Consumer Protection and Competition call on the Copyright Office to promote the achievement of agreements on setting forth the fees between users and collective associations, on how to undertake promotional activities on importance of copyright protection. As regards industrial property, the requirement to adopt legislation on trade secrets as well as to strengthen the application of geographical indications is reiterated.

## ***State of Play***

### *Legislative and Policy Framework*

*Legislative and Policy Framework in the area of copyright* consists of the following relevant normative acts:

- Law No. 04/L-065 on Copyright and Related Rights and the Law No. 05/L-047 amending the Law on Copyright and Related Rights;
- Amendment of Regulation No. 21/2018 on mediation in the area of copyright and related rights;
- Regulation No. 20/2018 on the right to special and reproductive compensation;
- Regulation No. 01/2018 on procedures of granting, respectively revoking the licence to associations for collective administration of copyright and related rights.

These normative acts have transposed the following *acquis* acts:

- Directive 93/83/ECC on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission;
- Directive 2001/29/EC on alignment of certain aspects of copyright and related rights in the information society;
- Directive 2001/84/EC on the resale right for the benefit of the author of an original work of art;
- Directive 96/9/EC of 11 March 1996 on the legal protection of databases (OJ L 077, 27/03/1996);
- Directive 2006/115/EC on rental right and lending right and on certain rights related to copyright in the area of intellectual property;
- Directive 2009/24/EC on the legal protection of computer programmes;
- Directive 2011/77/EC aligning the term of protection of copyright and certain related rights (OJ L 265, 11/10/2011) amending Directive 2006/116/EC of 12 December 2006;
- Directive 2012/28/EC on certain permitted uses of orphan works (OJ L 299, 27/10/2012);
- Directive 2014/26/EU of the European Parliament and of the Council on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market (OJ L 84, 26/02/2014);
- Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights.

*Legislative and Policy Framework in the area of industrial property* consists of the following relevant normative acts:

- Law No. 04/L-029 on Patents;
- Law No. 04/L-026 on Trademarks;

- Law No. 05/L-058 on Industrial Design;
- Law No. 05/L-051 on Geographical Indications and Designations of Origin;
- Law No. 06/L-015 on Customs Measures for Protection of Intellectual Property Rights;
- Law on Market Inspectorate;
- AI No. 06/2018 on authorized representatives in the area of industrial property;
- AI No. 09/2018 on determining symbols for geographical indications, designation of origin and guaranteed traditional specialities.

These normative acts have transposed the following acquis acts:

- Regulation (EC) No. 1610/96 of the European Parliament and of the Council concerning the creation of a supplementary protection certificate for plant protection products,
- Regulation (EC) No. 816/2006 on compulsory licensing of patents relating to the manufacture of pharmaceutical products for export to countries with public health problems.
- Directive 98/44/EC of the European Parliament and of the Council on the legal protection of biotechnological inventions;
- Regulation (EC) No. 469/2009 of the European Parliament and of the Council concerning the supplementary protection certificate for medicinal products;
- Regulation (EC) No. 469/2009 of the European Parliament and of the Council concerning the supplementary protection certificate for medicinal products.
- Directive 2008/95/EC of the European Parliament and of the Council to approximate the laws of the Member States relating to trademarks;
- Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights;
- Directive 98/71/EC of the European Parliament and of the Council on legal protection of designs
- Regulation (EU) No. 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs;
- Council Regulation (EC) No. 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs;
- Regulation (EU) No. 608/2013.

The policy framework in this area consists of the Private Sector Development Strategy 2018-2021.

#### *Institutional Framework*

##### Copyright

- Ministry of Culture, Youth and Sport / Office on Copyright and Related Rights.

##### Industrial property

- Ministry of Trade and Industry / Industrial Property Agency.

##### Intellectual property law

- Kosovo Customs;;
- Market Inspectorate;
- Kosovo Police: Economic Crime Unit and Cybercrime Unit.

#### *Donor Support*

Kosovo institutions are supported by the European Commission (through IPA) and other bilateral donors with the projects summarized as follows.

#### *Current and planned IPA projects*

*Support for development of trade in Kosovo:* In the framework of the IPA II Competitiveness Project, which commenced in 2018, the support to the Industrial Property Agency is also foreseen, in particular in strengthening the enforcement of industrial property rights including geographical indications, trade secrets, capacity building of the Industrial Property Agency and the awareness of businesses and citizens in using the IPR system. The project is funded and managed by the EU Office in Kosovo.

*EU Support for Intellectual Property Rights in Kosovo:* The purpose of this project, which started in 2019, is to support the Industrial Property Agency in drafting legislation and policies, administrative and structural capacity building of the institutions in charge of enforcement of intellectual property rights in Kosovo and raising awareness in the private sector.

*“Support Kosovo institutions on the integration process”* is a Luxembourg government programme aimed at building the institutional capacities of the Republic of Kosovo in implementing the priorities deriving from the SAA. This project, expected to commence in 2019, will provide support to the Office on the Copyright and the Industrial Property Agency.

### ***Medium-term Priority Objectives***

In order to fulfil the obligations deriving from the SAA and the other EU accession documents and mechanisms in the areas within the scope of Chapter 7, the focus over the period 2019-2023 will be in the following medium-term priorities:

#### *Copyright and Related Rights:*

- Capacity building of staff in intellectual property institutions and intellectual property rights enforcement institutions;
- Raising the awareness of rights holders regarding the importance of the establishment of new Collective Copyright Management Associations;
- Raising the awareness of copyright holders on the importance and benefits of collective rights management (with particular emphasis on publishers' awareness-raising activities);
- Alignment of the Law on Copyright with the EU acquis;
- Issuance of bylaws from the new Law on Copyright;
- Promoting the importance of collective rights management to authors;
- Improvement of legislation on cybercrime.

#### *Industrial property:*

- Alignment of the Law on Trademarks with the EU acquis.
- Capacity building of staff in intellectual property institutions and intellectual property rights enforcement institutions;
- Drafting and adoption of legislation on trade secrets.
- Raising awareness of SMEs on the importance of protecting industrial property;
- In addition to public events and business meetings, promotion of IPRs should also be done through information media, where target audiences would also be citizens. The aim of such campaigns would be to raise awareness among consumers not to use counterfeit goods, which among other things pose a risk to health;
- Membership in international and European organisations (WIPO and EPO).
- Reduction of the backlog of applications at the Industrial Property Agency.

### **3.8. Acquis Chapter 8: Competition Policy**

Competition policies include anti-trust and state aid control policies. The chapter contains legislation, rules and procedures for non-competitive behaviour of undertakings such as prohibited agreements between undertakings and abuse of dominant position in the market. It also includes analysis of the merger of undertakings and the government's preventive function in providing state aid that distorts competition in

the market. EU competition law derives from the Treaty on the Functioning of the EU (TFEU), more specifically, Article 37 which regulates state monopolies of a commercial character, Articles 101 to 105 relating to rules applicable to undertakings, Article 106 on public undertakings and undertakings with special or exclusive rights and Articles 107-109 of the Treaty relating to the rules applicable to state aid.

#### *SAA Requirements*

The Stabilisation and Association Agreement, on the other hand, explicitly imposes a set of obligations for Kosovo, included in Title VI, namely Articles 74 and 75 of the SAA.

Under the SAA, in the area of competition policy, Kosovo must implement competition rules and gradually align its legislation with EU legislation starting from the entry into force of the agreement (Articles 74 and 75 of the SAA). Furthermore, Article 75 “Competition and other Provisions” defines the responsibilities of the Competition Authority and provides the framework for the functioning of the agreement on trade between the EU and Kosovo in all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings that prevent, restrict or distort competition.

The Agreement impacts on gradual approximation of the legislation of Kosovo with the *acquis*, its effective implementation, and ensures appropriate monitoring and transparency mechanisms compatible with the EU rules. In essence, this is related to:

- Cartels and Agreements between undertakings;
- Abuse with a dominant position; and
- Mergers, acquisitions (of one company from another) in the relevant Kosovo market.

*The SAA provisions* related to the State Aid (Articles 75.1 – 75.7) require Kosovo to not provide any state aid which distorts or threatens to distort competition by favouring certain undertakings or certain products insofar as they may affect trade between the EU and Kosovo. Kosovo shall gradually approximate its legislation with the EU’s legislation, and establish an operationally independent authority which will have the legal powers necessary to control the state aid.

More specifically, based on the SAA articles, Kosovo shall:

- Adopt the legislation on state aid and ensure that an operationally independent authority is entrusted with the powers necessary for the state aid grants and recoveries;
- Apply the EU rules on the state aids, including exemptions in the block, *de minimis* aid, services of the general economic interest, and the transparency rules for public enterprises;
- Establish an inventory of state aid schemes that exist prior to the entry into force of the law (existing aid schemes) within a period of three years from the entry into force of the Agreement;
- Ensure alignment of state aid schemes within 3 years as of entry into force of the Agreement;
- To draw up a “regional state aid map” which is related to the GDP per capita figures aligned at NUTS II level within four years from the entry into force of the Agreement and to jointly discuss with the European Commission for the needs of alignment with EU rules on regional state aid. In the meantime, for the purposes of the limits of regional aids, the entire territory of Kosovo shall be treated as the less developed regions; and
- To report to the European Commission on yearly basis related to the state aids in Kosovo through an annual report after entry into force of the SAA.
- SAA provisions on state aid emphasize the importance of putting in place legislation compatible with the EU rules and of the establishment of monitoring and transparency mechanisms.

#### *Requirements from other EU accession mechanisms*

In the area of *competition*, the EC *Kosovo 2019 Report* states that some progress has been made in this area; however, the reporting and coordination with government and regulatory institutions need further

strengthening. Awareness-raising and explanatory activities with the judges on competition policies also need to be undertaken.

Regarding *State Aid*, progress in the alignment of local legislation with that of EU is recognised; however it is stated that it lacks effective implementation. The Report highlights that the Department for State Aid did not approve any decision on state aid in the last five years, and that the Department lacked the needed capacities for scanning existing state aid schemes. Similarly, a large number of measures constituting state aid at central or local level have not been notified or investigated.

Conclusions, from the meeting of the Subcommittee on “Internal Market, Consumer Protection and Competition”, require from the Department of State Aid to urgently complete the Commission on State Aid and undertake steps in the creation of state aid inventory based on the SAA provisions. In the area of Competition, it is required to strengthen the Authority’s administrative capacities, review of legislation in the area of homologation and address the Acquis provisions that have not been aligned yet with the current Legislative Framework.

## ***State of Play***

### *Legislative and Policy Framework*

#### Competition

The legislative framework in this area is regulated by the Law No. 03/L-229 on Protection of Competition as amended by the 2014 Law No. 04/L-226. *This law defines rules and measures for the protection of free and effective competition in the market, the competences and organisation of the Authority for the Protection of Competition and the procedures for enforcing this law.*

In May 2018, a working group was established to amend the Law on Protection of Competition. Among the main reasons for amending the law is the further approximation with the European legislation. In addition, collision within the law itself has been noted, and there is a need to change the percentage of dominant position.

During 2019, the finalisation through all foreseen procedures of draft concept-document for the Law on Protection of Competition and its approval by the Government have taken place. In December 2019, the Kosovo Competition Authority requested from the MTI to establish the working group for drafting the new Law on Protection of Competition.

Bylaws for the implementation of the basic Law on Competition consists of 13 secondary legislative acts. Bylaws partially transposing the EU legislation includes:

- AI No. 05-2012 on Terms and Conditions for Assigning Small Value Agreements;
- AI No. 06-2012 on the Manner of Presenting and Ascertaining Concentration of Enterprises;
- AI No. 07-2012 on the Criteria for the Release from or Reduction of Administrative Measure;
- Regulation No. 01-2017 on Investigation Procedures of the Kosovo Competition Authority;
- AI No. 02/2017 on Group Exemption of Horizontal Agreements between Entrepreneurs;
- AI No. 03/2017 on Group Exemptions of Vertical Agreements between Entrepreneurs;
- AI No. 04/2017 on Group Exemptions of Agreements in the Sector of Transport;
- AI No. 05/2017 on Group Exemptions of Agreements in the Sector of Insurance;
- AI No. 06/2017 on Group Exemption of the Agreement on Motor Vehicle Distribution and Service;
- AI No. 01/2018 on the criteria for imposing administrative sanctions;
- AI No. 02/2018 on the manner of defining the relevant market;
- Regulation No. 01/2019 on Categories of Specialization Agreements;
- Regulation No. 02/2019 on Some Categories of Research and Development Agreements.

These normative acts have transposed the following *acquis* acts:

- Articles 101-105 of the TFEU;
- Commission Notice on agreements of minor importance which do not appreciably restrict competition under Article 81(1) (now Article 101) of the Treaty establishing the European Community (*de minimis*) (OJ/C 368/13 of 22 December 2001);
- Some elements of the request and criteria for merger/concentration defined in Commission Regulation No. 802/2004 implementing Council Regulation No. 139/2004 on the control of concentrations between undertakings;
- Commission Regulation (EC) No. 773/2004 of 7 April 2004 relating to the conduct of proceedings by the Commission in accordance with Articles 81 and 82 of the EC Treaty as amended by Regulation No. 2015/1348;
- Commission Regulation (EC) No. 1217/2010;
- Commission Regulation (EC) No. 1218/2010.

### State Aid

The basic legislation regulating this area consists of the Law No. 05/L-100 on State Aid which entered into force in January 2017. The law established the basis for the development of the state aid system, principles and procedures for granting state aid. Furthermore, the law contains basic definitions including the definition of state aid and establishes the mechanism and framework for state aid control. It also establishes the basis for the establishment of a comprehensive state aid inventory and the reporting system.

Regarding bylaws, the detailed procedures and content of the notification forms, the procedures for non-legal aid as well as the monitoring and reporting procedures are regulated by the Regulation on Procedures and Format of Notification for State Aid, which has been revised and drafted, in line with the new Law on State Aid. This regulation was adopted on 23 October 2018 and partially transposes Commission Regulation (EC) No. 794/2004 of 21 April 2004 implementing Council Regulation (EC) No. 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty. A draft of the Regulation on the State Aid Commission (SAC) was also drafted and is expected to be adopted once the SAC members are appointed by the Assembly. Rules of organisation and functioning of the SAC, including duties and responsibilities and the manner of implementation, are regulated by Regulation No. 01/2013 of the Ministry of Finance on Organisation and Functioning of the State Aid Commission.

The policy framework in this area consists of the following documents:

- KCA - Strategy for Implementation of European Reforms, it represents the two main tasks of the Authority that are part of the implementation of the European Reform Agenda (ERA) and the SAA for the scope of the Kosovo Competition Authority, which are the following:
- Strengthening internal procedures and capacities of KCA: The Kosovo Competition Authority, in addition to identifying monopolies, will also identify other commercial undertakings that have significant relevant market power, where the Authority will make appropriate recommendations based on the Law on Protection of Competition. If the Kosovo Competition Authority identifies, during this research, any anti-competitive behaviour by the undertakings in the respective markets, the Authority will exercise its legal powers and will act promptly in accordance with the provisions of the Law on Protection of Competition.
- KCA has researched and identified monopolies in Kosovo in 14 markets (telecommunications, transportation, gambling, energy, media and cinematographic productions, mining, insurance, procurement, waste, petroleum products, banks, water supply, pharmaceuticals, and fiscal equipment), and the Monopoly Research Report in the Republic of Kosovo (on the state of play of monopolies and recommendations) has been shared with the Government, Parliament and the European Commission. Based on its findings, the Authority has taken concrete steps in some of the markets investigated:



- **Telecommunications market** – KCA has initiated an investigation procedure against Telecom of Kosovo and State institutions for the agreement signed for the provision of mobile phone and cable services by not implementing the Law on Public Procurement due to an interpretation of Article 9.4 of this Law by the PPRC.
- **Transport market** – The Authority for this market has issued 2 Professional Opinions to the Ministry of Infrastructure recommending amending the Law. 05/L-132 on Vehicles, AI on homologation and AI on technical control centres by liberalizing the market in these sectors.
- **Energy market** – The KCA has begun drafting the sector analysis and is expected to be completed by 2020.
- **Insurance market** – KCA has provided a professional opinion on CBK request for Insurance Market, specifically the increase of “third party liability” TPL rates.
- **Procurement market** – With the support of IPA 2017 project, we are organizing roundtables with procurement institutions and Courts raising awareness in this area. KCA has also provided Professional Opinion at the request of the PRB on some Public Procurement issues.
- **Oil derivatives market** – The authority has launched investigations into this market for 16 companies on suspicion of concerted practice.
- **Pharmaceuticals market** – For this market, the Authority has issued a professional opinion on the AI on the unification of drug prices required by the Ministry of Health which has been implemented by the relevant body.
- **Fiscal equipment market** –The Authority has issued a professional opinion to TAK regarding the implementation of AI No. 02/2018 on the use of fiscal electronic devices and systems which has also been implemented by this institution.

#### *Institutional Framework*

##### Competition:

Pursuant to the Law on Protection of Competition, the Kosovo Competition Authority (KCA) is the main institution for the prevention and prohibition of anti-competitive practices including prohibited agreements, abuse of dominant position, concentrations or the sale and purchase of shares in the undertaking, and aspects of advocacy in the area of competition. The Authority has the powers to initiate investigative procedures, oversee the market and propose measures to restore competition in cases of obstruction, restriction or disruption of the competition in the market.

##### State Aid

The institutional framework consists in the State Aid Commission and the State Aid Department. Based on current law, the State Aid Commission is the state aid decision-making body acting on an ad hoc basis and is independent in decision-making and the exercise of its functions. The Commission consists of 5 members who are voted by the Assembly.

The State Aid Department is in charge of receiving, analysing and overseeing notifications and other data related to state aid schemes. The Department is now functional with regard to the staff, having the Director of the Department, a Head of Division and 5 staff members who have started work on 21 May 2018.

#### *Donor Support*

The Kosovo Institutions are supported by the European Commission (through IPA) and by other bilateral donors with the projects summarized as follows.

Current and planned bilateral donor projects:

- The EU Project under IPA II 2014-2020 for “*Technical Assistance to Support the Competition Authority and the State Aid Commission* (State Aid Department) is launched in 2019 and will last until 2021, with a total cost of EUR 3 million.
- The UK Embassy project backed the Competition Authority with experts for professional capacity building.
- *Support to Kosovo institutions in the integration process*, is a programme of the Government of Luxembourg which aims to build the institutional capacity of the Republic of Kosovo in implementing the priorities deriving from the SAA. This project, launched in 2019, is providing support to the Kosovo Competition Authority.

Currently, the main institutions dealing with state aid are being supported as follows:

- *Support to Kosovo institutions in the integration process*, is a programme of the Government of Luxembourg which aims to build the institutional capacity of the Republic of Kosovo in implementing the priorities deriving from the SAA. This project, launched in 2019, is providing support to the Department of State Aid.
- *Support to Kosovo institutions in the integration process*, is a programme of the Government of Luxembourg which aims to build the institutional capacity of the Republic of Kosovo in implementing the priorities deriving from the SAA. This project, launched in 2019, is providing support to the Kosovo Competition Authority.
- Also, the State Aid Department is benefiting from the UK Embassy for a 1-year period in inventory of state aid, with experts from this area helping staff in drafting the inventory.

#### **Medium-term Priority Objectives:**

##### Competition:

- Drafting bylaws deriving from the new Law on Competition;
- Further approximation with the EU Acquis;
- Reaching Memorandums of Understanding with relevant institutions;
- Developing a strategy to raise awareness of competition policy;
- Organizing workshops with Courts, Business Associations, Lawyers and Civil Society;
- Institutional and human capacity building, including capacities for ex-ante analysis and ex-post evaluation, professional training programmes of Competition Authority staff.

##### State Aid

- Further approximation of the national legislation with that of the EU, i.e. transposition of Commission Regulation (EC) No. 794/2004 of 21 April 2004 implementing Council Regulation (EC) No. 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty;
- Drafting the of the *De Minimis* Aid Regulation transposing Commission Regulation (EU) No. 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the EU to *De minimis* aid (18/12/2013-2020);
- Regulation on Aid to Services of General Economic Interest;
- Finalization of state aid schemes inventory and alignment of the schemes with SAA requirements;
- Development of the information system for monitoring state aid;
- Organisation of awareness-raising activities for potential state aid providers and training for DSA staff.

### **3.9. Acquis Chapter 9: Financial Services**

The acquis in the area of financial services includes rules for the authorisation, operation and supervision of financial institutions in the areas of banking, insurance, pensions, investment services and securities markets, and in relation to the infrastructure of the financial market. The new European System of Financial Supervision (ESFS) has entered into force in January 2011. This system consists of a network of national supervisory financial authorities working together with three new European Supervisory Authorities

(ESAs), the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), and the European Insurance and Occupational Pensions Authority (EIOPA). Besides this, the European Systemic Risk Board (ESRB) has been established to monitor and assess potential threats towards financial stability that may arise due to macro-economic developments and from general developments in the financial system.

In the area of **banks and financial conglomerates**, the acquis sets out the requirements for the authorization, operation and prudential supervision of credit institutions and the requirements concerning the calculation of the capital of credit institutions and investment firms. Current directives related to the capital requirements, which translate international standards of Basel II into the EU's law, were superseded in 2014 by a package based on Basel III accords. The acquis in this sector also lays down rules relating to the supervision of financial conglomerates, as well as the taking up, the pursuit and prudential supervision of the business of electronic money institutions. The acquis establishes rules relating to the annual consolidated accounts of banks and other financial institutions.

In the area of **insurance and occupational pensions**, some Directives establish rules concerning the authorization, operation and supervision of life and non-life insurance, and reinsurance of enterprises. The acquis establishes rules for the supervision of supplementary group insurance. Special provisions exist in the non-life sector for co-insurance, tourist assistance, credit insurance and legal expenses insurance. This includes a cautious regulatory framework for reinsurance activities in the EU aimed at removing obstacles to achieve business reinsurance.

In the area of **securities markets and investment services**, Directive 2004/39/EC on markets in financial instruments (MiFID), along with its changes and implementing measures, determines a full regulatory regime which covers authorization, operation and supervision of investment firms and regulated markets. As regards the financial market infrastructure, the acquis aims to remove obstacles in the trade zones by increasing the efficiency of market infrastructure and promoting financial stability.

Finally, the acquis has a comprehensive regulatory and supervisory framework for alternative investments, capital and social funds, increasing transparency towards investors and public authorities.

#### *SAA Requirements*

Within the SAA, Chapter 9 Financial Services provides for obligations of the Central Bank of Kosovo (CBK) in the area of financial services, namely, in relation to the establishment and freedom of providing banking, insurance and other financial services, and the approximation and implementation of legal and regulatory framework (namely, Articles 50, 96 and Annex 6 of the SAA), with the EU legislation, the Statute of European Central Bank and the European System of Central Banks.

#### *Requirements from other EU accession mechanisms*

Based on EC's *Kosovo 2019 Report*, regarding financial services matters, the local legislation should be further aligned with the acquis. The report underlines that Kosovo is not yet part of the "green card" system. It is also mentioned that the financial services market remains at an early stage of development.

On **banks and financial conglomerates**, some progress has been made in implementing the legislation on banking supervision, which aims to strengthen corporate governance and the management of credit risk. The Central Bank needs to ensure adequate protection of consumers and the prevention of unfair banking practices. Kosovo needs to establish an independent recovery and resolution authority. On alignment of the regulatory framework with Basel II and EU standards, the Chapter on Risk-Weighted Exposure Amounts for Credit Risk has yet to be adopted. In March 2017, the Central Bank of Kosovo signed a memorandum of understanding with the European Banking Authority establishing a framework for cooperation and information exchange and on the European Single Supervisory Mechanism. On 26.11.2018,

the Central Bank signed a memorandum of understanding with the European Central Bank. The legislation on microfinance institutions and nonbanking financial institutions is undergoing approximation with the EU acquis, Law on accounting, financial reporting, which depends on the adoption of the Law on MI and NBFIs, which have been processed several times; however, it has not been adopted yet.

**On insurance and occupational pensions**, Solvency I measures need to be fully implemented and enforced. Preparations have not yet begun to introduce measures aligned with the Solvency II Directive. The insurance law is aligned with the EU acquis on the exercise and pursuit of the business of insurance, reinsurance and insurance mediation. The oversight and supervision of occupational pension funds needs to be improved. Some progress was made on improving the transparency of insurance services, namely by publishing annual audit reports online, but additional efforts are still needed to increase the conditions for granting licences to new insurance companies. Stronger inter-institutional coordination is required to address the issue of non-insured, non-registered vehicles. Due to Kosovo's inability to partake in the 'green card' system, vehicle insurance continues to be required for foreign-registered vehicles entering Kosovo and for vehicles with Kosovo registration plates leaving Kosovo. This is not the case for countries with which Kosovo has bilateral vehicle insurance arrangements.

**On securities markets and investment services**, the Central Bank auctions government securities and maintains records, which are stored and processed electronically.

### *State of Play*

#### *Legislative Framework*

In relation to the **banking sector**, legal and regulatory framework on licencing, regulation and supervision of banks in the Republic of Kosovo includes:

- Law No. 05/L-150 amending the Law No. 03/L-209 on Central Bank of the Republic of Kosovo (hereinafter the Law on CBK);
- Law No. 04/L-093 on Banks, Microfinance Institutions and Non-Bank Financial Institutions (Official Gazette of the Republic of Kosovo, No. 11/ 11 May 2012) (hereinafter the Law on Banks);
- Law No. 04/L-155 on Payment System (hereinafter the Law on Payment System).

Within the framework of existing legislation, below is the bylaws issued by CBK to implement the above-mentioned laws (the Law on CBK, the Law on Banks and Law on Payment System) which address licencing, organisation, operation, requirement for risk management and requirements for prudential supervision of banks, microfinance institutions and non-bank financial institutions. This regulatory framework on regulation and supervision of banks is based on Basic Principles of Basel Committee and the Basel II and III Standards. Finally, new regulations that are largely in line with the Basel Framework, more specifically Basel III and the International Financial Reporting Standard (IFRS 9), are expected to enter in force. Regulations recently adopted as part of the alignment process with international standards are listed below:

- Regulation on Bank Capital Adequacy;
- Regulation on the internal capital adequacy assessment process for banks;
- Regulation on leverage indicators;
- Regulation on the Application of International Financial Reporting Standards 9 Regulation for Non-Performing Exposures and Forbearance;
- Regulation on Credit Risk Management.

So far in 2020 the following acts have been adopted:

- Methodological Guideline on Reporting the Leverage Indicator;
- Methodological Guidance on Capital Adequacy;

- Regulation on Intra-Day and Overnight Lending;
- Regulation on Licensing of Foreign Banks and their Branches;
- Regulation on Reporting by Banks;
- Regulation on Information Technology for Banks.

Find below the list of other Regulations applicable to the Law on Banking in force:

- Regulation on Corporate Governance of Banks;
- Regulation on Bank Capital Adequacy;
- Regulation on External Audit of Banks;
- Regulation on the Mergers and Acquisitions of Banks;
- Regulation on Capital Equivalency Deposit for Foreign Bank Branches;
- Regulation on Senior Banks Directors and Managers;
- Regulation on Large Exposures (amended on 29 September 2016);
- Regulation on opening and closing inside and outside the Republic of Kosovo of branch offices and subsidiaries of banks;
- Regulation on the Opening of Representative Offices inside and outside the Republic of Kosovo;
- Regulation on Internal Controls and Internal Audit of Banks;
- Regulation on Restrictions on Retention of Immovable and Movable Property;
- Regulation on Licensing of Banks and Branches of Foreign Banks;
- Regulation on Consolidated Supervision of Banking Groups;
- Regulation on Bank Credit Risk Management;
- Regulation on Operational Risk Management;
- Regulation on Bank Liquidity Risk Management;
- Regulation on the Minimum Bank Reserves;
- Regulation on Changes in Capital Accounts;
- Regulation on Effective Interest Rates and Banks Disclosure Requirements;
- Regulation on the Publication of Information by Banks;
- Regulation on Bank Reporting to the CBK;
- Regulation on Foreign Exchange Activity Risk;
- Regulation on Transactions to Bank-Related Persons and to Bank Employees (amended);
- Regulation on Safe Deposit Box;
- Regulation on Residential Mortgage Loans for Real Estate Appraisal;
- Regulation on Minimum Security Requirements;
- Regulation on the Direct Debit in IPS;
- Regulation on Emergency Liquidity Support;
- Regulation on the Interbank Payment System;
- Regulation on Reporting Payment Instruments Statistics;
- Regulation on Electronic Payment Instruments;
- Regulation on guarantee instruments and agreements between licensed financial institutions and the Kosovo Credit Guarantee Fund;
- Regulation on the Allocation of Credit Funds to Banks;
- Regulation on Prevention of Money Laundering and Financing of Terrorism;
- Regulation on the interest rate risk management in the banking book;
- Regulation on use of external credit assessments for the purpose of calculation of regulatory capital;
- Regulation on the repurchase of securities with the Central Bank of the Republic of Kosovo;
- Regulation on late payment on credit instruments;
- Regulation on Factoring;
- Regulation on issuance of Licensing or Registration Certificates for Financial Institutions;
- Regulation on Letter of Credit and Bank Guarantee;
- Regulation on International Payments;

- Regulation on Interbank Payment System;
- Regulation on Bank Account Standard Numbering System;
- Regulation on Payment systems operators;
- Regulation on Procedures for Imposing Administrative Penalties;
- Regulation on the Internal Complaints Handling Process;
- Regulation on Credit Registry;
- Regulation on the Registry of Bank Account holders;
- Regulation on External Audit of Microfinance Institutions;
- Regulation on Internal Controls and Internal Audit of Microfinance Institutions;
- Regulation on Restrictions on Retention of Immovable and Movable Property for Microfinance Institutions;
- Regulation on the Liquidity Risk Management for Microfinance Institutions;
- Regulation on Credit Risk Management of Microfinance Institutions
- Regulation on Effective Interest Rates and Disclosure Requirements for Microfinance Institutions;
- Regulation on the Reporting of Microfinance Institutions to the CBK.
- Regulation on the Registration, Supervision and Activities of Non-Banking Financial Institutions;
- Regulation on External Auditing of Non-Bank Financial Institutions;
- Regulation on the allocation of credit funds to Microfinance Institutions and Non-Bank Financial Institutions;
- Regulation on Internal Control and Internal Audit of Non-banking Institutions;
- Regulation on Disclosure of Effective Interest Rate and Requirements for Non-Bank Financial Institutions.

Law on Banks and regulations mentioned above have established the legal basis for adopting the requirements of Directive 2006/48/EC of the European Parliament and the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EC of the European Parliament and the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions, which were superseded in 2013 by the adoption of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR).

CBK is in the process of revising the current Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, with the purpose to draft a new Law that will apply only to banks. With the revision of the existing Law, in particular, it has been worked on Chapters X and XI in order to ensure that these chapters comply with the Directive 2014/59/EU of the European Parliament and the Council or "BRRD".

Regarding the **Deposit Insurance Fund**, the same was established in 2011 under the Law No. 03/L-216 on the Establishment of a Deposit Insurance System for Financial Institutions in Kosovo as amended by the Law No. 04/L-133 amending the Law No. 03/L-216 on the Establishment of a Deposit Insurance System for Financial Institutions in Kosovo. This law regulates the insurance of deposits of natural and legal persons, the establishment, governance, and authority of the Deposit Insurance Fund of Kosovo.

The Deposit Insurance System ("SSD") was established as a development project in the framework of bilateral German-Kosovan cooperation, whereby the Tripartite Financing and Project Agreement was signed in 2011 between the Government of Kosovo (through MoF), the German Government (through KfW) and DIFK (as the Project Execution Agency) for establishing a deposit insurance system in Kosovo through a donation contribution to the FSD in a total amount of 15.5 million, out of which 11 million were granted by the Government of Kosovo (through MoF) while the German Government (through KfW) has provided EUR 4.5 million on capital contribution and 0.5 million in associated advisory services. The third instalment paid by the Government of Kosovo (through MoF) in the amount of EUR 2.9 million was

financed by IDA's loan (via WB). In support of the increase of the insurance limit to 5,000 from 01.01.2018, DIFK has received an additional contribution from the German Government (through KfW) in the amount of EUR 2 million in 2013. This three-year project was concluded in July 2015.

Main features of the DIS in Kosovo are the following: independence of the deposit insurance agency, mandatory membership of all institutions receiving deposits, "upfront" financing ("ex-ante"), differential premiums system, insurance coverage of natural and legal persons, limited amount of deposit insurance, deposit insurance rule: for a depositor, for every bank, the targeted DIF level, conservative investment policy.

Regarding the Deposit Insurance System, the Legislative Framework includes

- Law No. 03/L-216 on the Establishment of a Deposit Insurance System for Financial Institutions in Kosovo as amended by Law No. 04/L-133 amending the Law No. 03/L-216 which regulates the ensuring of deposits of natural and legal persons and the establishment, governance and authorizations of the Deposit Insurance Fund of Kosovo;
- Law No. 03/L-216 on the Establishment of a Deposit Insurance System for Financial Institutions in Kosovo;
- Law No. 04/L-133 amending the Law No. 03/L-216 on the Establishment of a Deposit Insurance System for Financial Institutions in Kosovo.

Under the existing legislation, the bylaws is presented also in the following (rules, regulations and guidelines) issued by DIFK based on and in compliance with the above mentioned laws that address the obligations of member banks related to the insurance of natural and legal persons deposits, requirements on the structure and format of data to be submitted by member banks for the accurate and rapid determination of the insured deposits, calculation and collection of initial and on-going premiums, information of member clients, etc. This regulatory framework has been complemented in 2013-2016:

- Regulation on the participation of member banks in DCS testing and submission of data in required format and specification to determine insured deposits;
- Rule on the quarterly reporting by members on deposits and depositor's overdue liabilities to the deposit insurance fund of Kosovo;
- Rule on calculation and collection of on-going and initial premiums;
- Rule on Administrative Sanctions for members of the Deposit Insurance Fund;
- Rule on informing the clients of members DIFK- amended;
- Rule on selection process and selection criteria for pay-out agent bank;
- Rule on emergency funding;
- Regulation on compensation procedures of insured deposits;
- Rule for the general procedure for consultation with stakeholders;
- Investment guidelines of the deposit insurance fund of Kosovo;
- Public awareness policy;
- Guide for depositors on the compensation process of insured deposits.

In relation to insurances, the legal and regulatory framework for licencing, regulation and supervision of insurances in the Republic of Kosovo includes:

- Law No. 03/L-209 on the Central Bank of the Republic of Kosovo;
- Law No. 04/L-018 on Compulsory Motor Liability Insurance (hereinafter referred to as Law on Motor Liability Insurance);
- Law No. 05/L -045 on Insurances, which has repealed Regulation No. 2001/25 on Licencing, Supervision and Regulation of Insurance Companies and Insurance Intermediaries (hereinafter referred to as Regulation No. 2001/25).

The Law No. 04/L-018 on Compulsory Motor Liability Insurance and related regulations for its implementation are partially in compliance with the Directive 2009/103/EC of the European Parliament and the Council, dated 16 September 2009, relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability.

In order to align the legislation in the area of insurance with the European directives, in the beginning of 2016 the Law No.05/L-045 on Insurance entered into force, which was adopted by the Assembly of the Republic of Kosovo which repealed the Regulation No.2001/25 on Licensing, Supervision and Regulating of Insurance Companies and Insurance intermediaries (hereinafter Regulation No.2001/25), which was in force. This law is partially aligned with the European Directive 2009/138 EC of the European Parliament and the Council dated 25 November 2009 on the taking up and the pursuit of the business of insurance and re-insurance (Solvency II) and the European Directive 2002/92/EC of the European Parliament and the Council dated 9 December 2002 on Insurance Intermediaries. This Law sets the basis for further approximation with the EU acquis. The abovementioned Law defines principles and basic rules for licencing, regulation and supervision of insurers, re-insurers, insurance intermediaries and other relevant entities, so that the insurance industry in the Republic of Kosovo can operate in a safe, stable and transparent manner in protection of the rights and interests of women and men policy holders. All legal acts (regulations) issued under Regulation 2001/25 have remained in force as long as they are not in contravention of the Law on Insurance. The reviewing process of all the regulations has started aiming the full alignment of regulations with the requirements of the Law on Insurance, whereby several regulations have been issued so far.

Regulations adopted based on and pursuant to the Law on CBK, Law on Motor Liability Insurance and Regulation No. 2001/25 are as follows:

- Regulation on Calculation of the Minimum Solvency Margins, Capital Adequacy and Guarantee Fund for Non-life Insurers;
- Regulation on licencing of insurers, adopted (amended);
- Regulation on Licensing of Insurance Intermediaries, approved (amended);
- Regulation on Determination of Premium's Structure for Compulsory Motor Liability Insurance;
- Regulation on deposit of asset as guaranty, capital adequacy, financial reporting, risk management, investment and liquidity;
- Regulation on Compensation Fund of Kosovo Insurance Bureau;
- Regulation on Implementation of BONUS-MALUS System;
- Regulation on General Conditions of Motor Liability Insurance Policy;
- Regulation on Procedures on Handling Complaints for Motor Liability Insurance Damage Compensation;
- Regulation on Standards on Reporting and Oversight of Kosovo Insurance Bureau;
- Rule on Insurance Related Activity;
- Rules on affiliation and outsourcing Contracts;
- Rule on Derivative Financial Products;
- Rule on Internal Controls;
- Rule on the Establishment of an Arbitration Forum to Resolved Disputes on Claims;
- Rule on licensing regulators/supervisors of insurance damages;
- Rule amending Rule on Accounting Standards and Record-keeping Requirements for Insurance Companies and Insurance Intermediaries;
- Rule on Prescribing Reserve Requirements of Insurance Companies;
- Rule on Prescribing Additional Requirements to be Included in the Engagement Letter of External Auditors;
- Rule on Corporate Governance of Insurance Companies and Insurance Intermediaries;
- Rule on Selling Insurance Via the Internet;
- Rule on Related Parties Transaction;



- Rule on the Validity and Amount of Policyholders' and Creditors' Claims, in Liquidation;
- Rule amending the Rule on General Insurance Classes recognized by the BPK.

Following the entry into force of the Law on Insurance, the following regulations governing new areas of insurance were issued:

- Regulation on mergers and acquisitions;
- Regulation on insurance actuaries;
- Regulation on the criteria for appraisal of intangible motor liability claims;
- Regulation on the opening of representative offices by foreign insurers in the republic of Kosovo.

In addition, a number of other regulations have been issued replacing and amending existing regulations such as:

- Regulation on insurance premium's structure
- Regulation on investment of assets covering technical and mathematical provisions and investment of charter capital for insurers;
- Regulation on risk retention and reinsurance coverage requirements;
- Regulation on internal controls and internal audit of the insurers;
- Regulation on calculation and retention of technical and mathematical provisions for non-life and life insurers;
- Regulation on the external audit of insurers, insurance intermediaries, claim handlers and the Kosovo Insurance Bureau;
- Regulation on publication of information by insurers;
- Regulation on delegation of functions of insurers;
- Regulation on reporting of insurers to the CBK;
- Regulation on Licencing Claim Handlers;
- Regulation on Liquidation of Insurers.

So far during 2020 the following regulations have been adopted:

- Regulation on Licencing of Insurance Intermediaries;
- Regulation on Fines for Insurers, Insurance Intermediaries and Insurance Claims Handlers;
- Regulation on Licencing of Insurers and Branches of Foreign Insurers;
- Regulation on Management of Insurers' Commissions and Operating Expenses;
- Regulation on Corporate Governance of Insurers;
- Regulation on Implementation of the Bonus-Malus System.

These regulations and rules are partially aligned with the EU directives in the area of insurance, which regulate issues such as non-life insurance, life insurance, insurance intermediation, compulsory motor liability insurance, prudential risk management requirements, minimum capital requirements, and other issues of importance in the area of insurance, in a continuous effort to align the legislation in the area of insurance with the EU acquis, as was mentioned above.

With regard to pensions, the Law on CBK defines pension funds as financial institutions. Therefore, this law establishes the exclusive competence of the CBK to license, regulate and supervise Kosovo Pension Funds.

The legal and regulatory framework for licencing, regulating and supervising the pension funds in the Republic of Kosovo includes the Law No. 04/L-101 on Pension Funds of Kosovo (Law on Pension Funds) and CBK Regulations on Pension Funds.

Law No. 04/L-101 on Pension Funds and relevant regulations for its implementation are partially in compliance with the EU Directive 2003/41/EC of the European Parliament and the Council dated 3 June

2003 on the activities and supervision of institutions for occupational retirement provision, which set the basis for full alignment with requirements of this directive.

At the end of 2015, the revision of the Law No. 04/L-101 on Pension Funds of Kosovo (Law on Pension Funds) has started, and in September 2016 it underwent the first reading in the Assembly of the Republic of Kosovo. The amendment of the Law in question was adopted and published in January 2017.

Regulations adopted pursuant to the Law on CBK and Law on Pension Funds, namely the regulatory framework on regulation and supervision of pensions consists of the following acts:

- Regulation on defining the conditions and criteria for withdrawal of funds from KPST;
- Regulation on Reports and Information requested by the Kosovo Pension Savings;
- Regulation on licencing asset managers of pension funds;
- Regulation on Individual Savings Pension Payment;
- Regulation on Licencing of the supplementary employer pension funds;
- Regulation on Licencing of the supplementary individual pension providers;
- Regulation on Individual Accounts of Participants;
- Regulation on Investment of Pension Fund Assets;
- Regulation for reporting of Kosovo Pension Fund (Regulation on Reports and Information requested by the Kosovo Pension Savings);
- Rule on the Holders of Pension Assets (Rule amending the Rule on Custody of Pension Assets);
- Regulation on reporting of individual supplementary pension funds (Rule on reports and other information required to be submitted by Pension Funds and Pension Providers);
- Rule on the Value of Pension Contributions (in process);
- Regulation amending rule on the Custody of Pension Assets.
- Regulation on pension assets and valuation of pension assets, approved (amended);
- Regulation on the amount of pension contributions, approved (amended);
- Regulation on Investment of Pension Fund Assets.
- Rule on Funding and Actuarial Valuation of Defined Benefit Pension Arrangements;
- Rule on the Establishment of Supplementary Individual Pensions by Pension Providers.
- Rule on Pension Benefits Applicable Programmes of Supplementary individual pensions;
- Rule 17 on the Value of Pension Benefits applicable to the Supplementary Employer Pension Fund, whereby the review has been completed, and it remained to be approved by the CBK Executive Board and Central Board;
- Rule on Pension Benefits and Applicable Individual Supplementary Pension Programmes.

During 2020 the Regulation on Record Keeping in Pension Funds and Pension Providers was adopted.

These regulations implement the requirements set out by the Law on Pension Funds, which contribute to further approximation with the requirements of the Directive. In addition to these regulations, for the regulation and supervision of pensions there are a number of rules, as follows:

- Rule on Pension Benefits Applicable Programmes of Supplementary individual pensions. In September 2019, this rule has been converted into a Regulation and approved by the CBK Board.
- Rule on Funding and Actuarial Valuation of Defined Benefit Pension Arrangements;
- Rule on Investment of Pension Assets;
- Rule describing requirement in the Engagement Letter of External Auditors of Pension Funds and Pension Providers;
- Rule on Record Keeping by Pension Funds and Pension Providers;
- Rule on Pension Assets and Valuation of Pension Assets;
- Rule amending the Rule on Designating Pensions Beneficiaries;
- Rule amending the Rule on Transfers and Transfer Payments of Pension Assets;
- Rule amending the Rule on the Custody of Pension Assets;

- Rule amending the Rule on Asset Managers of Pension Assets;
- Rule on termination of Individual Supplementary Pensions;
- Rule on Participation in a Pension Fund and Occupational Categories of Employees;
- Rule on reports and other information required to be submitted by Pension Funds and Pension Providers;
- Rule on the Establishment of Pension Funds;
- Rule on the Establishment of Supplementary Individual Pensions by Pension Providers;
- Rule on the value of the Pension benefit Applicable to the Employer Supplementary Pension Fund;
- Rule on the Amount of Pension Contribution (under revision).

In the area of *financial market*, the domestic debt market has been developed so far by issuing Government of Kosovo securities, which operates through the electronic platform for trading securities. This activity is realized through the organisation of auctions announced by the Government of the Republic of Kosovo and is managed by the Central Bank of the Republic of *Kosovo*. The organisation of government securities auctions is based on the system of primary actors (commercial banks), whereby physical and legal persons can participate in the market through the primary stakeholders mentioned above.

The first issuance of securities of the Government of Kosovo was conducted on January 17, 2012, whereby one instrument with 3 months maturity was issued, and the process continued by issuing 6 and 12 months maturity instruments. Apart from treasury bills, bonds with maturity period of 2 and 3 years are also issued.

The market of securities of the Republic of Kosovo is regulated by the Law 04/L-175 on Public Debt, applicable since November 2009, as well as by the bylaws, Regulation MoF-CBK No. 01/2014 for the primary and secondary market of Government Securities of the Republic of Kosovo, adopted in 2012 (amended in 2014).

On 25 April 2019, the Executive Board approved Regulation on the repurchase of securities with the CBK. This Regulation defines the terms and conditions to be fulfilled regarding collateralized lending by the Government of Kosovo through the Central Securities Depository System (CSD) by executing a repurchase agreement with the Central Bank of the Republic of Kosovo. This lending is intended to assist member banks in managing their liquidity efficiently in the short-term.

Among the strategic goals is also the **provision of efficient and quality interbank systems for transferring funds and securities**, which implies further advancement of the Central Securities Depository - CSD, Electronic Trading Platform - ETP, and the engagement in establishing a modern interbank money and capital market system.

#### *Institutional and Policy Framework*

Pursuant to Articles 11 and 140 of the Constitution and according to the provisions of the related law, the Central Bank of the Republic of Kosovo (CBK) is a public legal entity. CBK is the key participating and regulatory institution in the financial system of the Republic of Kosovo and has administrative, financial and management independence and autonomy. CBK activity is provided by its decision-making bodies and its staff.

Kosovo Pension Savings Trust (KPST) is an independent public institution established by the Assembly of the Republic of Kosovo. The general activity of KPST is regulated by the Assembly of Kosovo and supervised by the Central Bank of Kosovo (CBK). KPST is created based on the model of defined pension contribution, which means that each contributor saves for pension in a personal account. KPST is an institution established in December 2001 and its activity was launched in August 2002 with a primary task

to administer and manage mandatory (and voluntary) pension contributions of the employed persons in Kosovo.

The powers and responsibilities of the KPST over administering the pension funds are vested pursuant to Law No. 04/L-101 on Kosovo Pension Funds (Article 5.1), through its Board of Directors, including the rights relating to pension funds (Article 5.2). KPST has its main and sole office in Prishtina, while other services relating to contributors and beneficiaries are also carried out in six other centres of the Tax Administration of Kosovo (TAK), such as: Mitrovica, Peja, Gjakova, Prizren, Ferizaj and Gjilan.

The Kosovo Insurance Bureau was established on 07 August 2011 by ten insurance companies licensed to operate in the Republic of Kosovo, based on Law No. 04/L-018 on Compulsory Motor Liability Insurance. The Kosovo Insurance Bureau is a professional organisation with legal entity capacity, established for non-profit purposes. The Government of the Republic of Kosovo recognizes the institutional status of the National Insurance Bureau with unrestricted rights, in the capacity of a payment and treatment bureau, guaranteeing the implementation of all obligations stipulated under the international insurance card system. The Bureau is funded by its members and its activity is supervised by the Central Bank of Kosovo. Within the Kosovo Insurance Bureau operate the Compensation Fund, Border Insurance, Insurance Information Centre and the Green Card.

### ***Donor Support***

CBK is supported by the project of the Norwegian Government, which intends supporting Kosovo's public administration in implementing the SAA and increasing its readiness for EU membership in several chapters, including statistics. This project will strengthen the institutional capacities of Kosovo's public administration, specifically in the chapter of Financial Services by providing specialized training on the content of requirements and requirements deriving from EU, transposing Acquis acts into national legislation, and policy-relevant forms.

### ***Medium-term Priority Objectives***

#### *Legislative priorities*

##### Banking sector:

- Adoption of standards from Pillar II and Pillar III of Basel Framework relating to Capital;
- Adoption of the risk liquidity management requirements and the leverage ratio based on new standard recognized as Basel III;
- Adapting the reporting framework of banks according to International Financial Reporting Standards and adapting the Legislative Framework related to asset classification and provisioning;
- Guidelines on Capital Reporting and Capital Requirements;
- Guidelines on the reporting of risk weighted exposures for credit risk;
- Guidelines on reporting capital market risk requirements;

These standards are part of the Directive 2013/36/EU and the Regulation (EU) No. 575/2013 of the EU, known as CRD IV and CRR, namely part of the EU acquis and are foreseen to be adopted for the purposes of a full approximation of the legislation concerning the area of bank supervision within the framework of full fulfilment of requirements deriving out of the SAA, respectively, the Article 96 and its Annex 6 relating to the financial services.

##### Insurance sector:

- Further approximation of the insurance regulations in Kosovo with the relevant European Directives. Existing regulations will be subject to amended in order to implement the Law on Insurance.

Pensions sector:

- The CBK regulatory framework in the area of pensions will be amended in line with the requirements of the Law on Pension Funds and the EU acquis in the area of pensions. At the request of civil society organisations dealing with gender equality, gender mainstreaming should be ensured in this process, in accordance with the Law on Gender Equality.

*Implementing priorities*

Banking sector:

- Training and qualification of the bank supervision staff on application of the Basel Capital Framework standards and the International Financial Reporting Standards. Training related to these two points, including technical assistance, is done in cooperation with the IMF under the FSSR;
- Analysis and adoption of best practices of the EU countries in the area of customer protection;
- Capacity building for administering the emergency situations in the event of crisis and resolution of troubled banks.

Deposit Insurance Fund:

- Advance collaboration with safety net partners and strengthen cooperation with stakeholders in the financial sector;
- Increase of public awareness through continued and effective communication;
- Advance differential premium system and reporting by member banks.

Insurance sector:

- Training and qualification of staff on insurance supervision in applying the Solvency standards I and II;
- Preparations for the entry into force of solvency (Solvency II).

Pension sector:

- Training and qualification of Pension Supervision staff and application of the IOPS standards and principles;
- Training of staff in the area of pension consolidated supervision;
- Analysis and adoption of best practices of the EU countries in the area of protection of participants and beneficiaries in/from pension funds.

### **3.10. Acquis Chapter 10: Information Society and Media**

This SAA chapter covers electronic communication, information society services and audio-visual policy by which the European regulations promote and encourage competition, development and a more comprehensive approach to modern services and technologies, with particular emphasis on the interests of end users. In the area of electronic communications, the EU acquis aims to implement the objectives specified in Law No. 04/L-109 on Electronic Communications, Electronic Communication Sector Policy – Digital Agenda for Kosovo, as well as in the EU Regulatory Framework for provision of broadband services, safety of electronic communications networks and services, by promoting and protecting effective competition through the implementation of adequate mechanisms which guarantee the protection of competition and the provision of appropriate and appropriate services throughout the territory of the Republic of Kosovo.

The main issues that are covered in the area of electronic communications are the following: the provision of high-speed broadband services within the shortest time possible, with high security and reasonable prices for consumers, provision of universal services, planning and the evaluation of frequency bands of special economic importance as well as the security of electronic communications networks and services. Main issues in the area of information society services include the following: information security, e-governance, e-health., e-signature, e-commerce and public sector. Main issues in the area of audio-visual

policy are the following: audio-visual media services, public services for radio emission, minors' protection, film heritage and cultural diversity.

#### *SAA Requirements*

The relevant SAA provision are part of Chapter VIII, Article 101, on cooperation in the area of information society, mainly supports the gradual approximation of Kosovo's policies and legislation with that of the EU. Global objectives will be to prepare society as a whole for the digital age and to identify measures to ensure the interoperability of networks and services. Article 109 regulates the cooperation and promotion of the audio-visual industry in Europe and the support of co-production in the areas of cinema and audio-visual media, including, among others, programmes and facilities for training journalists and professionals in the audio-visual media industry. This article also addresses the technical assistance to the public and private media of Kosovo, in order to strengthen their independence, professionalism and connections with the European media, to ensure approximation of policy on regulating the content of cross-border broadcasts with those of the EU, alignment of legislation, and appropriation of copyright, and to strengthen the independence of regulatory authorities. Article 111 deals with the strengthening of cooperation in the areas of networks and electronic communications services, with the ultimate objective of Kosovo's adoption of EU legislation in the sector five years after the entry into force of this Agreement, paying special attention to ensuring and strengthening the independence of regulatory authorities.

#### *Requirements deriving from other EU accession mechanisms*

With regard to the requirements of the ECs *Kosovo 2019 Report* in the area of electronic communications, information society services, and audio-visual policies, Kosovo is needed to continue its efforts in approximating and completing the Legislative Framework in terms of alignment with EU acquis. Moreover, in the context of increasing professional and institutional capacities, it is recommended to strengthen the independence and capacity of the Telecommunication (RAEPC) and Media Regulatory (IMC). The report also estimates that Kosovo has not marked progress in the process of switching from analogue to digital television. The report also recommends revising the Law on Independent Media Commission in order to increase the availability of data in the audio-visual sector and to broaden the regulatory, monitoring and enforcement powers of the regulator.

Among other things, in the area of electronic communications and information society, the report estimates that Kosovo should make more efforts to implement e-government frameworks and services, as well as to implement the + 383 code in its entirety. It is also recommended that the Computer Security Incident Response Team is staffed with sufficient and trained personnel.

In the area of audio-visual policy, the report estimates that the IMC has failed to make any substantial progress in implementing the digitalization strategy, although the deadline for ITU was June 2015. Consequently, the report urges for Kosovo to accelerate its efforts and ensure that digital switching is carried out in full transparency and in accordance with EU standards.

With regard to the requirements deriving from the Subcommittee on Innovation (2019) in the area of electronic communications, information society services, and audio-visual policy, the legal and strategic framework is planned to be complemented. Furthermore, the Government of Kosovo should provide adequate budgetary resources in the area of information society services, in particular for the implementation of the Strategy for e-Governance and the Cyber Security Strategy. Also, relevant institutions should take steps to transpose the NIS Directive (on security of network and information systems) and eIDAS Directive (on electronic identification and trust services for electronic transactions). On the other hand, the report assesses that Kosovo should take the necessary steps to connect Kosovo to the GEANT Network, starting with a feasibility study. Regarding the assistance, EC invites Kosovo to use EU funds (EUR 30 million) for technical assistance for large-scale projects under the WBIF.

Furthermore, the Government of Kosovo, in the area of audio-visual policy, should take all necessary steps to implement the crossover from analogue system to *digital* transmission system. Consequently, Government of Kosovo should adopt the Strategy on Crossing the *Digital* Transmission as soon as possible so that the Independent Media Commission implements the Law and Strategy on the relevant matter.

Among other things, Kosovo institutions should provide a model that ensures sustainable financing of RTK. In the context of strengthening the professional capacities, Government of Kosovo should provide adequate capacities and resources aiming the functioning of RAEPK and IMC. Likewise, Kosovo institutions should ensure the minimum capacities in national CERT (Computer Emergency Response Team - CERT), respectively computer emergency response team, in accordance with the ENISA recommendations.

## ***State of Play***

### *Legislative and Policy Framework*

#### *Electronic communications*

The legislative framework in this area consists of the following relevant normative acts:

- Law on Electronic Communications;
- Regulation No. 05/2017 on construction, installation and supervision of electronic communications infrastructure;
- Regulation No. 1/2018 on for data collection for electronic communications infrastructure;
- Regulation No. 40 on use of radio frequency bands exempted from individual authorization and technical conditions for use of radio equipment in these band (046/B/18, 03 August 2018);
- Regulation No. 39 on Universal Services in Electronic Communications (036/B/18, 04 July 2018);
- Regulation No. 38 on contracts, transparency and disclosure of information, and other safeguards for end-users for the provision of electronic communications networks and services (022/B/18, 19 April 2018);
- Regulation No. 37 on general authorisations (019/B/18; 16 April 2018),
- Regulation No. 36 on the quality of electronic communication services (016/B/18 16 April 2018)
- Regulation No. 35 on payment for the supervision and the right to use the radio frequencies (005/B/18; 19 January 2018);
- Regulation No. 33 on Number Portability for the Subscribers of Public Electronic Communication Services (043/B/17, 26 June 2017);
- Regulation No. 32 on the National Numbering Plan for Electronic Communications Networks in the Republic of Kosovo (038/B/17, 16 June 2017);
- Technical Regulation No 31 on Radio Equipment (032/B/17, 31 December 2017);
- Regulation No. 29 on technical and organisational standards for the security and integrity of networks and/or electronic communications services (046/B/16; 22 November 2016);
- Regulation No. 24 on Accounting Separation (012/B/14 01 April 2014);
- Regulation No. 22 on allocating and usage of radiofrequencies (054/B/13, 31 December 2013);
- Regulation No. 42 on Market Analysis (110/B/19; 18 October 2019);
- Regulation on Cost Accounting to the Fully Distributed Costs (FDC) Method (FDC 043/B/12; 22 June 2012);
- Regulation No. 43 on Common Use of Accompanying Facilities (113/B/19, 18 October 2019);
- Regulation No. 9 on Interconnection (033/B/11 3 June 2011);
- Regulation No 8 Regulation on full and shared common use of the local loop and sub-loop (024/B/11, 18 April 2011); and
- Regulation No 6 on the Provision of Access (012/B/11, 11 February 2011).

These normative acts have transposed the following acts of acquis:

- Regulation No 2015/2120;
- Directive 2002/21/EC as amended by Directive 2009/140/EC;
- Directive 2002/19/EC as amended by Directive 2009/140/EC;
- Directive 2002/20/EC as amended by Directive 2009/140/EC;
- Directive 2002/22/EC as amended by Directive 2009/136/EC;
- Commission Directive 2002/77/EC;
- Directive 2002/58/EC as amended by Directive 2009/136/EC concerning the processing of personal data and the protection of privacy;
- Directive 2009/136/EC;
- Directive 2009/140/EC;
- Directive 1999/5/EC;
- EC Recommendation 2003/311/EC; EC Recommendation 2007/879/EC; and
- EC Decision on classification of radio and terminal devices 200/299/EC.
- Directive 2014/53/EU;
- Decision No 376/2002/EC;
- Decision ECC Dec. (08) 04);
- Decision ECC Dec. (06)04);
- Recommendation 2014/710/EU;
- EC Recommendation 98/322/EC;
- European Commission Recommendation 2005/698/EC on accounting separation and cost accounting systems under the regulatory framework for electronic communications
- Guidelines published by the EU Agency for Network and Information Security (ENISA); and
- Communication from the Commission (COM (2010) 245/final2) dated 26/08/2010 “A digital Agenda for Europe.

The policy framework in this area consists of the following documents:

- The Electronic Communication sector Policy – Digital Agenda for Kosova 2013–2020;
- Development of the Electronic Atlas for Broadband Telecommunications Infrastructure.

#### Information society

The legislative framework in this area consists of the following relevant normative acts:

- Law on Information Society Services;
- Law on Preventing and Combating Cyber Crime;
- Law on Services;
- Law on General Administrative Procedure;
- Law on Government Bodies for the Information Society; and
- Interoperability Framework of the Republic of Kosovo;

These normative acts have transposed the following acquis acts:

- Directive 1999/93/EC;
- Directive 2000/31/EC;
- Directive 2007/64/EC; and
- Directive 2006/123/EC.

The policy framework in this area consists of the following documents:

- Kosovo Information Technology Strategy, including Action Plan for the period 2016-2018; and
- National Cyber Security Strategy and Action Plan 2016-2019.

#### Legislative and Policy Framework in the area of audio-visual policy

The legislative framework in this area consists of the following relevant normative acts:



- Law No. 04/L-44 on the Independent Media Commission;
- IMC 2013/01 Regulation on the Protection of Children and Minors in Audio-Visual Media Services;
- IMC-2013/02 Regulation on Copyright;
- IMC-2014/02 Regulation on Evaluation of the Applications for the IMC License;
- IMC-2016/01 Rules for Distribution of Audio and Audio Visual Media Service Providers; Application Form;
- IMC-2016/02 Regulation for Commercial Audio-Visual Communication;
- IMC-2016-03 Code of Conduct for Audio-visual Media Services in the Republic of Kosovo;
- IMC-2017/01 Regulation for Multiplex Operators at state level;
- IMC-2017/02 Regulation for Audio and Audio Visual Media Service Providers;
- IMC-2017/03 Regulation for the Annual License Fees;
- IMC-2017/04 Regulation for Mandatory Carriage of the Audio-visual Media Services in Multiplex Operators; and
- IMC-2017/05 Regulation for Logical Ordering of Channels;
- Regulation IMC-2019/01 on Support of Local and Regional Audio-visual Media Service Provider.

These normative acts have transposed the Directive AVMSD 89/552/EEC.

Institutional framework:

Electronic communications:

- Ministry of Economy and Environment (MEE);
- Regulatory Authority of Electronic and Postal Communications (RAEPC);

Information society:

- Ministry of Economy and Environment (MEE);
- Ministry of Internal Affairs (MIA), namely the Information Society Agency;

Audio-visual policy:

- Independent Media Commission.

### ***Donor Support***

Regarding the support and funds provided by external donors for the implementation of various activities in the area of electronic communications, funds have been donated by donors such as: World Bank, IPA, etc. MEE in cooperation with the World Bank is developing the programme for Kosovo Digital Economy. KODE components are based on projects that will develop broadband interconnection infrastructure in uncovered areas, human capital and digital businesses to introduce Kosovo into the digital economy of the future. It will provide high-speed (broadband) infrastructure and will support access to labour markets, new sources of knowledge and public services for families and institutions in underdeveloped rural areas. Kosovo is doing all the preparatory work to connect to the Pan-European Network for Research and Education Network - GEANT.

Within the KODE Project, during 2019 implementation of 12 sub-projects, titled *Extending broadband infrastructure in uncovered areas*, has been completed, while during 2020 implementation of 11 other sub-projects is ongoing, which include coverage of broadband infrastructure of approximately 85 villages in total.

In order to accomplish the strategic objectives for the development of the Information Society (and the Kosovo Information Technology Strategy), support and funds from various donors, such as WB and EU, have been donated. Implementation of the IPA 2017 funded project *EU Support for the competitiveness of Kosovo's ICT Sector* (3 million) has commenced, yet its training activities have not yet started due to the pandemic. Contracts for the supply of computer equipment for the 8 training halls have been signed, as

well as with the training provider, and activities are planned to start once the risk of pandemic is over, and will extend for a period of 3 years. The main beneficiary of this action is MEE. The overall objective of the project is to enhance the competitiveness of Kosovo's digital and traditional businesses by supporting growth of Kosovo's Information and Communication Technology (ICT) sector leading to growth and new job creation. The Specific Objectives of the proposed action are to bridge the digital and business skills gap in a sustainable manner that meets the needs of the market and increases the competitiveness of Kosovo's digital and traditional businesses and to increase the exports of Kosovar businesses by using the full potential of digital technologies. Furthermore, the planned IPA 2019 project *Support to digitalization of businesses through ICT* (EUR 4 million) has been approved by the EC and implementation has begun. The overall objective of this project is to increase the efficiency and productivity of the private sector by increasing the use of ICT, creating e-business / e-commerce ecosystem security and improving e-services for citizens and businesses.

***Kosovo Digital Economy - KODE Project*** that is under implementation by MEA in cooperation with the World Bank (WB), namely the second Component of KODE, is based on projects that will develop human capital and digital businesses to introduce Kosovo into the digital economy of the future, and that will support access to labour markets, etc. At national level, the Project will train and liaise young people with employment opportunities on the Internet; and will improve access to knowledge sources, including better opportunities and cooperation, for higher education institutions.

### ***Medium-term Priority Objectives***

In order to meet the obligations deriving from the SAA and the other EU accession documents and mechanisms in the areas within the scope of Chapter 10, the focus over 2021 – 2024 will be in the following medium-term priorities:

#### *Electronic communications:*

- Drafting and adoption of primary and bylaws in the area of electronic communications;
- Adoption and start of implementation of the new Digital Strategy of Kosovo (2021-2030);
- Promoting competition in the broadband electronic communication market in order to increase the efficiency of market regulation and to make efforts to provide high-speed Internet access to all inhabitants of Kosovo;
- Establishment of the National Radio Monitoring Network with enables 24/7 monitoring through fixed/nomadic and mobile monitoring stations.

#### *Information society*

- Drafting and adoption of primary and bylaws transposing the EU NIS Directive and EU eIDAS Regulation;
- Implementation of the Kosovo Information Technology Strategy;
- Enhancement of the Interoperability Platform, and interconnection of most of the existing electronic systems through this Platform;
- Developing the "e-Kosovo" services portal, in order to increase the number of electronic services for citizens and institutions; and
- Establishment of the Disaster Recovery Centre.

#### *Audiovisual policies:*

- Amending the Law on the Independent Media Commission; and
- Drafting regulations and packages for multiplex operators at the state and regional level

However, the planned drafting of these regulations as well as the entire process of transition to digital broadcasting is dependent on the adoption of the Strategy for Transition to Digital Terrestrial Broadcasting by the Government.

### 3.11. Acquis Chapter 11: Agriculture and Rural Development

The agriculture chapter covers a large number of binding rules, many of which are directly applicable. The proper application of these rules and their effective enforcement and control by an efficient public administration are essential for the functioning of the Common Agricultural Policy (CAP). Running the CAP requires the setting up of management and quality systems such as a paying agency and the integrated administration and control system (IACS), and the capacity to implement rural development measures.

Chapter 11 requires that Member States must be able to apply the EU legislation on direct farm support schemes and to implement the common market organisations for various agricultural products.

#### *SAA Requirements*

With regard to the SAA requirements concerning the Legislative Framework (approximation with EU acquis) the obligation for chapter 11 stems from Article 74 and 102 of the SAA. According to Article 102 of the SAA, the cooperation between the Parties shall be developed in all priority areas related to the EU acquis in the area of agriculture, as well as on quality schemes for agricultural and food products, food safety, veterinary and phytosanitary domains. According to SAA, the cooperation shall notably aim to modernise and restructure the agriculture and agro-industrial sector in Kosovo, in particular to achieve EU sanitary requirements. In addition, cooperation under the SAA also aims to improve water management and rural development, to develop the related aspects of the forestry sector in Kosovo, and to support the gradual approximation of Kosovo legislation and practices to the EU acquis.

#### *Requirements from other EU accession mechanisms*

With regard to the area of agriculture and rural development, the *EC Kosovo 2019 Report* states that Kosovo has made some progress in implementing the rural development programme. The report also states that limited progress has been made in implementing the agricultural and rural development programme. Furthermore, Kosovo should particularly improve the assessment and monitoring of grants and direct payments; review and update the programme for agriculture and rural development in order to make investments in this sector more efficient; and take urgent, effective measures to stop the loss of agricultural land and to implement spatial planning legislation. The report states that in order to make best use of sector assistance and achieve maximum impact, the strategy and programme for agriculture and rural development (2014-2020) require a full and transparent evaluation and update, taking into consideration developments and registration of agriculture 2015. No changes have been made regarding the mechanism and requirements for direct payments, which remain related to the level of production. There is a lack of professional capacity for evaluation, monitoring and accounting at the Agricultural Development Agency that continues to slow down adequate application processing and payment execution. 'Cross compliance' measures should be introduced in the agriculture programme, while advisory services for farmers remain to be strengthened.

Regarding the establishment and organisation of markets, no progress has been made on the establishment of a Common Market Organisation. In this regard, Kosovo should take steps to create a legal basis for their establishment and functioning.

The report states that no significant changes have been made in the area of rural development, where measures continue to address the modernization of farms and food processing facilities. The level of funding remains low and the efficiency of current rural development measures remains weak, especially investment-related in farms, primary food processing, job creation in rural areas, development and empowerment of local communities, and land congestion, access to irrigation and farmer education updates.

In relation to the legal basis for quality policies, it still needs to be aligned with the Acquis and adequate implementation ensured. Changes in legislation on agricultural land use continue to limit its availability and productivity on farms. As per the loss of agricultural land, there is no official information on how much agricultural land is lost each year in Kosovo and there is no strategy or action plan to address this issue. Therefore, in cooperation with the Ministry of Economy and Environment, MAFRD should take urgent measures to stop further losses of agricultural land and to implement legislation regulating spatial planning.

Other obligations of Kosovo towards EC requirements in the agricultural sector are: pursuing quality policies, recording the first geographical indication as an objective, approving concept-document on agricultural land, conducting an *ex-post* evaluation of the Law on Organic Farming, as well as report to the Commission on measures taken against illegal construction on agricultural land according to the requirements approved by MAFRD.

As far as horizontal issues are concerned, EC urges for further alignment of the Legislative Framework with the EU Acquis in all sectors, in line with EU best practices, and to proceed with staff equipment to all bodies involved in agriculture management, food safety, and fisheries under the EU Acquis, including the Phytosanitary reference laboratory. The request of EC is to revise and update the Agriculture and Rural Development Programme in order to make investments in this sector more efficient.

### ***State of Play***

#### *Legal, policy and institutional framework*

##### Rural development

The legislative framework in this area consists of the Law No. 03/L-098 on Agriculture and Rural Development, which has transposed the Council Regulation (EC) No 73/2009; and Council Regulation (EC) No. 1217/2009

As regards the bylaws in the area of rural development sector, a total of 12 AIs have been adopted.

The policy framework in this area consists of the following documents:

- Agriculture and Rural Development Programme 2014-2020;
- Rural Development Programme 2018.

The institutional framework in the Rural Development Sector is composed of the Department of Rural Development Policy/Managing Authority

##### Agriculture

The legislative framework in this area consists of the following relevant normative acts:

- Law No 04/L-253 on Agricultural Census;
- Law No 02/L-26 on Agricultural Land;
- Law No 04/L-040 on Land Regulation;
- Law No 03/L-198 on irrigation of agricultural lands;
- Law No 02/L-98 Plant Variety Protection;
- Law No 2003/5 on Seeds;
- Law No 2003/10 on Artificial Fertilizers;
- Law No 04/L-085 on Organic Agriculture;;
- Law No 04/L-041 on Production, Gathering, Processing and Marketing of Tobacco;
- Law No 2003/9 on Agricultural Cooperatives;
- Law No 04/L-191 on Agriculture Livestock; and

- Law No 02/L-85 on Fisheries and Aquaculture.

Regarding bylaws in the agricultural sector, a total of 12 AIs have been adopted.

These normative acts have partially transposed the following acts of the *acquis*:

- Regulation No 1166/2008 of the European Parliament;
- Council Directive No 157/2009/EC;
- Council Directive No 87/328/EEC;
- Council Directive No 88/661/EEC;
- Council Directive No 90/118/EEC;
- Council Directive No 90/119/EEC;
- Council Directive No 89/361/EEC;
- Council Directive No 90/427/EEC;
- Council Directive No 91/174/EEC;
- Council Directive No 94/28/EC;
- European Council (EC) Directive No 2100/94;
- Commission Implementing Directive No 97/2014/EC;
- Council Implementing Directive No 90/2008/EC
- Council Directive No 66/402/EEC;
- Regulation (EC) No 2003/2003 of the European Parliament;
- EU Regulation (EC) No 834/2007;
- EU Regulation (EC) No 889/2008;
- Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products;
- Commission Regulation (EC) No 889/2008 of 5 September 2008 laying down detailed rules for the implementation of Council Regulation (EC) No 834/2007 on organic production and labelling of organic products with regard to organic production, labelling and control.

The policy framework in this area consists of the following documents:

- Agriculture and Rural Development Plan 2014-2021;
- Direct Payment Programme 2018;
- Land Consolidation Strategy 2010-2020;
- Horticultural Sector Strategy 2009-2013;
- Green Report 2017;
- Action Plan 2010-2020 for the implementation of the strategy;
- Action Plan for Organic Agriculture 2018-2021.

Land sector: the institutional framework in this sector consists of the Department for Agricultural Policy and Markets.

#### Viticulture

The legislative framework in the area of viticulture consists of the following main relevant normative acts:

- Law No 02/L-08 for wines as amended by Law No 04/L-019 for the amendment of Law No 02/L-08; and
- AI - No 01/2017 on registration of vineyards, mandatory declarations, accompanying documents and evidence in wine cellars.

These normative acts have partially transposed the following acts of the *acquis*:

- Commission Regulation (EC) No 436/2009;
- Council Regulation (EC) No 479/2008;
- Commission Regulation (EC) No 555/2008;

- Council Regulation (EC) No 479/2008;
- Commission Regulation (EC) No 606/2009;
- Commission Regulation (EC) No 607/2009;
- Council Regulation (EC) No 491/2009; and
- Regulation of the Commission and European Council (EU) No 1308/2013.

The policy framework in this area consists of the Viticulture and Vineyard Sector Strategy 2018-2022.

The *institutional framework in the area of viticulture* consists of the Department for Vineyards and Wine, and the Sector of Advisory Services.

The Legislative Framework in the sector of *advisory services* consists of the Law No 04/L-074 on Agriculture and Rural Development Advisory Services, which partially transposes the Council Regulation (EC) No. 73/2009.

Regarding bylaws in the sector of advisory services, a total of 9 AIs were adopted.

The policy framework in this area consists of the Strategy of Advisory Services for Agriculture and Rural Development 2015-2020.

The *institutional framework in the area of advisory services* consists of the Department of the Advisory and Technical Services.

MAFRD executive agencies are the following: Agency for Agricultural Development and Kosova Forestry Agency.

### ***Donor Support***

In the area of **agriculture**, the main projects in recent years are targeting the Agricultural and Rural Development Programme/rural grant schemes to increase the competitiveness of the sector in general.

From the IPA-2015 programme, the projects that are expected to be implemented during 2020 are: grant in the amount of EUR 8.8 million and the Twinning project where the first steps will be taken to create a legal basis for the establishment and functioning of the Common Market Organisation (CMO), where the project is worth EUR 1,200,000. Expected results include improved production capacity of Kosovo farmers with the potential to become agro-entrepreneurs and agro-rural operators; improved capacities for Kosovo in relation to the Common Market Organisation (CMO) and agricultural statistics.

Projects planned under IPA 2019 and 2020 shall contribute to improve irrigation, forestry, and vinery sector, where the EU is expected to support the agricultural sector in the amount of EUR 14 million, including further capacity enhancement of the Kosovo Agriculture Institute's laboratory.

In the framework of Donor Support, the German Government through the German Agency for International Cooperation (GIZ) is implementing the project (2018-2021) called 'Creation of Employment through Promotion of Export' (CETEP), which started in 2018 and amounts to over EUR 5,500,000,000. Another important donor is the World Bank, which through the project "Agriculture and Rural Development Project" will continue supporting this sector in the amount of 19,480.00.00 million EURO. The project aims to promote competitiveness and growth in the livestock and horticultural subsectors over the next decade through the implementation of selected measures from the agricultural strategy.

### ***Medium-term Priority Objectives***

In order to meet obligations derived from SAA and other EU accession documents and mechanisms within the scope of Chapter 11, during 2020-2023 the focus shall be on the following medium-term priorities:

- Increasing the sustainable development of the agricultural sector and ensuring the appropriate level of income of agricultural producers, as well as sustainable production of quality food and environmental protection;
- Growth of competitiveness in agriculture, especially in the agro-food sector, promoting development and employment opportunities, and improving the quality of life in rural areas;
- Growth of farms potential production that enables the increase of domestic production and reduced import of agricultural products;
- Investments in modernizing the irrigation system and expanding existing farm-level systems and other activities foreseen in the framework of the ARDP implementation.

### **3.12. Acquis Chapter 12: Food Safety, Veterinary, and Phytosanitary Policy**

The integrated approach of the EU on food safety aims to ensure a high level of food safety, animal health, animal welfare and plant health within the EU through coherent measures farm-to table and appropriate monitoring, ensuring the effective functioning of the internal market.

Chapter 12 covers detailed rules in the area of food safety. The general foodstuffs policy sets hygiene rules for foodstuff production. Furthermore, the acquis provides detailed rules in the veterinary area, which are essential for safeguarding animal health, animal welfare and safety of food of animal origin in the internal market. In the phytosanitary area, EU rules cover issues such as quality of seed, plant protection material, harmful organisms and animal nutrition.

#### *SAA Requirements*

The obligation for Kosovo legislation approximation with Chapter 12 to that of the EU derives from the Articles 74 and 102 of the SAA. Article 102 of the SAA provides for cooperation between the Parties to be developed in all priority areas related to the EU acquis in the area of agriculture, as well as on quality schemes for agricultural products and foodstuffs, food safety, veterinary and phytosanitary domains. Cooperation shall notably aim at modernising and restructuring the agriculture and agro-industrial sector in Kosovo, in particular to reach EU sanitary requirements, to improve water management and rural development as well as to develop the related aspects of the forestry sector in Kosovo and at supporting the gradual approximation of Kosovo legislation and practices to the EU acquis.

#### *Requirements from other EU accession mechanisms*

Besides the obligations from SAA, Kosovo must also meet the requirements deriving from the EC *Kosovo 2019 Report*, and the meeting of the Subcommittee on Agriculture and Fishery held in May 2019. These documents emphasize some of the key areas of Kosovo for improvement, such as: providing an integrated food control system, including the transfer of municipal inspectors to FVA; continuation of the legal basis approximation with the EU Acquis; improving infrastructure at border veterinary inspection points and providing quarantine facilities for animals; ensuring sufficient funding and capacity for the full implementation of the multiannual animal disease control and surveillance programme; capacity building of KFVA for emergency response during outbreaks of diseases; ensuring an adequate system for the collection of animal by-products; approving necessary measures to implement the legislation on the identification and registration of animals at the level of animal markets, slaughterhouses and animal transport; intensification of efforts towards the inclusion of 'cross-compliance' measures in the area of food safety and animal health and welfare under the agriculture programme; improving implementation and operational capacity of the institutions in charge of plant health; adoption of a strategy for the promotion of agro-food enterprises; and strengthening mechanism of cooperation with Serbia in the fight against illegal animal trade and agricultural and food products.

## *State of Play*

### *Legal, Policy and Institutional Framework*

#### Food safety

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 03/L-016 on Food;
- La No. 04/L-114 on Flour Fortification
- Law No. 2003/22 on the Sanitary Inspectorate of Kosovo
- Law No. 02/L-109 for Prevention and Fighting against Infectious Diseases
- Law No. 04/L-156 on Tobacco Control;

For further amendment of the Legislative Framework, a total of 25 bylaws that regulate food safety area have been approved, six (6) of which were approved in 2018.

These normative acts have transposed the following *acquis* acts:

- Regulation No. 178/2002 of the European Parliament and of the Council
- Regulation No. 882/2004 of the European Parliament and of the Council;
- Regulation No. 852/2004 of the European Parliament and of the Council;
- Regulation No. 853/2004 of the European Parliament and of the Council;
- Regulation No. 854/2004 of the European Parliament and of the Council;
- Regulation No. 2073/2005 of European Commission;
- Regulation No. 1169/2011 of the European Parliament and of the Council;
- Regulation No. 1331/2008 of the European Parliament and of the Council;
- Regulation No. 1332/2008 of the European Parliament and of the Council;
- Regulation No. 1333/2008 of the European Parliament and of the Council;
- Regulation No. 1334/2008 of the European Parliament and of the Council;
- Regulation No. 1881/2006 of European Commission;
- Regulation No. 333/2007 of European Commission;
- Regulation (EC) No. 183/2005 of the European Parliament and of the Council dated 12 January 2005 laying down requirements for feed hygiene.

Policy framework in this area consists of National Annual Plan of controls and Sampling as well.

The *institutional framework* in this area consists of the following institutions:

- Ministry of Agriculture, Forestry and Rural Development;
- Ministry of Economy and Environment;
- Ministry of Trade and Industry;
- Ministry of Health;
- Food and Veterinary Agency;
- Municipalities (Municipal Inspectorates).

#### Veterinary

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 2004/21 on Veterinary;
- Law No. 02/L-10 on Animal Welfare;
- Law No. 03/L-016 on Food;
- Law No. 02/L-111 Apiculture;

These normative acts have partially transposed the following *acquis* acts:



- Regulation (EC) No 1760/2000 of the European Parliament and of the Council repealing Council Regulation (EC) No 820/97;
- Regulation No. 494/98 laying down detailed rules for the implementation of Council Regulation (EC) No 820/97;
- Regulation No 911/2004 implementing Regulation (EC) No 1760/2000 of the European Parliament and of the Council;
- Regulation No 21/2004 amending Regulation (EC) No 1782/2003 and Directives 92/102/EEC and 64/432/EEC; and Directive 2008/71/EC;
- Commission Regulation (EC) No 1251/2008 implementing Council Directive 2006/88/EC;
- Council Directive 2003/85/EC repealing Directive 85/511/EEC and Decisions 89/531/EEC and 91/665/EEC and amending Directive 92/46/EEC, 2004/07;
- Council Directive 2005/94/EC repealing Directive 92/40/EEC;
- Council Regulation No. 1/2005 and amending Directives 64/432/EEC and 93/119/EC and Regulation No. 1255/97;
- Council Directive 93/119/EC;
- Council Directive 2008/119/EC;
- Council Directive 98/58/EC;
- Council Directive 2008/120/EC;
- Commission Regulation No. 1881/2006 amended by Commission Regulation No. 1126/2007 and Regulation No. 565/2008;
- Council Directive 96/23/EC repealing Directives 85/358/EEC and 86/469/EEC and Decisions 89/187/EEC and 91/664/EEC, Commission Decision 97/747/EC, based on the Council Directive 96/23/EC and Commission Decision 98/179/EC;
- Directive 91/496/EEC;
- Directive 97/78/EC;
- Commission Regulation No. 605/2010.

Policy framework in this area consists of National Annual Plan for Official Controls as well.

#### Institutional framework in the area of veterinary

The institutional framework in this area consists of the following institutions:

- Ministry of Agriculture, Forestry and Rural Development;
- Food and Veterinary Agency;
- Municipalities (Municipal Inspectorate);
- Veterinary Chamber of Kosovo;
- Customs;
- Kosovo Police.

#### Legislative and Policy Framework in the area of phytosanitary

This legislative framework in this area consists of the following main relevant normative acts:

- Law No. 03/L-029 on Agricultural Inspectorate;
- Law No. 02/L-95 on Plant Protection;
- Law No. 03/L-042 on Plant Protection Products;
- Law No. 03/L-016 on Food;
- Law No. 2004/13 on Planting Material;
- Law No. 2003/5 on Seeds in Kosovo;
- Law No. 2003/10 on Fertilizers;
- Law No. 04/L-019 amending the Law No. 02/L-8 for Wines;
- Law No. 02/L-98 on Protection of Plants Varieties;
- Law on Strong Alcoholic Beverages (approved by the Government on 24 December 2018, still not approved by the Assembly of the Republic of Kosovo).

These normative acts partially transposed the following acquis acts:

- Directive 2000/29/EC;
- Council Directive 91/414/EEC;
- Regulation of Parliament and Council No. 1107/2009, which repeals Council Directive No. 79/117/EEC and Directive No. 91/414/EEC;
- EC Regulation No. 1907/2006;
- Regulation (EC) No 396/2005 of the European Parliament and of the Council amending Council Directive 91/414/EEC;
- Regulation No. 178/2002 of the European Parliament;
- Directive No. 2008/72/EC;
- Commission Regulation (EC) No. 436/2009 laying down detailed rules for the application of Council Regulation (EC) No. 479/2008;
- Council Regulation (EC) No. 479/2008;
- Commission Regulation (EC) No 555/2008 laying down detailed rules for implementing Council Regulation (EC) No 479/2008;
- Commission Regulation (EC) No 606/2009 laying down certain detailed rules for implementing Council Regulation (EC) No 479/2008;
- Commission Regulation (EC) No 607/2009 laying down certain detailed rules for the implementation of Council Regulation (EC) No 479/2008;
- Council Regulation (EC) No. 491/2009 amending Regulation (EC) No. 1234/2007;
- Regulation (EU) No 1308/2013 of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007;
- Council Regulation (EC) No. 2100/94; and
- Commission Implementing Directive 2014/97/EU implementing Council Directive 2008/90/EC.

#### Institutional framework in the area of phytosanitary

This institutional framework in this area consists of the following institutions:

- Ministry of Agriculture, Forestry and Rural Development;
- Food and Veterinary Agency;
- Municipalities (Municipal Inspectorate);
- Customs;
- Kosovo Police.

#### **Donor Support**

In the framework of IPA 2015, the country's institutions benefit through the project “*Support to the Food and Veterinary Agency in capacity development to implement the integrated food safety system, including the improvement and functionalization of the information technology system.*” While under IPA-2017: “*Improving the Infrastructure of the Laboratory and Regional Offices*”; “*Establishment and implementation of a transparent disease surveillance and control programmes*”; and “*Preparing a Comprehensive Document for the Transposition and Implementation of the EU Acquis in Chapter 12 - Food Safety, Veterinary and Phytosanitary Policy*”. Also, from the LuxDev funded project together with the Norwegian Embassy, FVA benefits from a project with 4 objectives, namely:

- Training of Trainers for Veterinary Inspectors dealing with the animal by-products categorization and collection;
- Study visit of veterinary inspectors dealing with categorization and collection;
- Training on movement, animal diseases and livestock markets for inspectors and farmers;
- Drafting AI implementing the AI laying down health rules for animal by-products and their derivatives not intended for human consumption.

### *Medium-term Priority Objectives*

In order to meet the obligations derived from the SAA and other documents and mechanisms of EU accession within the scope of Chapter 12, during 2021-2024 the focus will be in the following medium-term priorities:

- Completion of the Legislative Framework regulating food safety, animal and plant health, partially transposing EU acquis, such as: Regulation No. 2016/429 of the European Parliament and of the Council; Council Directive 66/402/EEC; Council Directive 66/401/EEC; Council Directive 2002/53/EC; Council Directive 2002/54/EC; Council Directive 2002/55/EC; Council Directive 2002/56/EC; Council Directive 2002/57/EC; Council Directive 68/193/EEC; Council Directive 1998/56/EC; Regulation 2016/2031 of the European Parliament and of the Council; Council Regulation (EEC) 2075/92; Council Regulation 1636/98 amending Regulation 2075/92; Directive (EC) 2001/37; Directive 2009/54/EC of the European Parliament and of the Council; Regulation No. 998/2003 of the European Parliament and of the Council; Commission Regulation No. 1082/2003; Council Directive 88/166/EEC; Council Directive 98/58 EC; Directive 2002/46/EC; Council Directive 89/108/EEC; Directive 2009/54/EC of the European Parliament and of the Council; Regulation (EC) No. 258/97; Regulation No. 2003/2003 of the European Parliament and of the Council; Regulation (EC) No. 1107/2009 of the European Parliament and of the Council, repealing Council Directives 79/117/EEC and 91/414/EEC; Council Directive 66/402/EEC; Regulation No. 396/2005/EC; and Regulation No. 92/70/EEC; Directive 2000/29/EC; Directive 2100/94; Directive 2014/97/EU; Directive 2008/90/EC; EC Regulation 1107/2009; Council Regulation 834/2007; and EC Regulation 889/2008.
- Drafting Multi-Annual National Control Plan;
- Transfer of veterinary and phytosanitary inspectors from the municipal level to the central level;
- Further advancement of the Animal Identification and Registration Database;
- Improvement of infrastructure at border veterinary inspection points and provision of quarantine facilities for animals;
- Inclusion of 'cross-compliance' measures in the area of food safety and animal health and welfare under the agriculture programme;
- Operational capacity increase of responsible institutions for plant health to ensure an effective system of control and plant diseases;
- Continue of empowering mechanisms of cooperation with Serbian counterparts in the fight against illegal animal trade and agricultural and food products.

### **3.13. Acquis Chapter 13: Fisheries**

Acquis Chapter 13 on Fisheries provides rules for the conservation of living aquatic resources and management of the fleet capacity; control and enforcement; structural actions for operators in the sector; implementation of common marketing standards and joint fishery market organisation and inclusion of producing organisations in implementing these rules. As it is very important in identification of these rules, special emphasis is given to the assessment of existing fish stocks and collection reliable data on fisheries sector. Implementing legislation and policies of Chapter 13 requires inclusion of measures to prepare administration and operators for participation in joint fisheries policy and to gain experience in implementing fisheries legislation and policies.

It should be noted that the final legislative amendments in this chapter lay down detailed and strict rules to be applied effectively not only from member states but also from third countries exporting to the EU. This implies undertaking actions for preparing administration and operators to participate in the common fisheries policy, which covers market policy, resource and fleet management, inspection and control,

structural actions and state aid control. In some cases, existing fisheries agreements and conventions with third countries or international organisations need to be adapted.

According to Article 103 of the SAA, the Parties shall consider the possibility of identifying mutually beneficial areas of common interest in the aquaculture and fishery sectors. Cooperation shall take due account of priority areas related to the EU acquis in these areas and of principles of management and conservation of fisheries resources based on rules developed by relevant international and regional fisheries organisations.

Within the conclusions deriving from the meeting of the Subcommittee on Agriculture and Fishery for 2019, regarding the fishery sector, the EC requires that Kosovo develop policies in line with the Acquis, provide inspections in the fisheries and fish species inventories area. Efforts to empower administrative capacity, as well as inter-ministerial and inter-agency coordination and co-operation, should be increased in order to ensure alignment with the Acquis in the area of fishery.

The aquaculture and fisheries sector is comprised by these relevant normative acts:

- Law No. 02/L-85 on Fisheries and Aquaculture, adopted by the Assembly on 08.07.2013. The law has not yet been aligned with EU acquis.
- AI No. 27/2007 on recreational sport fishing and recreational sport fishing equipment,
- AI No.09/2008 on Licensing of aquaculture activities,
- AI No. 07/2009 on the areas-regions for fishing.

The fisheries sector in Kosovo is not very developed, however, Kosovo has a considerable potential of fresh water, which can ensure great employment opportunities, profits and other opportunities for the country's economic development. The aquaculture sector in Kosovo compared to regional countries and Europe is small and produces a minimum amount of meat fish at about 614 t/year. Trout fish is being cultivated in Kosovo, which is mainly consumed in restaurants, and little or almost nothing available on the market.

MAFRD in cooperation with the Federation of Sport Fishermen of Kosovo (KFRSF) decides on fishing areas, the amount of fish for fishing, fishing equipment, etc. While in aquaculture decisions taken by the MAFRD only and as such are executed by the Inspectorate. According to legislation, licensing in the area of aquaculture at the national level is the responsibility of MAFRD, while the licensing of fishermen for recreational sport fishing is under the competencies of KFRSF. Federation of Sport Fishermen of Kosovo reports to MAFRD on the number of licenses issued. At the same time, MAFRD is notified from the KFRSF on developments in fisheries, restocking and the amount of fish caught by the sports fishermen.

***Medium-term Priority Objectives:***

- Inventory of fish;
- Approximation of aquaculture legislation with Acquis.

**3.14. Acquis Chapter 14: Transport Policy**

This chapter covers part of transport policy stemming from the SAA. EU transport legislation aims at improving the functioning of the internal market by promoting safe, efficient and environmentally sustainable services with an integrated system of user-friendly transport. Furthermore, the transport acquis covers the sectors of road, railways, inland waterways, multimodal, aviation, and maritime transport. In this context, the transport legislation is related to technical standards; safety standards; social standards; including state aid control and market liberalisation in the context of the internal transport market. In addition, the transport policy is also covered by the Title VI, articles 90-100 of the TFEU.

*SAA Requirements*

Transport under the SAA is covered by Chapter II of the Agreement - Provision of Services. Relevant articles are Articles 53, 60, 61, 62 and 113. Article 53 provides for obligations that will derive from the Treaty of Transportation and the obligations assumed through the Treaty of the European Common Aviation Area (ECAA). Article 60 except for taking into account the Treaty of Transport Community and the ECAA Agreement, it also provides for a gradual approximation of legislation in the area of transport in order to promote the liberalization of mutual market access of the Parties and facilitate the movement of passengers and goods and the inclusion of any international conventions relating to road safety. Articles 61 and 62 are mainly focused on transportation of goods in transit from Kosovo through EU territory and destined for a third country or vice versa. Article 113 provides for cooperation between the Parties on priority areas related to the EU acquis in the area of transport.

#### Requirements from other EU accession mechanisms

In the context of the requirements arising from the EC *Kosovo 2019 Report*, in the area of road transport, Kosovo must urgently improve road safety, aiming at reducing road fatalities and serious road traffic injuries, as well as establish a system for the continuous collection of data on road accidents.

Kosovo needs to further approximate the primary and bylaws with the EU Acquis, namely to adopt legislation on Intelligent Transportation System (ITS) and develop a strategic framework for the implementation of ITSs over basic networks, providing sufficient capacities and resources for its implementation. KR also recommends that further efforts should be made to complete alignment with Acquis on Public Services Obligations (PSOs), including transposition of the Acquis on the procedures and criteria for the award of public service contracts in the area of road transport.

As far as connectivity reform measures are concerned, KR requires further efforts to implement measures with a particular focus on measures related to border crossings, road safety and maintenance plans (road and rail).

Among the other requirements arising from the report is also the alignment of Kosovo's legislation with that of the EU in terms of market access, dangerous goods, and interoperability of payment systems, social legislation and road safety, as well as the strengthening of capacities in order to reduce fatal accidents. To reduce the number of fatalities, the report recommends that educational policies shall be developed, staff shall be trained and traffic regulations shall be effectively enforced. Meanwhile, it is also required to further approximate legislation on energy-efficient and clean road transport vehicles, as well as on the establishment of infrastructure for the use of alternative fuels, and to adopt and enforce rules on penalties for breaches of the European Agreement related the work of the crews of vehicles engaged in International Road Transport (AETR).

The report also estimates that Kosovo should prioritize the implementation of the multimodal transport strategy and the development of combined transport.

Meanwhile, in the railway sector, the report estimates that Kosovo needs to increase its efforts towards alignment of domestic legislation in the area of interoperability with the acquis. Kosovo shall also make efforts to align EU acquis on passenger rights in all forms of transport. The RRA's professional capacities should also be strengthened and sufficient funding provided.

In the area of civil aviation, the report estimates that Kosovo has made progress in approximating the acquis and has implemented almost all requirements from the first transitional phase of the European Common Aviation Area Agreement (ECAA), with the exception of some provisions in the area of economic regulation related mainly to law on labour. On the other hand, the report estimates that Kosovo lacks revenue from high airspace management which limits Kosovo's ability to invest in training and infrastructure development.

Meanwhile, within the requirements of the *Subcommittee "INFRA" 2020*, it should be continued with the further approximation of the Legislative Framework of the transport sector with EU acquis in accordance with the best practices. Furthermore, responsible institutions should implement reform measures stemming from the connectivity agenda in the areas of road and railway transport.

Regarding road transport, it is necessary to increase the institutional efforts regarding the implementation of the legislation and improve the quality of road safety data as preconditions for improving road safety, as mentioned in the context of Vienna's soft measures. In this regard, adoption of instructions for Road Safety Inspection and drafting of a three-year inspection plan is required. Furthermore, taking direct measures to establish a Road Accident Registration database is required.

On the other hand, Kosovo institutions are required to tackle with priority the solution of the issue of homologation of old vehicles; it is specifically required that the legislation on vehicle homologation (AI No. 2/2018) be reviewed in order to be aligned with EU best practices and eliminate non-tariff barriers.

The INFRA 2020 Subcommittee also assesses the need to work together with other Western Balkan countries to exchange knowledge and best practices and to reduce the high number of road deaths and serious injuries in road traffic in the region. Institutional efforts should be stepped up for adoption and implementation of Intelligent Transport System (ITS) legislation, as well as for implementation of CONNECTA recommendations.

Meanwhile, regarding rail transport, it is required to sign the 2020-2024 financial agreement, presented by INFRAKOS in October 2019, between the Infrastructure Manager and the authorities in charge.

It is also required to appoint a new board of Directors of the Railway Infrastructure / INFRAKOS and to approve measures in order to increase the number of passengers in rail transport.

In the area of civil aviation, some of the remaining requirements of the first phase of the European Common Aviation Area Agreement (ECAA) on the regulation of labour relations in line with the acquis should be met and the Kosovo Civil Aviation Strategy should be finalized and approved.

## *State of Play*

### *Legislative, Policy and Institutional Framework*

#### Road transport

The Law on Road Transport; legislative framework in this area consists of the following relevant normative acts:

- Law on the Establishment of the Transport Community Treaty;
- Law on Roads;
- Law on Road Transport;
- Law on Railways;
- Law on Civil Aviation;
- Law on Driving Licence;
- Law on Vehicles;
- Law on Road Traffic Provisions; and
- Law on Land Transport of Hazardous Goods.

In terms of completing and further aligning the bylaws, MoI has adopted 23 AIs.

These normative acts have transposed the following acquis acts:

- Directive 2006/126/EC;
- Directive 2000/30/EC;
- Directive 96/96/EC;
- Directive 96/35/EC
- Directive 2008/68;
- Directive 1071/2009;
- Directive 1072/2009;
- Directive 1073/2009.
- Directive 95/50;
- Directive 96/35/EC as amended by Directive 2008/68/EC;
- European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR);
- International Convention concerning the Carriage of Goods by Rail (CIM) and Convention concerning International Carriage by Rail (COTIF); and
- Regulation concerning the International Carriage of Dangerous Goods by Rail (RID).

The policy framework in the area of transport consists of the following documents:

- Sector and Multimodal Transport Strategy 2015-2025 (SSTMM) and the 5-year Action Plan; and
- Strategy on Road Traffic Safety 2016-2020 and Programme for Road Traffic Safety.

Institutional framework

- Ministry of Infrastructure;
- Inspectorate Department;
- Department of Road Infrastructure;
- Department of Road Transportation;
- Department of Vehicles;
- Department of Driving Licence; and
- Coordination Department of the Council on Road Traffic Safety;

Civil aviation

- Law on Civil Aviation;
- Law on the Establishment of the Air Navigation Services Agency;
- Regulation No. 01/2016 amending General Basic Standards on Civil Aviation Security;
- Regulation No. 04/2017 laying down Detailed Measures for the Implementation of the Common Basic Standards on Aviation Security; and
- Regulation No. 01/2017 on the Investigation and Prevention of Accidents and Incidents in Civil Aviation, a regulation transposing EU regulations No: 996/2010 (26 October 2017, AAIIC).

These normative acts have transposed the following acquis acts:

- Kosovo institutions (MI and CAA) have transposed all legislation deriving from the first phase of the European Common Aviation Area Agreement (ECAA), in addition to the Directive 2003/88 which is expected to be transposed by amending the Law on Labour;
- In addition, Kosovo institutions (MoI and CAA) have transposed 71 regulations deriving from the second phase of the European Common Aviation Area Agreement (ECAA);
- Regulation (EU) No. 1141/2011 amending Regulation (EC) No. 272/2009;
- Regulation (EU) No. 245/2013 amending Regulation (EC) No. 272/2009; and
- Regulation (EU) No. 2015/1998 amending Regulation (EU) No. 185/2010;

The policy framework in this area consists of the following documents:

- Sector and Multimodal Transport Strategy 2015-2025 (SSTMM) and the 5-year Action Plan;

- National Programme for Civil Aviation Safety has been approved by the MIA on 4 October 2017 and aims to protect passengers, crew, terrestrial staff and the general public from illegal interventions;
- National Programme for Civil Aviation Safety Quality Control that aims to determine compliance with the effectiveness assessment of the National Programme for Civil Aviation Safety through audits, tests and inspections;
- National Training Programme for Civil Aviation Safety, providing equal opportunities and treatment for both genders, which provides the creation of trained staff for the standardized implementation of preventive security for the safe operation of international flights; and
- National Programme for Civil Aviation Safety in the Republic of Kosovo.

Institutional framework:

- Ministry of Infrastructure;
- Civil Aviation Authority of Kosovo;
- Ministry of Internal Affairs
  - Division for Civil Aviation Safety;
- Aeronautical Accident and Incident Investigations Commission (AAIIC).

Railway transport

The legislative framework in this area consists of the following relevant normative acts:

- Law No. 04/L-063 on Kosovo Railways;
- 28-Regulations covering the licensing, security, interoperability and market regulation; and
- 4 AIs covering licensing, security, interoperability and market regulation.

These normative acts have transposed the following acquis acts:

- EU Directive 2004/49;
- EU Directive 2001/14;
- EU Directive 91/440 and 95/18;
- EU Directive 2007/59;
- EU Directive 2008/57;
- EU Directive 2012/34.

The policy framework in this area consists of the Sector and Multimodal Transport Strategy 2015-2025 (SSTMM) and the 5-year Action Plan.

Institutional framework:

- Ministry of Infrastructure;
- Railway Regulatory Authority (RRA);
- Aeronautical Accident and Incident Investigations Commission (AAIIC); and
- Infrakos.

***Donor Support***

Consequently, during this period of time, in the construction and upgrading of road infrastructure, respectively highways and regional roads (*Rehabilitation of Prishtina - Peja Road M9; Rehabilitation of Prishtina - Mitrovica Road M2; Rehabilitation of Regional Roads, Rehabilitation of the Railway Line X; Road Infrastructure Window; as well as Prishtina Circular Route*) are expected to be invested around EUR 840 mil. Consequently, about EUR 412 million from BRK, while the other half, about EUR 428 mil., will be borrowed by the International Financial Institutions (IFIs), respectively the European Bank for Reconstruction and Development, the European Investment Bank and the Arab Fund. Meanwhile, regarding the preparation



of project technical documentation, financial means are provided or will be provided by Kosovo's international donors, mainly by IPA and WBIF.

### *Medium-term Priority Objectives*

In order to meet the obligations deriving from the SAA and the other EU accession documents and mechanisms in the areas within the scope of Chapter 14, the focus during 2021 – 2024 will be on the following medium-term priority objectives:

- Amending the Law on Kosovo Railways;
- Commencement of the implementation of the 4<sup>th</sup> Railway Package, which includes standards and authorization for rolling stock, training of the workforce, independent infrastructure management, and liberalization of internal market for passengers and goods;
- General rehabilitation and modernization of the 10<sup>th</sup> Railway Line (Serbia border - Leshak - Fushë Kosovë – Hani i Elezit - North Macedonia border);
- Preliminary draft design for the 7<sup>th</sup> railway line Fushë Kosovë - Podujeva - Serbia border;
- Feasibility study for the Prishtina - Prishtina Airport railway line; and
- Draft design for the Klina - Prizren south-western line.

### **3.15. Acquis Chapter 15: Energy**

This chapter contains the EU acquis on energy, namely the EU energy policy objectives include the following: the competition, security of energy supply and sustainability. The EU acquis on Energy consists of rules and policies, notably regarding competition and state aids including the coal sector, conditions for equal access to the resources for exploration and conditions of production in the sector of hydrocarbons. This chapter also determines the conditions of internal energy market, promotion of renewable energy sources, energy efficiency, nuclear security and radiation protection.

#### *SAA Requirements*

The obligation to approximate Kosovo's legislation with that of the EU in the energy sector derives from Article 74 and Article 114 of the SAA. These provisions oblige Kosovo to technically align its national legislation with that of the EU, but also to ensure its implementation. Article 114 states that cooperation between the parties will focus on priority areas related to the acquis of Energy Community. This cooperation will reflect the principles of the market economy and is based on the Treaty establishing the Energy Community, with a view to gradually integrate Kosovo into European energy markets.

It also envisages the possibility of inclusion for assistance in terms of improving and diversifying energy supply and access to the energy market and the application of EU rules on transit, transmission, distribution and restoration of energy interconnections of regional importance to neighbouring countries. It is also envisaged the implementation of the EU acquis on energy efficiency, renewable energy sources and environmental impact from the energy sector.

#### *Energy efficiency and renewable energy sources*

According to Article 114 of the SAA, the Republic of Kosovo must approximate and implement the EU acquis on energy efficiency, renewable energy sources and the environment affected by energy activities, to promote energy saving, energy efficiency, utilization of energy from renewable sources, reduction of environmental emissions, and research and development in these areas.

#### *Measures by the Energy Community Ministerial Council*

As a contracting party to the Energy Community Treaty, Kosovo has the obligation to align and implement the EU acquis listed in Article 10<sup>18</sup> of the Treaty establishing the Energy Community.

### **Security of Supply and Internal Energy Market**

#### *Requirements from other EU accession mechanisms*

The EC *Kosovo 2019 Report* emphasizes that Kosovo has a level of preparation in the area of energy. It is especially recommended to start implementing the acquis on security of energy supply, decommissioning the TPP Kosovo A and to ensure the establishment of new generating capacities. It is further stated that the security of the electricity supply continues to be compromised as, due to the obstacles made by the Serbian System Operator (EMS) in implementing the connection agreement between the European Network of OSTs (ENTSO-E) and KOSTT, the OHL 400kV transmission line with Albania remains dysfunctional. However, the lack of a political solution to the dispute also resulted in energy deviations originating in Kosovo and Serbia, which resulted in frequency deviations throughout the synchronous area of the European continent in the winter of 2017/2018. It is also noted that there is no progress in approximating legislation in the area of mandatory oil reserves with the acquis. Currently, oil stocks are estimated to suffice for four days only.

Regarding the *domestic energy market*, the selection of a builder is in progress for the new coal-fired power plant “Kosova e Re” project. Following the withdrawal of the World Bank from the partial loan guarantee, financing arrangements for the project estimated at over EUR 1 billion have not yet been completed. The latter can have a major impact on public finances, fees and the environment and this should be assessed carefully. The contractual framework for the construction of the new plant, which includes the determination of a single buyer of the electricity produced, could negatively affect market opening. The lack of regional integration and the old disagreement between the operators of the Kosovo and Serbia transmission systems is limiting the scope for developing competition.

Urgent environmental measures must be taken in TPP Kosova B to reduce the level of gas emissions into the air and to adhere to the emission limit. The Kosovo Energy Corporation (KEK) must set the schedule for all work within the framework of the planned EU assistance for the renovation of Kosovo B in order to approximate the provisions of the Directive on large combustion power plants in relation to emissions of nitrogen dust and oxides (NO<sub>x</sub>). Preparations should also be made for the decommissioning of non-operating units in Kosovo A, including the identification of the location for hazardous waste disposal. The current legislative framework is not in line with the directives on large combustion plants and industrial emissions. The report notes that Kosovo has made some progress in removing indirect subsidies between different consumer categories, but fees for households still do not reflect costs. Regarding the expected pressure of price increases as a result of the significant investments needed in the electricity sector, Kosovo should develop a programme to protect vulnerable consumers in accordance with the requirements of the Energy Community.

Consumption of electricity in north of Kosovo, which was considered a loss in the past and was covered by retail tariffs for consumers paying for electricity, is now being treated as a loss for the transmission system operator. The capacity and independence of the Energy Regulatory Office have been damaged by political interference. As a priority issue, the Office should improve monitoring of market functioning and competition. Its financial stability must be ensured in accordance with applicable law and the third energy package.

In the framework of the *Subcommittee of SAA "Infrastructure"*, held in March 2020, it is emphasized that Kosovo should make urgent efforts to open the electricity market and implement the requirements of the third energy package. The conclusions emphasize the alignment of the regulatory and contractual

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<sup>18</sup> <https://www.energy-community.org/legal/treaty.html>.

framework with the requirements for the creation of the "Day ahead" market and the mutual market with Albania. In addition, adoption of the law on mandatory oil reserves and the law on trade in renewable oil products and fuels in Kosovo remains a priority, as well as AI for bio-oils and bio-fuels. The Energy Strategy and Action Plan should be revised, also ensuring its coherence with the National Integrated Energy and Climate Plan.

In the framework of the decommissioning project of TPP Kosova A, the conclusion remains to continue with the process and to make a decision on the location that will be determined for the storage of hazardous waste and to prepare an environmental impact assessment and the dismantling plan, in order to obtain final location decision. In line with the sustainable green transition in Europe, Kosovo will undertake a comprehensive study to assess sustainable alternative energy sources.

The appointment of the chairman of the ERO board remains a challenge. Regarding the new capacities, it is underlined that Kosovo should regularly inform the European Commission for drafting the state guarantee or any other state aid instrument and will provide the Commission with regular updates on the state of discussions on the assistance that the state will provide for potential investments for the possible construction of the 'Kosova e Re' TPP.

### ***State of Play***

#### Legislative and policy framework

On 25 October 2005 the Republic of Kosovo signed the Treaty establishing the Energy Community (TEC) and is a contracting party to the Energy Community.

Policy development, organisation, regulation and management of the energy sector in the Republic of Kosovo is done through a package of laws that are generally in line with the EU acquis in the area of energy. Institutions in this sector also include government and regulatory institutions and energy companies.

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 05/L-081 on Energy;
- Law No. 05/L-085 on Electricity;
- Law No. 05/L-084 on the Energy Regulator;
- Law No. 05/L-052 on Thermal Energy;
- Law No. 05/L-082 on Natural Gas; and
- 13 AIs (AIs).

These normative acts have transposed the following acquis acts:

- Regulation No. 715/2009/EC on conditions for access to the natural gas transmission networks – partially;
- Regulation No. 714/2009/EC on conditions for access to the network for cross-border exchanges in electricity – partially;
- Directive No. 2009/72/EC of the European Parliament and of the Council concerning common rules for the internal market in electricity – partially;
- Directive No. 2009/28/EC of the European Parliament and of the Council on the promotion of the use of energy from renewable sources – partially;
- Directive No. 2009/73/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas – partially;
- Directive 2012/27/EU of 25 October 2012 on energy efficiency, amending the Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8 /EC and 2006/32/EC – partially.

The policy framework in this area consists of the following documents:

- Energy Strategy of the Republic of Kosovo 2017-2026;
- Kosovo Heating Strategy 2011-2018; and
- Strategy Implementation Programme 2018-2020.

The *institutional framework* in this area consists of the following institutions:

- Ministry of Economy and Environment (MEE);
- Ministry of Infrastructure (MI);
- Ministry of Finance (MoF);
- Energy Regulatory Office (ERO);
- Kosovo Energy Corporation (KEC);
- Kosovo Electricity Transmission, System and Market Operator (KOSTT);
- Kosovo Energy Distribution Services (KEDS);
- Kosovo Company for Supply of Energy (KESCO); and
- District Heating of Cities (Termokos-Prishtina, Gjakova, Mitrovica and Zvecan).

*Internal energy market:* The Board of the Energy Regulatory Office (ERO), at its meeting held on 15 February 2019, has taken the final decision (ERO code: V\_1107\_2019) for the Certification of the Transmission System Operator (TSO - KOSTT). This result takes KOSTT one step forward to the ENTSO-E membership.

Regarding the signature of the agreement between KOSTT and ENTSO-E, voting by the Regional Continental Europe Group (RGCE), voting of the new Accession Agreement between KOSTT and ENTSO-E was successfully concluded on 20 April 2020. From now on, KOSTT, namely the Republic of Kosovo, finally exits the SMM Regulatory Block (Serbia, Montenegro and North Macedonia) and joins the Kosovo-Albania-AK-Block Energy Regulatory Bloc.

Following the successful vote in April by the Continental Europe Regional Group (RGCE), the Chief Executive Officer of KOSTT signed the new Connection Agreement between KOSTT and ENTSO-E on 30 June 2020. Upon the commencement of implementation of the new Connection Agreement between KOSTT and ENTSO-E, KOSTT will operate as an independent regulatory zone in Block-CA within the synchronous zone of Continental Europe. The new KOSTT-ENTSO-E Connection Agreement is expected to enter into force in the autumn of this year. This is an important step that brings KOSTT closer to membership in the European Network of Transmission System Operators (ENTSO-E).

Allocation of interconnection capacities and management of interconnection network congestion will be realized within the structure of this block and no longer by EMS (Serbia), and the revenues from these activities will be collected by the Block, respectively by KOSTT. This development, furthermore, paves the way for KOSTT to integrate into the regional energy market, its participation in the Albanian Energy Exchange (APEX), as well as putting into operation the Kosovo-Albania 400 kV line.

In March 2019, ERO amended the Instruction on the liberalization of the electricity market in Kosovo in order to extend the regulation of supply prices, until 31 March 2020 for customers supplied at a voltage of 35 kV, and until 31 March 2021 for customers of 10 kV.

According to the annual report of ERO for 2019, technical losses reach the value of 12.84%, while such a high rate of losses is impacted by an outdated network, length of lines, quality and type of conductors and transformers, loading equipment and maintenance. Commercial losses are also quite high, accounting for 7.51% of total distribution demand, and to this must be added the unbilled energy in the area north of Ibër, which accounts for 5.53% (294 GWh) of the total distribution demand, therefore the total non-technical losses make up 13.04%.

### **New generation capacities**

*New generating capacity from RES (renewable energy sources):* During 2019, three hydropower plants with a capacity of 18.7 MW were installed, solar power, one generator with photovoltaic panels operates with a capacity of 0.4 MW and another with a capacity of 3 MW. The generation of electricity from wind turbines on the wind farm "KITKA", Poliqkë, MA Kamenica with a capacity of 32.4 MW have started operating.

A total of 21 generators from RES are already in operation, with a total installation capacity of 104.83 MW: 13 HC (61.1 MW); 6 PV -Solar (10MW) and two (2) by wind generators (33.73 MW). To address the long-term problem of ensuring the energy supply, the Energy Strategy 2017-2026 envisages the capacity of 1436 MW in 2025, 450 MW from which derives from renewable sources. With this production capacity, it is expected to produce about 7703 KWh per year, where 924 KWh or 12.1% of them derives from renewable sources.

*Developments for natural gas in Kosovo:* currently, there is no physical infrastructure and natural gas market, however, in order to open the perspective and develop the natural gas sector, as well as fulfil the obligations to the Energy Community Treaty, Kosovo has adopted the Law No. 05 / L-82 on Natural Gas, which addresses the elements and requirements of the third package of EU acquis related to natural gas (Directive No. 2009/73/EC and Regulation No. 715/2009/EC.). In addition to the primary legislation, the AI (MED) No. 08.2017 is adopted for ensuring of natural gas supply.

Diversifying energy resources and increasing the security of energy supply is also a strategic objective of Kosovo. Referring to the Energy Strategy of the Republic of Kosovo 2017-2026, a document which orients the policies of the energy sector, within its objectives has addressed the component of the development of natural gas infrastructure. In this regard, the development of the natural gas sector in Kosovo, through the connection with gas infrastructure projects in the region, is considered a real opportunity for future supply of natural gas. Connection with regional natural gas supply lines is a key option for Kosovo to diversify energy sources in order to increase the security of supply.

### ***Donor Support***

Kosovo institutions are supported by the European Commission (through IPA) and by other bilateral donors with the following summarized projects:

#### *Current and Planned IPA Projects*

Donor Support is mainly concentrated on the project regarding the de-commissioning process of facilities related to TPP "Kosova A" that do not have an impact on the operation of TPP "Kosova A", the project for rehabilitation of Gjakova Heating Plant and expansion of the "Termokos" Network, as well as the project for rehabilitation of the 'Kosovo B' TPP, environmental section.

In the framework of IPA 2014, all activities related to the Decommissioning process are being carried out in accordance with the decision of the Government of the Republic of Kosovo No. 04/156 on Decommissioning and dismantling of nitrogen, gasification, heating and other accompanying facilities which do not impede the normal operation of active units of TPP Kosova A.

**The first phase of the project** includes the preparation of all necessary documentation until the beginning of the physical dismantling of the facilities, including the preparation of the Environmental and Social Impact Assessment Study (EIA); Waste management plan; Detailed dismantling plan; Area adjustment plan; and Tender file. This phase of the project started in June 2018 and is planned to be completed by the end of 2020. The project has a cost of EUR 1.5 million.

**The second phase** includes dismantling of nitrogen facilities, gasification, heating and other ancillary facilities which do not hinder the normal operation of active units of Kosova A TPP and clearing the terrain.

This activity will start following the first phase and is expected to be supported within the IPA programme, and according to preliminary plans the cost of implementation is about EUR 30 million.

In the IPA 2018 programme, for TPP "Kosova B" the project for installation of electrostatic precipitation (ESP) was supported, reduction of dust discharges (particles) and reduction of nitrogen oxides (NOx). The installation of electro-filters and equipment for NOX in the Kosovo B TPP, due to the situation with Covid-19, is postponed to 2021, while in unit B2 to 2022. The cost of the project is EUR 76 million.

Moreover, following the submission of the action plan on the project for doubling the generation capacities and expanding of network, the EU Office has expressed readiness to finance the project with EUR 13 million under IPA 2020, while the European Investment Bank is ready to give a loan of EUR 12 million to double the generating capacity. Also, PE "Termokos" JSC for the project of doubling of generation capacities and expanding of network within IPA 2020 commits for co-financing of the project from 2021-2025 with EUR 500,000.00 per year in total EUR 2.5 million.

POE "City District Heating" JSC Gjakova is the beneficiary of the funds allocated under the IPA II 2015 programme, for the construction of a biomass heating plant with co-generation technology. The contract for design and construction was signed with the Austrian company URBAS in the amount of EUR 13,978,180.63, while for the supervision of the works a contract was signed with the company EGIS International in the amount of EUR 850,000.00. According to the dynamic plan of works, it is expected that most of the project will be completed during 2020 and the beginning of 2021 with the full functioning of the biomass heating plant with co-generation technology - CHP.

Through the WBIF platform, the feasibility study for the Albania-Kosovo gas pipeline (ALKOGAP Project) was conducted. The main objective of this study was the initial feasibility assessment for the construction of the ALKOGAP gas pipeline - as a natural gas supply line from the Caspian region through the TAP / IAP regional gas pipelines, which in the first phase will connect Albania with Kosovo and potentially in the future to continue towards other countries in the region.

The pre-feasibility study has provided the following recommendations for other phases, the preparation of the Master plan for gas for the part of Kosovo, and the realization of the joint feasibility study for the Albania-Kosovo gas pipeline. Based on the recommendations derived from this study, MED in cooperation with relevant institutions in early 2019 through the WBIF platform has applied for financial support in the form of a grant for the preparation of the Master Plan for the distribution of Natural Gas in Kosovo. The Steering Committee of the Western Balkans Investment Framework (WBIF), in June 2019 in Berlin, according to reports, approved the grant in the amount of EUR 1.5 million for the preparation of the Master Plan for Natural Gas in Kosovo which is planned to be implemented in the period 2020-2021.

On regional cooperation, the Minister of Economic Development of the Republic of Kosovo and the Minister of Economy of North Macedonia, in February 2019 signed a Memorandum of Understanding that is expected to further intensify cooperation between the two countries by defining priority areas in the energy sector. In order to implement this agreement, in the first part of 2019 through the WBIF platform a joint submission/application was made with the party of North Macedonia, the latter in the role of project promoter, for financial support in the form of a grant for conducting the feasibility study for the North Macedonia-Kosovo gas pipeline. According to reports, the WBIF Steering Committee has approved the grant in the amount of EUR 653,250.00. This study will be carried out through the technical assistance engaged by the WBIF platform which is planned to be implemented in the period 2020-2021.

In addition, based on the initiative of the Millennium Challenge Corporation (MCC), a pre-feasibility study on Kosovo gasification is being conducted by consultants hired by MCC. A draft of the scope of work has been completed and terms of reference prepared by the MCC-hired consultants have been adopted. According to announcement by MCC, the preliminary results are expected to be ready in the second half

of 2020, which will serve as support for the preparation of the Master Plan on natural gas in Kosovo and the Feasibility Study for the interconnection North Macedonia - Kosovo.

GIZ, through technical assistance during 2020, has hired regional and local experts to assist the Working Group in drafting of the National Energy and Climate Plan 2021-2030.

### *Medium-term Priority Objectives*

In order to meet the obligations deriving from the SAA and other EU accession documents and mechanisms in the areas within the scope of Chapter 15, the focus during 2021 – 2024 will be on the following medium-term priority objectives:

- Review of the Energy Strategy for the 10-year period and the Energy Strategy Implementation Programme;
- Adoption of the National Plan for Energy and Climate 2021-2030;
- Establishment of a mutual electricity market with Albania;
- Membership of KOSTT in ENTSO-E;
- Carrying out activities for decommissioning of gasification, nitrification, heating plant and other facilities that do not obstruct the normal operation of active units of Kosova A TPP;
- Membership of ERO in ACER (Agency for the Cooperation of Energy).

### **Energy efficiency and renewable energy sources**

#### *SAA Requirements*

Under Article 114 of the SAA, the Republic of Kosovo should align and implement the EU acquis on energy efficiency, renewable energy sources and the environment affected by energy activities, to promote energy saving, energy efficiency, the use of renewable sources energy, the reduction of environmental emissions and the research and development in these areas.

#### *Requirements from other EU accession mechanisms*

The challenges identified by the *EC Kosovo Report - 2019* include completion of bylaws on the Law on Energy Performance of Buildings and the development of energy audit services and energy auditors. While legislation is partially aligned with the Acquis, the electricity market needs to be restructured to enable the integration of renewable energy generation. A market-based scheme for supporting independent generators should be introduced. There has been no progress in meeting the criteria for the use of bio-fuels in transport and there is still no regulation on the minimum criteria for renewable energy in buildings. Kosovo must ensure the functionality of the Energy Efficiency Fund. Investments have been made in energy efficiency in public buildings, but incentives for the private sector and households have lagged behind. The report states that Kosovo has achieved only half of the energy efficiency target of 9% by 2018. It is further stated that the Kosovo Agency for Energy Efficiency lacks staff and has very limited capacity to monitor the implementation of its energy efficiency policy. Kosovo needs to make the energy saving monitoring and verification platform functional.

Furthermore, the challenges arising from the 2020 meeting of the *SAA Subcommittee on 'Infrastructure'* include the operation of the Energy Efficiency Fund and reallocation of funds for this fund and eventual expansion of EE operations in residence buildings is also planned. It also requires adoption of bylaws deriving from the law on energy performance of buildings to transpose Directive 2010/31. It also notes the adoption of the national energy efficiency plan for 2019. Another challenge is the approval of incentives for energy efficiency for the private sector and households, as well as functionalization of the RES One-Stop Shop.

One of the conclusions remains the adoption of the National Action Plan for Renewable Energy by setting policies and measures to achieve 25% of the renewable energy target at the lowest possible cost. In order to comply with state aid legislation, existing rules for providing state aid to renewable energy producers must be amended, also including competitiveness. Another challenge in the RES sector is that Kosovo is encouraged to properly evaluate proposed hydropower projects, including by conducting environmental impact assessments. It also needs to implement the system of issuance, transfer and cancellation of guarantees of origin for RES certificates, as well as implementation of sustainability criteria for biofuels and bioliquids.

### *State of Play*

The legislative framework in this filed consists of the following relevant normative acts:

- Law on Energy Efficiency;
- Law No. 05/L-101 on Energy Performance of Buildings;
- Regulation for Inspection of Heating and Air-Conditioning System;
- Regulation on the Minimum Calculation Methodology for Energy Performance;
- Regulation on the Certificate of Energy Performance of Buildings;
- AI No. 05/2017 Renewable Energy Source Targets;
- AI No. 06/2017 on Utilization and Support of Energy Generation from Renewable Sources;
- Regulation No. 05/2020 on the system of energy service providers and minimum criteria for energy audit.

These normative acts have transposed the following acquis acts:

- Directive 2012/27/EU on Energy Efficiency – partially;
- Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources – partially; and
- Directive 2010/30/EU on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products – partially.

The policy framework in this filed consists of the following documents:

- Third National Plan of Action for Energy Efficiency 2017-2019;
- National Renewable Energy Action Plan 2011-2020;
- Kosovo Energy Efficiency Action Plan (KEEP) 2010-2018;
- Municipal energy efficiency plans.

In the framework of implementation of the Law on Energy Efficiency, 13 bylaws deriving from this law have been drafted during 2019, and are expected to be adopted by the end of 2020. The fourth action plan for energy efficiency 2019-2021 has been drafted and is expected to be adopted at the end of 2020. The Regulation No. 05/2020 on the System of Energy Service Providers and the Minimum Criteria for Energy Audit was adopted on 4 June 2020.

The *institutional framework* in this area consists of the following institutions: Kosovo Agency for Energy Efficiency (KAEE), MEE, Kosovo Energy Efficiency Fund, MI, KOSTT, ERO and KEC.

The Kosovo Energy Efficiency Fund (KEEF) has been established in January 2019. This fund has been created as a result of the adoption of the law on Energy Efficiency in November 2018. Regarding the functioning of the fund currently, four officials have been hired. All regulations and the legal aspect regulating this new institution have been completed. Regarding the budget, the Government of Kosovo has allocated EUR 1 million for this fund, while the World Bank and the EU have pledged EUR 10 million.



The following steps have been taken so far regarding the functioning of the *One Stop Shop* for RES: Regulation 05/2018 on One Stop Shop for RES has been approved; the Inter-Institutional Coordinating Commission has been established; the Procedural Handbook dealing with the issuance of permits by the relevant institutions, for potential investors in the area of RES, has been drafted and published in the MED webpage.

### ***Support from donors and international financial institutions***

Regarding the project by the World Bank on financing measures for energy efficiency in the buildings of central level institutions as well as the promotion of energy by RES through a soft loan in the amount of USD 31 million is underway. 30 buildings of the 5th package have been renovated and are expected to be completed in the 3rd quarter of 2020. The launch of the tender for the renovation of buildings for the 6th package is expected to be completed in the 2nd quarter of 2020, while the completion of the renovation is planned to take place during 2021.

On the project funded by KfW and WBIF, the contract with the company that will do the Design and Energy Auditing of facilities (measures implemented in 15 public buildings in the municipalities of Prishtina, Gjilan, Gjakova and Ferizaj) was signed. Implementation of EE measures in 52 public buildings for 2020, (27 will be funded by the BRK and 25 buildings by the World Bank). Of this amount, EUR 4.950.000 will be from BRK while EUR 6 million will be as a loan and EUR 3.833.000 from donors. In 2020, four (4) new SHPP (small hydropower plant) projects with an installation capacity of 14.6 MW at a cost of EUR 17.52 million and implementation of three (3) wind energy projects with a capacity of 105 MW at a cost of EUR 147 million private investments.

### ***Medium-term Priority Objectives***

With the aim at fulfilling the obligations arising from the SAA and other EU accession documents and mechanisms within the scope of Chapter 15, the focus during the period 2021 - 2024 will be on the following medium-term priority objectives:

- Implementation of energy efficiency measures in households through the “Reliable Energy Landscape” project (RELP) in 1,200 homes and in 10 multi-storey buildings, and installation of meters for measuring heat consumption and thermostatic valves for about 4500 families in Prishtina; (MFK);
- Grants allocation for efficiency measures for women-owned businesses within the “Reliable Energy Landscape” project (MFK);
- Implementation of energy efficiency measures in the household and business sectors;
- Drafting and adoption of the concept-document on renewable energy sources;
- Implementation of capital investment plan for strengthening, network expansion and medium voltage projects to reduce technical and commercial losses (KEDS);
- Completion of feasibility study and cost-benefit analysis for the construction of central heating districts (MFK).

## **Radiation Protection and Nuclear Safety**

### ***SAA Requirements***

One of Kosovo's commitments under the SAA, namely under Article 114, is the approximation of legislation in the area of nuclear safety and ionizing radiation protection. Moreover, all provisions in the area of nuclear radiation generation, nuclear safety are based on the EURATOM Treaty (Treaty establishing the European Atomic Energy Community, 1957), which provides that members of the European Community must establish and provide uniform standards of security from nuclear technology to protect the population and the health of workers.

### Requirements from other EU accession mechanisms

The EC's 2019 Kosovo Report in the area of radiation protection and nuclear safety states that Kosovo has made a progress in the area of radiation protection and nuclear safety, especially with the adoption of the new Law on Radiation Protection and Nuclear Safety.

However, further efforts need to be made to fully approximate the legal and regulatory framework. The licensing and inspection capacity of the Agency for Radiation Protection and Nuclear Safety remains weak and its funding is not sufficient to fulfil its mandate. No developments in radiation monitoring (e.g. depleted uranium) and radioactive waste control, or emergency radiological plan were noticed. The solution for permanent radioactive waste disposal still remains to be found. Regarding international cooperation in this area, Kosovo has signed memorandum of understanding with the United States, Albania and North Macedonia. Kosovo is not part of the Convention on Nuclear Safety or the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management Documents.

### **State of Play**

#### Legislative and Policy Framework

- Law No. 06/L-029 on Radiation Protection and Nuclear Safety;
- Regulation No. 18/2018 on Radiation Sources and Practices; and
- Regulation on authorization.

These normative acts have transposed the following acquis acts:

- Directive No. 2013/59/EURATOM laying down basic safety standards – partially;
- Directive No. 2011/70/EURATOM for the responsible and safe management of spent fuel and radioactive waste – partially;
- Directive No. 2013/51/EURATOM with regard to radioactive substances in water intended for human consumption – partially;
- Directive No. 2006/117/EURATOM on the supervision and control of shipments of radioactive waste and spent fuel – partially; and
- Directive No. 2014/87/EURATOM establishing a Community framework for the nuclear safety of nuclear installations – partially.

The institutional framework in this area consists of the following institutions:

- Kosovo Agency for Radiation Protection and Nuclear Safety (KARPNS);
- Ministry of Defence (MoD);
- Ministry of Infrastructure (MI);
- Ministry of Economy and Environment (MEE);
- Ministry of Health (MoH);
- Ministry of Finance (MoF).

In the framework of the adoption of primary and bylaws in 2018, the Law on Radiation Protection and Nuclear Safety and two regulations were adopted, whereas three regulations were drafted and adopted by KARPNS in the first half of 2020.

Whereas for the implementation of the legislation in the area of radiation protection and nuclear safety for 2019 the following activities have been undertaken: 73 inspections have been carried out as regards the authorization process (registration, licensing) of ionizing radiation practices and import permits; and radioactive resource transport. The agency fully conducted enterprise applications by issuing: 34 licenses,

19 authorizations, 5 registrations and 49 permits for import-transport. While during 2018 the Agency has made the recognition of 6 experts of Medical Physics and 9 experts of Radiation Protection.

Regarding radiation monitoring (for example, for potential depleted uranium locations), the Agency, through the Cooperation Agreement between the KARPNS and the IRE-ELiT: Institute for radioelements, performs radiological monitoring of water and soil in the territory of Kosovo with particular emphasis on the potential depleted uranium locations). By 2018, 84 water samples and 13 soil samples were collected and analysed.

Regarding the control of radioactive waste, the KARPNS, based on the annual plan of radioactive waste inspection, performs regular inspections of radioactive waste together with KFOR in the territory of Kosovo.

### *Medium-term Priority Objectives*

In order to meet the obligations deriving from the SAA and the other EU accession documents and mechanisms in the areas within the scope of Chapter 15, the focus during 2021 – 2024 will be on the following medium-term priority objectives:

- Ratification of the Treaty on the Prohibition of Nuclear Testing;
- Signing of the Convention on the Physical Protection of Nuclear Material (CPPNM 2005);
- Signing of the Convention on Early Notification of a Nuclear Accident;
- Signing of the Convention on Assistance in the Case of a Nuclear Accident or Radiological Emergency;
- Signing of the International Convention on the Suppression of Acts of Nuclear Terrorism; and
- Signing of Safeguard Agreement and Additional Protocol; and
- Signing of Code of Conduct on the Safety and Security of Radioactive Sources, and supplementary Guidance on the Import and Export of Radioactive Sources.

### **3.16. Acquis Chapter 16: Taxation**

The acquis in taxation consists in aligned legislation on indirect taxation (i.e. value added tax) and excise duties. The acquis defines the scope, definitions as well as principles of VAT. VAT legislation provides for equal treatment in terms of taxation for national and international transactions (imports). VAT is also based on the principle of neutrality, whereby the applied taxation is proportional to the price, independent to the number of intermediate transactions.

**Excise** duties for tobacco, alcoholic beverages and energetic products are also subject to the EU acquis. The EU acquis establishes the excise duties structure to be charged, as well as the minimal tariff system for each of the product groups. The goods are subject to charged excise duties if produced within the EU or imported from abroad. However, excise duties are paid only in the Member State where the goods are set in circulation/for consumption (with a few exceptions) under the excise duties system of that particular State. The EU acquis contains provisions on the production, retention and movement and monitoring of excise duty goods.

As concerns **direct taxation**, the acquis covers some aspects of taxing income from savings of individuals and of corporate taxes. The focus is to eliminate distortion of cross-border economic activities between Member State companies. Furthermore, all Member States are committed to complying with the principles of the Code of Conduct for Business Taxation, aimed at the elimination of harmful tax measures.

**Administrative cooperation** and mutual assistance amongst Member States aims at ensuring normal functioning of the internal market, in terms of taxation and ensures means to prevent fiscal evasion and tax

avoiding within the Community. Member States should ensure there are sufficient capacities in place for implementation and enforcement, including linkages to the digital taxation systems used by the EU. As part of the operational capacity and digitalization, acquis on VAT covers the system of information sharing, allowing for direct electronic exchange of data between Member States' administrations. Similar IT systems are required also in the area of excise duties as well as direct taxes, in order to allow for information sharing between Member States. In addition, a specific IT system (VoeS) is required in order to enable information sharing between Member States, in relation to the special scheme on e-services provided by the non-resident EU traders to EU citizens.

### *SAA Requirements*

The taxation area is one of the most important areas covered by the Stabilisation Association Agreement (SAA, Article 39, Article 40, Article 70 and Article 105). Article 39 prohibits fiscal discrimination, while Article 40 covers taxes of fiscal nature. Article 105 covers Kosovo's development in terms of taxation and measures envisaged for further reforms of Kosovo's fiscal system. In addition, the above mentioned article also covers the restructuring of the tax administration in order to ensure the effectiveness of tax collection and fiscal fraud.

Moreover, it is these articles that envisage the priority areas linked to EU acquis, specifically, combating unfair taxation competition. EU acquis taxation legislation in the area of fighting unfair taxation competition is based on the Code of Conduct for Business Taxation, adopted by the Council and the Representatives of the Member States Governments.

In order to support the implementation of the measures against tax frauds as well as tax evasion, the cooperation will aim at promoting good governance principles in taxation area, including transparency, information sharing as well as fair tax competition in Kosovo.

With regard to EU company establishment in Kosovo, Kosovo will support the establishment of activities by EU companies in its territory. With a view to facilitating the process of company establishment, Kosovo will provide for equal treatment of its companies with those of a third country.

### *Requirements from other EU accession mechanisms*

Based on EC's Kosovo 2019 Report on tax matters, Kosovo should continue to reinforce measures to combat informal economy, fiscal evasion and reduce the backlog of complaints against the Tax Administration in the Fiscal Division of the Basic Court in Prishtina. Kosovo should particularly systematically implement its strategy to combat informal economy, money laundering, terrorist financing and financial crime (2019-2023) and action plan. The report also seeks to withdraw the decision on excise duties on cigarettes in order to align legislation in line with the SAA. Tax administration capacities need to be further strengthened.

Conclusions drawn from the 2020 Subcommittee require that the Law on Tax Administration and Procedures and laws in the area of taxation (Value Added Tax, Corporate Income Taxes and Personal Income Tax) be adopted, in order to ensure alignment with EU acquis and practices. The conclusions highlight the need: to improve the tax payer registry through improving statistics by industry codes; to adopt the audit plan for 2020. Authorities should strengthen the approach of selecting tax control cases based on compliance risk. Authorities should also increase the rate of debt collected. Another conclusion is to align Kosovo's tax system with the minimal standards of the BEPS/OECD inclusive framework.

### *State of Play*

#### *Legislative Framework*

Regarding the progress in the area of tax legislation for the reporting period, the following developments have been made:

- The draft-law on Personal Income Tax is planned to be adopted by the Government in 2020.
- Draft-law on Corporate Income Tax has been subject to all stages of preliminary and public consultation, including stakeholder comments. This draft-law, along with the supporting documents, has been approved by the Government and adopted by the Assembly. Law on Corporate Income Tax has entered into force in August 2019. The main issue in this draft-law is the establishment of a system of Corporate Income Taxes across the territory of the Republic of Kosovo.
- Draft-law on Value Added Tax has been subject to all stages of preliminary and public consultation, including stakeholder comments. This draft-law, along with the supporting documents, was approved by the Government and submitted to the Assembly. The main issue addressed in this draft-law is the establishment of a system that includes the application of general tax on consumption on goods and services. As regards EU acquis, the draft-law has been partially aligned with EU directives.
- Draft-law on Tax Administration and Procedures is planned to be adopted by the Government in 2020.

The law related to games of chance has been cancelled because the government has taken a decision to ban games of chance in Kosovo. This was included in the Law and was adopted by the Assembly.

As regards tax changes, the AI amending the list of products taxed at the rate of 8% of Value Added Tax was adopted, so Kosovo now implements a standard rate of 18% and a reduced rate of 8% in accordance with rules on defined rates in the EU Directive on the Common System of VAT.

These amendments to tax laws are being made for further alignment with EU Directives, in particular with the VAT Directive and recent developments related to international practices in the area of direct taxation, such as the Permanent Unit, Price Transfer, Company Taxes in the Financial and Insurance Sector, and alignment of the law with different requirements in the area of State Tax Policy.

#### *Policy Framework*

In the area of taxation, some strategic documents have been adopted and are being implemented:

- TAK Strategic Plan for the period from 2015 to 2020, as the highest document in the hierarchy of TAK documents; in this Strategic Plan, TAK has presented the values, priorities and objectives for the period from 2015 to 2020. In defining these priorities, TAK has relied on the challenges derived by the European Commission Reports, the Progress Report and the IT section in the DG-TAXUD reports. In addition, priorities have been set based on reports from other international institutions such as the IMF and the World Bank. Also, the objectives and priorities are related to the Objectives of the Government of the Republic of Kosovo. TAK has adopted a mid-term reform plan for 2019-2021.
- TAK is in the process of finalizing the new Strategic Plan 2020-2025, which presents 3 goals: reducing the tax gap; reduction of tax debts and development of the organization in accordance with the best European standards. The new TAK Compliance Strategy for the period from 2020 to 2023 has been drafted. This strategy will guide TAK to focus compliance capacity towards reducing the tax gap, which represents the difference between potential revenue and revenue collected.

The TAK's Annual Work Plan for 2020 has been approved by TAK's senior management in February 2020, which has been prepared based on the defined specific objectives for the respective organizational units, based on 2015-2020 TAK's Strategic Plan, and based on Mid-Term Reform Plan 2019-2021. Due to the situation created by Covid-19, TAK has assessed that the annual plan approved in early 2020 should be

reviewed in order to focus its capacity on the risks created by this situation, but also in implementing decisions of the Government of the Republic of Kosovo for economic recovery.

- The objectives set forth in the Annual Work Plan for 2020, will help TAK in carrying out certain activities and achieving the overall goals of the Strategic Plan, Compliance Strategy and Mid-Term Reform Plan 2019-2021.
- Realization of revenues is primarily oriented towards voluntary fulfilment of obligations, by providing information on tax compliance. Also, procedures have been drafted which enable taxpayers to comply with tax obligations at the lowest possible cost. Implementation of the revenue plan for this period has stalled due to the pandemic, the impact of this situation on tax revenues for the period from January to May 2020 being EUR 42.3 million, which has made the revenue plan for this period to be implemented in the rate of 87.6%. The effects of the pandemic will also be felt in subsequent periods as a result of the decline in purchasing power, the decline in public investment by more than 30%, and also the sharp decline in income from diaspora.

Strategic priorities include: enhancing staff skills, improving key TAK tax processes, reducing the level of informal economy, upgrading information technology to enable more efficient TAK performance and enhanced services for TAK taxpayers, and ensuring an effective organisational structure backed by robust governance mechanisms and straightforward accountability.

Institutions will be committed to implementing the recommendations of the European Commission in the Progress Report regarding Tax Matters. In this context, Kosovo should continue to strengthen the measures taken to combat the informal economy and fiscal evasion and to prioritize the increase of efficiency by implementing the Strategy for Prevention of and Fight against Informal Economy, Money Laundering and Terrorist Financing and Action Plan. Challenges identified are addressed in the strategic documents (TAK's Strategic Plan 2015-2020) and in the annual operational plans. TAK will also continue to improve the organisation's capacities in order to combat corruption and strengthen internal control of institutional performance.

#### *Institutional Framework*

The institutional framework in this area consists of the **Tax Administration of Kosovo**. TAK is the key tax institution in the Republic of Kosovo, which functions as part of the Ministry of Finance, and is the authority responsible to implement fiscal legislation and to administer taxes and international tariffs. TAK's main objective is to support the taxpayers in paying their tax obligations in line with the applicable legislation and to ensure that the tax revenues go to the state budget, by offering the taxpayers an effective payment system.

The product of electronic verification for private persons and businesses has been launched. In addition, all tax payment statements are carried out in an electronic manner through the system Electronic Declaration of Incomes (EDI), which allows for a swift, simple and secure declaration by the taxpayers. The system has allowed the achievement of good results. Various IT modules have been created, thus making taxpayers statements as well as the internal work management processes easier.

Through the EDI System, it is also possible to provide new services in the case of the Covid-19 pandemic, with taxpayers electronically submitting their requests to benefit from the Emergency Fiscal Package measures, such as compensation of workers' salaries, compensation of payment of rent, request for additional payment for at-risk employees – in direct contact with the customer.

In addition, the EDI System allows generation of Certificates for employees (freedom of movement) based on the (NACE) work permission codes during the Covid-19 pandemic. The EDI System also allows for submission of a request for an Agreement for payment in instalments of unpaid debts. During this period management of bank accounts of taxpayers has been enabled through the EDI system, which allows

taxpayers to manage their bank accounts themselves and chose which bank account to receive funds from TAK in case of reimbursement of funds, etc.

With the aim at providing the most efficient services, the Tax Administration has made the electronic declaration system fully functional. During the period January-June 2020, the number of declarations is 1,173,728 and the total number of taxpayers registered in the online declaration system is 102,639. Moreover, this number during the reporting period was 110,129. Furthermore, during the reporting period, 43,252 Tax Certificates were downloaded online.

TAK, as a modern institution oriented towards the provision of professional services to taxpayers, has carried out various activities in order to inform taxpayers. During the period 2019 TAK held 19 seminars, while for the period from 1 January to 6 March 2020 it held 7 seminars with taxpayers and provided 2,077 answers to taxpayers during 2019, and provided 349 answers during the period from 1 January to 6 March 2020. The 'Verify the Employer' Application is an electronic service that enables every citizen to verify whether his employer is paying Pension Contributions and taxes required by tax legislation. The Reimbursement Management Module is an electronic service that is available to taxpayers who apply for reimbursements such as of the Value Added Tax, Personal Income Tax and Corporate Income Tax. Through this service taxpayers are informed during the process of reviewing by TAK of their current reimbursement requests and their reimbursement requests submitted previously.

In the area of price transfer, the mission of the "Tax Inspectors without Borders" was carried out; it supported capacity-building of the price transfer division and tax inspectors to identify, deal with and control businesses that are obliged to report their transactions to related parties. In addition, the initiative for controlled transactions with the related parties to be done in electronic form has been initiated. TAK is dealing with annual notices submitted by the taxpayer are being processed, in order to verify the transactions and in case of need in cooperation with inspectors from the department of large taxpayers to open tax audits to verify the accuracy of controlled transactions.

The Tax Administration of Kosovo, through internal procedures, has reformed the process of reviewing VAT refund requests, thus making the refund procedure easier and shortening the review time to a maximum of 30 days. It has also completely eliminated the need for a separate request for VAT refund. The request for reimbursement is made simultaneously with the VAT tax return. The reimbursement module has been developed; it categorizes the claims into three categories: A, B and C. The aim of this module is to improve the return time of reimbursements. In this context, during this 6-month period, 1149 claims, amounting to EUR 20,818,311.89, were automatically processed through the Reimbursement Module. Of these, 695 requests, amounting to EUR 10,670,948, were approved.

TAK has started the implementation of the Modernization of Information Technology project. During the period from February to June 2020 TAK has normalized a functional and managerial structure of project governance and supervision by engaging experts and functional responsibilities from all relevant areas related to processes and developments in TAK. In addition, in the framework of joint activities with Economic Operators during this period it completed the initial phase of analysis of current work processes, system design and architecture, documentation of competencies for the development of the first phase and submission of software licenses for functional components and New System development.

The fiscalization process is an ongoing one, and the number of businesses that have been fiscalized during 2019 was 2,409 new businesses, 684 new businesses during the period from 1 January to 22 June 2020, and the number of Equipment Electronic Fiscal Electronics (FED) installed during 2019 is 3,754, and 1,116 Electronic Fiscal Devices (FED) were installed during the period from 1 January to 22 June 2020.

The Complaints Division – the mission of the Complaints Division is to resolve tax disputes, without litigation, on a fair and impartial basis for the Government or the taxpayer, thus fostering voluntary

compliance and public confidence in the integrity and efficiency of the Tax Administration. During the period from January to June 2020 the number of complaints received is 267, while the number of complaints reviewed during January – June 2020 was 156.

### *Donor Support*

Since its establishment, the Tax Administration of Kosovo has been continuously supported by different international organisations.

During the reporting period three technical assistance missions were launched to improve tax debt collection capacities; defining key performance indicators based on good international practices and for the IT modernization project.

### *Medium-term Priority Objectives*

In the medium-term period, the main legal priorities foreseen to be implemented are the following:

- Implementation of the latest Legislative Framework in the VAT, CIT and PIT law in accordance with EU Law, in particular with the Code of Conduct for Business Taxation and Council of Europe directives;
- Drafting and adopting of bylaws on VAT, CIT and PIT law and alignment with EU Law, in particular with the Code of Conduct for Business Taxation and Council of Europe directives.

In the medium-term period, the main implementing priorities foreseen to be implemented are the following:

- Increasing collection of tax debts;
- Digitization of services that are currently provided physically and manually;
- Continuing implementation the tax compliance improvement approach based on assessment of the risks identified;
- Implementation of modernization of Information Technology in the Tax Administration;
- Fight against the tax evasion, tax avoidance and expansion of tax basis;
- Negotiation of Agreements for Elimination of Double Taxation in Incomes and Capital, tax avoidance and tax evasion.

### **3.17. Acquis Chapter 17: Economic and Monetary Policy**

Acquis in the area of economic and monetary policy consists in specific rules requiring the independence of central banks in Member States, by prohibiting direct financing of the public sector by the central banks and by prohibiting privileged access for the public sectors in financial institutions. Member States are expected to co-ordinate their economic policy and are subject to the Stability and Growth Pact on fiscal surveillance. New Member States are also committed to complying with the criteria laid down in the Treaty in order to be able to adopt the euro in due course after accession. Until then, they will participate in the Economic and Monetary Union as a Member State with derogation from the use of the euro and shall treat their exchange rates as a matter of common interest.

Acquis in the economic and monetary policy derives from Title VIII (Article 119-144) of the Treaty on the Functioning of the EU (TFEU), and from the respective implementing legislation.

### *SAA Requirements*

Kosovo's main responsibilities in legislation alignment with the EU acquis derive from Article 74 of the SAA. Also, the Article 94 of the SAA highlights that the EU and Kosovo will facilitate the process of



economic reforms through cooperation in order to improve the understanding of their respective economy fundamentals, as well as formulation and implementation of market economy policy.

This chapter describes the overall developments in terms of monetary and economic policy in the context of the strategy and objectives set by the Government. Given that Kosovo uses the Euro as its own currency, adopted unilaterally in 2002, Kosovo has no monetary policy and as a result the focus of this chapter in Kosovo case will focus on the Economic Policy section. Moreover, in the light of impossibility to use monetary policy as a development option, economic policies gain even greater importance. The chapter also assists in analyzing and achieving the institutions' goals in the context of the Stabilisation and Association process with the EU, one of the priorities of which lies in ensuring macroeconomic stability.

Concerning economic policy issues, the EC *Kosovo 2019 Report* underlines that the persistent trade deficit reflects a weak production base and a lack of international competition. The inefficient public sector and *ad hoc* fiscal policy-making represent great fiscal risk. The decision on the benefits of war veterans may in particular challenge fiscal sustainability and relationships with international financial institutions. Reliance on remittances and the wider informal economy also reduces incentives for employment resulting in low labour force participation, especially among women, high unemployment rates especially among young, and unskilled workers.

### **Monetary policy**

The Central Bank of the Republic of Kosovo (CBK), transformed from the Kosovo Central Banking Authority, is a public legal entity based on the Articles 11 and 140 of the Constitution and the provisions of the law, enjoying administrative, financial and management autonomy.

Based on Article 6 (independence and autonomy) of the Law on Central Bank of Republic of Kosovo, the Central Bank, the members of the decision making bodies or the personnel of the Central Bank, will not receive instruction from a person or another subject, including government entities. The independence and autonomy of the Central Bank is respected at all time, and no person or entity will try to influence the members of the decision making bodies or the personnel of the Central Bank, in carrying out their responsibilities or intervene in the activities of the Central Bank. Moreover, the Central Bank legislation envisages that the accounts, records and financial records of the Central Bank are audited at least once a year, in compliance with International Audit Standards, by independent international auditors, who should be well renowned and should possess international expertise in auditing large international financial institutions.

Currently, the Law on Central Bank of the Republic of Kosovo is partially in line with the EU acquis. Even though many provisions are approximated, there is still a need for further legal efforts in order to ensure full compliance with the general principles of the EU acquis. Law No. 03/L-209 on Central Bank of the Republic of Kosovo was drafted with technical assistance from the IMF in accordance with best international practices and the Legislative Framework of the EU.

Also, on 10 March 2017, the Kosovo Assembly adopted Law No. 05/L-150 amending the Law No. 03/L-209 on Central Bank of the Republic of Kosovo, changes which further improved the CBK governing and controlling framework and, at the same time, further aligning the Law on CBK with provisions regulating this issue within the EU and international practices.

In 2002, Kosovo unilaterally adopted Euro as its legal currency, and since then, Euro has been the de facto currency in Kosovo, hence the Kosovo monetary policy is quite limited. The only traditional instrument of the monetary policy which is available to the Central Bank is the bank reserve requirements. Since the beginning of the functioning of the banking sector in Kosovo, banks have always retained abundant reserves, hence, during this time it was not deemed necessary to change the mandatory reserve norms.

The use of Euro limits the role of the Central Bank in its function as lender of last resort, in providing short-term credit to banks that could face lacking liquidity. With this in mind, the Government of Kosovo and the CBK have established the Emergency Liquidity Assistance (ELA), which is an emergency fund to be activated in case of lack of liquidity in the banking sector. The Government of Kosovo also maintains an adequate level of bank balances as buffers to respond to the potential economic shocks they face. In the table below you can see the effective annual nominal and real effective exchange rates.

Table 3.1: Effective exchange rates, nominal and real, annual average

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019/Sept.
<b>Index</b>										
<b>NEER</b>	100.8	101.1	101.2	102.1	101.9	101.6	102.2	102.6	104	103.9
<b>REER Total</b>	104.8	105.8	106.6	107.2	106.0	104.8	105.1	104.3	107.1	106.9
<b>REER (CEFTA)</b>	105.8	106.6	106.9	107.7	107.4	106.4	107.1	106.3	107.6	108.1
<b>REER (EU)</b>	106.4	106.9	108.6	107.8	107.3	107.0	105.8	104.5	105.8	105.3

Source: CBK

#### Medium-term priority objectives:

- Capacity building for administering emergency situation, in case of crisis and providing solutions to banks in trouble.

#### Economic Policy

In general, there is consensus on the essence of economic policy with a special focus on its orientation towards creating conditions for sustainable economic growth and also generation of sustainable employment.

Government of Kosovo has as its main objective in its fiscal policy to maintain macro-fiscal stability, which is closely linked to obligations deriving from the Stabilisation Association Agreement, which is related to preserving the macro-fiscal stability and alignment of the policies with the EU. An indicator of the Government's commitment in this direction is the adoption of the fiscal rule, which limits the deficit level at 2% of GDP. The goal of setting up such a mechanism was the stabilisation of the debt under the level as envisaged by law (40% of GDP).

There is a broad consensus on market-oriented economic policy and reforms. This is reflected in the Government Programme 2020-2023, where it is underlined that one of the basic principles of government is to promote rapid and sustainable economic development based on Kosovo's human potential and natural resources. This is the core of my governing programme. The vision of the Government is the increase of welfare, the opening of new jobs and the eradication of extreme poverty in Kosovo. To reach these rates that substantially exceed the average of recent years, the Government will focus on the successful implementation of reforms that have a direct impact on improving the economic, fiscal and financial environment.

Programme measures are expected to result in increased economic activity, especially in the manufacturing, processing and service industries, by supporting export expansion, reducing imports and consequently improving the country's trade balance. In parallel, the Government will focus its resources on the implementation of major development projects which will be funded through various public-private modalities. The implementation of these projects, in addition to the medium-term stimulation, will have an effect on the long-term transformation of the economic structure and on the reduction of unemployment.

Throughout the mandate, programme development targets will be translated into annual growth targets through the Mid-Term Expenditure Framework, the Government Annual Work Plan, and annual budgets.

The government vows that, on a regular annual basis, the budget will increase in line with the country's economic growth. Moreover, and in addition to economic growth, the budget will be increased as a result of the reduction of the tax gap, respectively measures to reduce informal economy.

#### *Legislative Framework*

The applicable legal/sublegal acts in this chapter:

- Law No. 03/L-048 on Public Financial Management and Accountability, Amended by Law No. 03/L- 221, Law No. 04/L-116 and Law No. 04/L-194 and Law No. 05/L-063
- Law No. 03/L-175 on Public Debt
- Law No. 06/L-133 on the Budget Appropriations of the Republic of Kosovo for Year 2019
- Law No. 04/L-008 on Social Economic Council
- Regulation No. 01/2015 on the Work of the National Council for Economic Development of Kosovo.

#### *Policy Framework*

The Government Programme is the main document defining the orientation and development of the Government policy, which also is the basis for determining the priority policies in MTEF. The Government Programme is of political nature and includes Government plans and commitments for the midterm period. The Government is obliged to adopt a priority statement which serves as a basis of policies for preparing the Medium Term Expenditure Framework, the Budget and the Government Annual Work Plan. The Medium Term Expenditure Framework is the mechanism the Government uses to set up its fiscal policy and it serves as the main document for policy planning in Kosovo. The fiscal framework includes planning on revenues and expenditure for the next three years; sets expenditure limits for all budget organisations, defined based on government priorities, as well as financing of the deficit and the banking balance level.

There have been no major changes/updates regarding fiscal governance and budget frameworks that would differ substantially from what has been reported in the previous year's version, respectively:

- *Wage Rule*: Following the adoption of the Deficit Rule, the Law on Public Financial Management and Accountability was amended in 2015 to include a Wage Rule which links the public wage bill to the nominal GDP rate in an effort to calculate the productivity. Details about this rule are presented in last year's version, or in the law itself.
- *Investment Clause*: elaborated in more detail in this document as it is now included in the macro-fiscal framework and outlook for 2019-2021.

Our government remains committed to maintaining a stable macroeconomic environment and potential growth and long-term employment perspective of Kosovo by maintaining the fiscal deficit and making the composition of the budget with a more favourable growth by creating space for important infrastructure projects (carried out through support by the current Stand-By Arrangement with the IMF); by further increasing the banking regulatory and supervisory framework and reducing the remaining barriers to bank lending to the manufacturing sector; and improving the business environment of Kosovo by improving the public procurement system.

In order to ensure public finance sustainability, Kosovo, as a small open economy, has managed to experience positive economic growth mainly from consumption and investment, a budget funded mainly by remittances and donations of the Diaspora. The level of government debt remains the lowest in the region and also much below the maximum allowed level under the Law on Public Financial Management. One of the key factors contributing to such a low debt level is its short history of debt issuance from 2012.

In addition, in 2014, the government approved the fiscal rule that limits the general deficit to 2% of GDP, in order to stabilize debt levels below the limit provided by law (e.g. 40% of GDP). Given the low level of debt compared to GDP and the need to further improve the country's infrastructure, an 'investment clause' was introduced in 2015 to allow for the additional government finance growth and the promotion of projects funded mainly by IFIs. For this reason, this section examines two main scenarios, the baseline one and the investment clause followed by further analysis of the debt issuer's sensitivity to changes in the underlying macroeconomic indicators.

#### *Institutional Framework*

##### *Institutional Framework for Economic Policy:*

- Ministry of Finance: relevant departments in charge of economic and fiscal policy, treasury, budget, etc.;
- Other ministries which in their portfolio have certain economic policies.

##### *Institutional Framework for policy Coordination:*

- Office of the Prime Minister – Strategic Planning Office and the future AEI;
- Line Ministries – Departments of European Integration and Policy Coordination.

Except for the existing structure for policy formulation, the Government has established councils, consultative in nature, such as:

- National Investment Council, which has the role of providing a broad review of priorities and to ensure prioritised investments in competitiveness sectors. In this form the Council will determine the long term investments, which will influence the development rate of the country.
- Economic and Social Council, focused on setting up and developing social dialogue in Kosovo with the employers and employees, on important issues, related to their economic, social and professional rights, through resolving contests through bilateral or multilateral agreements.
- National Council on Economic Development of Kosovo, which, in close cooperation with the representatives of the business sector, aims at reviewing the economic policy so as to address the growth challenges in the country.

#### *Medium-term Priority Objectives*

In the medium term, the main implementing priorities expected to be realized are the following:

- Favourable fiscal policy including tax breaks, and collection of VAT within the country;
- Competitive trade policy and improvement of business environment, including market opening, functioning of free trade zones, fighting informal economy, elimination of legal barriers and reduction of bureaucracy;
- Support to small and medium enterprises by increasing the credit guarantee fund and other administrative facilities.

### **3.18. Acquis Chapter 18: Statistics**

The acquis in the area of statistics requires the existence of a statistical infrastructure based on principles such as impartiality, reliability, transparency, confidentiality of individual data and dissemination of official statistics. National statistical institutes act as reference and anchor points for the methodology, production and dissemination of statistical information. The acquis covers methodology, classifications and procedures for data collection in various areas such as macro-economic and price statistics, demographic and social statistics, regional statistics, and statistics on business, transport, external trade, agriculture, environment, and science and technology. No transposition into national legislation is needed as the majority of the acquis takes the form of regulations.

## *SAA Requirements*

The statistics chapter is covered by Articles 74 and 95 of the agreement. SAA envisages the development of an effective and sustainable statistical system in Kosovo, which is able to ensure reliable, objective and accurate data, which are comparable to European statistics, and which are needed to plan and monitor transition and reform processes in Kosovo. Such a system needs to enable the Kosovo Statistics Agency to better perform its duties and meet its clients' needs (both the public administration the private sector). The statistical system needs to be in compliance with the principles of the European Statistics Code of Practice, and the basic principles of the statistics by UN, citations from the European Statistics law, and it should be developed in line with implementation of EU acquis in the area of statistics.

### *Requirements from other EU accession mechanisms*

The EC *Kosovo 2019 Report* finds that Kosovo has some level of preparation in the area of statistics. Good progress has been made in addressing some of last year's recommendations, in particular by amending the Law on Official Statistics, improving national accounts and expanding social statistics, particularly through surveys following the EU's statistical methodology to income and living conditions (EU-SILC). The Kosovo Agency of Statistics (KAS) has adopted the peer review recommendations of Eurostat and has developed an action plan for their implementation. However, KAS continues to suffer from insufficient resources and capacity. Coordination between statistical institutions has not improved much. Considerable efforts are still needed especially to ensure alignment of macroeconomic, business and environmental statistics with European standards. The EC report, in the section on social policies, states that the provision of social services to vulnerable groups is further hampered by lack of data collection on population disaggregated by gender, age group, ethnic affiliation, abilities and vulnerability.

Kosovo should in particular implement the Eurostat recommendations in line with the adopted action plan, improve statistical governance and coordination among key statistical institutions and continue the necessary preparations for the next census (2021), ensuring full coverage of the territory.

The conclusions drawn from the 2019 Subcommittee require that the amendments to the Law on Official Statistics be implemented and that the Legislative Framework continue to be strengthened. It is also emphasized that the implementation and development of sectorial statistics should continue. KAS will implement the action plan for the implementation of Eurostat recommendations and begin the necessary preparations for the next census in 2021.

## ***State of Play***

### *Legislative and Policy Framework*

The legislative framework in the area of official statistics in the Republic of Kosovo consists of Law No. 06/L-058 amending Law No. 04/L-036 on Official Statistics of the Republic of Kosovo which clarifies the basic principles governing official statistics. This law was adopted in January 2019. Some of these principles are as follows: relevance, impartiality, reliability, spending effectiveness, professional independence, and transparency. The activity in the area of official statistics in the Republic of Kosovo is regulated by the Law on Official Statistics.

*These normative acts have transposed* the Regulation No. 223/2009 of the European Parliament, which deals with statistics at EU level, respecting the provisions of the Law on Official Statistics on data confidentiality, fundamental principles of official statistics (E/2013/24 (2013/21)).

For the purpose of implementing the abovementioned Law, the Government of Kosovo has issued relevant bylaws:

- AI on storing of statistical material;
- AI on special processing of statistics;
- Regulation 11/2013 on implementation of standards for classification of economic activities in NACE-Rev. 2 version, which is in compliance with the Regulation of European Parliament (No. 1893/2006).

On the 2021 population census project, KAS has established the internal working group to carry out the necessary preparatory activities, such as the concept-document. The concept-document has been drafted and submitted for Government adoption. In coordination with relevant institutions, it will prepare the draft-law on Population, Housing and Household Census 2021, which will be in compliance with the recommendations of the Conference of European Statisticians on the 2021 population and housing census, prepared in cooperation with Eurostat.

The legislative framework that is related to statistics consists in the following legal acts:

- Law No. 03/L-209 on Central Bank of the Republic of Kosovo (Official Gazette of Republic of Kosovo/Prishtina: year v/No. 77/16 August 2010);
- Regulation on Balance of Payments and International Investments Position Statistics;
- Regulation on Monetary - Financial Statistics and Financial Accounts Statistics;
- Law No.03/L-048 on Public Financial Management and Accountability, Amended by Law No. 03/L- 221, Law No. 04/L-116 and Law No. 04/L-194;
- Regulation MoF -No. 03/2014 on Annual Financial Statements of Budget Organisations;
- Law No. 05/L-020 on Gender Equality, which requires the collection, maintenance and processing of all official gender-disaggregated official data.

#### *Policy Framework*

One of the instruments needed for coordination of the statistical system is the 5-year programme of official statistics. At the end of 2017, the KAS, together with the other members of the Kosovo Statistical System, has prepared and finalized the second programme of official statistics for 2018-2022. Moreover, during the preparatory phase of the programme, the main users of official statistics were also consulted. This Programme has been approved by the Government of Kosovo.

KAS is implementing the annual plan for 2019 and has prepared the annual plan for official statistics for 2021. This programme was adopted by the Government on 13 June 2020. The annual programme as a planning tool prioritizes activities from the medium-term programme taking into account the available resources. The 2020 Annual Plan aims to achieve objectives such as better utilization of resources through organisational efficiency and shorter deadlines in order to increase the number of statistical products. Setting priorities has been achieved by aiming to achieve efficiency, productivity, increase of the quality in the statistical system and meeting of EU standards and user requirements.

Following the publication of the report "Peer Review", the KAS has drafted a plan for implementing the recommendations from the report made by a team of experts. This plan has been finalized in full coordination with Eurostat. The plan for implementing the recommendations has been published on the official website of KAS and Eurostat. The most recent report on implementation of the Peer Review recommendations was submitted last year (2019), while for 2020 KAS is awaiting the request from Eurostat to draft the updated report on implementation of recommendations for 2020. In addition, the current state of play regarding SDG 2030 indicators has been identified for the part of KAS, and the process is ongoing.

#### *Institutional Framework*

Implementation of commitments deriving from the legislation in force in the area of statistics is under the responsibility of the following institutions that are part of the state statistical system:

- Kosovo Agency of Statistics;
- Central Bank of Republic of Kosovo;
- Ministry of Finance;
- Other bodies authorized by KAS.

**Kosovo Agency of Statistics**, pursuant to the Law on Official Statistics, coordinates the state statistical system and is responsible to align official statistics data. KAS is also responsible to define the user needs and to filter them according to relevance. Moreover, they transform the relevant needs from the users in measurable concepts so as to ease up the data collection and their dissemination. KAS is the main coordinator amongst the statistics producers and ensures coherence and compliance with the statistical system and the agreed standards. Currently, KAS is focused mainly on collection of information from real sectors as well as developing as much as possible statistics in relation to them.

KAS is responsible to produce statistical products that provide information on economic, social, population, agriculture, environment and energy aspects etc. Statistical products are produced on different time intervals. The most frequent product, CPI, is published on monthly basis. KAS is responsible to get information on Gross Domestic Products, the budget of household economic units, employment and the structure of agriculture. Such information is made available to users, each year. At the end of the year, KAS preannounces the publication of the calendar, providing information on the delivery of the statistical products for the next year.

KAS is responsible to create, manage, maintain and update the following:

- Population census;
- Registry of households;
- Registry of houses and apartments;
- Statistical registry of businesses;
- Registry of spatial units and
- Registry of agricultural economies and other registers in accordance with the plans and decisions.

KAS is responsible that the statistics methodologies used in Kosovo are approximated to those used in the countries of the region and Europe. In order to be able to implement such objectives, KAS continuously updates the procedures in the use of nomenclatures, data collection, data processing and dissemination.

**Central Bank of the Republic of Kosovo**, in terms of statistical responsibilities, acts on the basis of the Law on Central Bank of the Republic of Kosovo and the Law on Official Statistics of the Republic of Kosovo.

The responsibilities of the CBK in terms of statistics are also regulated by the Regulation on Monetary - Financial Statistics and Financial Statistics Accounts as well as by Regulation on Balance of Payments and International Investments Position Statistics.

The statistics falling under the auspices of the CBK are those in the monetary and financial sector and the external sector. These statistics are in compliance with standards developed by the International Monetary Fund, European Central Bank, Eurostat etc. Monetary and financial statistics include data produced by the CBK, second level banks, insurance companies, pension funds, and financial assistance institutions. Statistics of the external sector include those of the balance of payment, statistics in international services, international investment position, direct investments and external debt. In general, Kosovo has fulfilled the obligations deriving from the acquis for monetary and financial statistics and external sector statistics. However, CBK should develop the framework for compiling the statistics of the Financial Accounts.

The **Ministry of Finance** has the mission to make projections and analysis so as to support the decision-making processes in relation to formulation of economic policy. The implementation of this mission of the Ministry of Finance is linked to the tasks and responsibilities of Treasury and the Department for Economic, Public Policies and Financial Cooperation (DEPPFC). The statistics for the fiscal sector and those related to public debt are compiled and published by the Treasury within Ministry of Finance.

**Other bodies authorised by KAS:** There are also secondary providers of information used to compile official statistics in Kosovo. The Ministry of Education and Science is responsible to register the number of schools, students and teachers at all education levels. Ministry of Health and Public Health Institute are responsible to register health institutions, patients, doctors and illnesses, the Ministry of Labour and Social Welfare is in charge of providing information on the number of jobseekers, the number of services they provide, unemployment benefits, subsidies for the family in need.

The Ministry of Agriculture, Forestry and Rural Development is tasked to provide administrative data, such as: subsidies to farmers and other administrative data. The Ministry of Economy and Environment has been tasked to draft the Energy Balance, according to the EU requirements, as well as to collect data on natural resources in Kosovo and on biodiversity, the Ministry of Trade and Industry, namely KBRA, provides administrative data on registered businesses. All these data, in certain periods, are used by KAS to inform the public about the situation in these respective areas. However, KAS tries to combine this information with other sources coming from the conducted surveys.

*Administrative capacities* - for capacity development, KAS has employed 10 officials during 2019, who have been assigned to production statistics with special emphasis on economic statistics. In addition, KAS has established the National Accounts Department. KAS staff has participated in a number of trainings both at home and abroad. The number of different trainings and courses for KAS staff provided by the European Commission and Eurostat has increased (participation in various training forums in the short and long term).

Regarding enforcement, in the area of statistics, there have been activities that derive from the Law on Official Statistics, the 5-year programme of official statistics, the annual work plan, the European integration process as well as based on different requests and reports, be them national or international.

Regarding *sector statistics*, KAS has continued to produce and further develop economic statistics, agricultural statistics, social statistics and methodological and IT activities.

The KAS produces national accounts on an annual and quarterly basis (according to production and expenditure approach, at current and constant prices). The deadlines for publication of GDP results have been shortened, which means that for every quarter of the Gross Domestic Product, quarterly publication has been achieved according to the Eurostat standard (t+90 days), using the new methodology of the European System of Accounts (ESA 2010). Also, government accounts are published annually and quarterly. Data is transmitted regularly to Eurostat (after publication of results), using the SDMX format. The number of tables increases gradually.

Regarding *foreign trade statistics*, data on exports and imports of goods are published on a regular monthly and annual basis. Regular monthly publications are published with T+24 days. The annual publication is based on T+168 days. These data are regularly sent to Eurostat through EDAMIS.

Regarding *Energy Statistics*, KAS has shortened the deadline for publishing energy balance results and has increased the number of products sent to Eurostat. Energy statistics are published on quarterly basis in accordance with standards (T + 49 days). Furthermore, the deadline for publishing the Annual Energy Balance has been reduced and the publishing for 2019 was made in June 2020.



Regarding *enterprise statistics*, deadlines for regular publications have been shortened and the number of products sent to EUROSTAT has increased

In terms of *hotels and tourism statistics*, hotel statistics for Q1 2020 were published in June 2020. The modifications in the questionnaires were aligned in line with EUROSTAT recommendations and requirements for short-term retail statistics, industry statistics and transport and telecommunications statistics. A Memorandum of Understanding was signed with the Civil Registration Agency in the past regarding access to data on registered vehicles in Kosovo.

On *social statistics*, the Kosovo Agency of Statistics has implemented the Pilot Survey on Income and Living Conditions (EU-SILC) and data were collected during 2019. Database cleaning is in its final stages and official data will be released in the first half of 2020. So far, information on key indicators of livelihoods, welfare, poverty and other indicators has been measured by the Household Budget Survey. This study will allow KAS to compile statistics on income and living conditions of households and individuals, which are comparable to other statistics produced in the region and beyond. This research will be a reference source to provide Eurostat with comparative statistics on income distribution and social inclusion at European level for the Republic of Kosovo. Furthermore, these data will be used to monitor Europe 2020 strategy with a focus on poverty reduction as the primary goal.

KAS has continued conducting the survey on the Use of Information and Communication Technologies (ICT) for 2019. The ICT survey was integrated within the KAS statistical programme. The results of the ICT 2020 survey will be published in January 2021. Future are to apply the CAPI method to collect the ICT 2020 survey data for 2020.

The Labour Force Survey (LFS) continues to be published on quarterly basis according to the Eurostat standard (T + 90 days), using the new methodology of the European Labour Force Survey and also shortening the deadline for quarterly and annual publication of LFS data. The KAS has also improved data collection tools in order to minimize errors in area data collection through continuous monitoring and systematic evaluation of area work quality, improvement of quality audit mechanisms during and after areawork, preparing a manual for interviewers, etc. The KAS has continued sending LFS micro-data to Eurostat.

KAS started applying ISCO 08 to LFS from January 2018 and plans to apply ISCED 2011 in the near future. KAS has published "Payroll Level in Kosovo 2012-2019" in May 2020, and has carried out the pilot survey the Labour Cost Survey, while the full survey will be conducted in 2020.

In terms of *population statistics*, preparations are being made for the Census of Households and Housing 2021 in line with the International Census Recommendations and the country's needs for the extraction of socio-economic indicators. In this regard, the KAS Working Group was established in June 2018 for finalizing the concept-document.

The Roadmap for the Households and Housing Census 2021 has been developed. A census strategy is being developed and is expected to be finalized soon. The work plan and budget is broken down by activities and years.

Data on Population Estimation for 2019, Birth Statistics for 2019, Death Statistics for 2019, and Marriage Statistics for 2019 have been published. Following the signing of the Memorandum of Understanding between KAS and UNICEF on the MICS6 project, implementation activities have commenced as of 2019.

Regarding the *Central Bank of Kosovo (CBK) statistics*, CBK has continued its regular work on data collection, production and distribution of monetary and financial statistics (MFS) and external sector statistics (ESS) for Kosovo. MFS and ESS are published regularly on the website of CBK; and they are also distributed to

international organisations (including Eurostat, the International Monetary Fund (IMF), and the World Bank). Regarding the improvement of the data collection system, CBK has started the process of developing an online reporting platform for the collection, processing and distribution of statistical information by non-financial corporations. In addition, efforts have been made to improve data quality by optimizing the production system and collecting new information.

Balance of payments, international investment position statistics, statistics of international trade in services and statistics of direct investments are sent regularly to Eurostat. Currently, these statistics are aligned with the acquis requirements.

Monetary financial statistics are compiled in line with the latest international standards. In addition to data on pension funds, all other financial statistics are published on a monthly basis with a deadline of 25 days after the end of the reference month. The data are quite detailed and the quality of the statistics published is good. MFS are mainly published on CBK's website and a significant part of them are sent for publication to the International Monetary Fund.

External sector statistics are in line with the EU acquis. The statement of balance of payments is published on a monthly basis on the CBK website and is sent to Eurostat on a quarterly basis. International Investment Position (PIN) statistics are sent to Eurostat on a quarterly basis. International statistics and direct investment statistics are sent on an annual basis, in line with reporting requirements from Eurostat.

Regarding financial account statistics, they are not yet being compiled in Kosovo. CBK has undertaken some activities to begin this year with the establishment of the framework for compiling financial account statistics. Initially, staff recruitment is being done. Also, the SBK statistics department has made an analysis of the source data to be used for compiling financial account statistics. In general, data on the financial sector and the government sector are adequate; however, there are deficiencies for the data of the non-financial corporations and households sector.

### *Donor Support*

The Kosovo Statistical System has been supported and continues to be supported continuously by various donors in technical and professional capacity-building. In addition to highly-beneficial approach projects (regionally), the KAS and the statistical system is also supported in national forms. The main donors are EC, respectively Eurostat, followed by SIDA, WB, IMF, UNICEF, UNFPA, etc. For the next 4-year period 2019-2022, the Kosovo Statistical System will be supported by the European Commission. The 2021 Population Census project is in consultation with donors, but until the reporting period there have been no commitments by donors, with the exception of the EU office with EUR 1.2 million for easy monitoring of the entire census process.

KAS is being supported by the Norwegian Government project. The purpose of this project is to support the Kosovo public administration in the implementation of the SAA and in improving readiness for EU membership in several chapters including statistics. This project will strengthen the institutional capacities of the public administration of Kosovo, specifically in the Statistics chapter, by providing specialized training on the content of EU requirements, transposing the acquis into national legislation and related policy reforms.

In addition to projects at the national level, KAS is also being supported by Eurostat through pilot projects with a focus on professional and technical capacity-building of KAS.

MB IPA-2015- (Multi-beneficiary Statistical Cooperation Programme) with these projects:

- Government Finance;
- Methodology of National Accounts;

- Sector Accounts;
- Programme of transmission of annual national accounts, quarterly national accounts and qualitative reporting;
- Macroeconomic Imbalance Procedures (MIPs).

With the support of the World Bank, KAS has organized non-observed economy surveys in four activities (businesses). The results of these surveys will be included in national accounts.

- Aligned Index of Consumer Prices (HICP),
- Purchasing Power Parity (PPP),
- Statistical Business Register,
- Short-term statistics of enterprises: implementation of standards and guidelines of the European Statistical System,
- Transport statistics: for passengers and goods,
- Information and communication technology - use in businesses (not conducted due to the lack of human resources) and
- Energy statistics.

In cooperation with the World Bank, we are conducting the enterprise productivity survey.

- Support has continued in other strategic areas of national and international character, such as the SEE 2020 strategy, SDGs 2030, etc.
- Farm structure survey,
- Annual crop statistics and permanent crop statistics (arboriculture survey, viticulture survey),
- Livestock production statistics (monthly and annual statistics on milk, meat and eggs),
- Agro-monetary statistics (survey on prices and rent of agricultural land),
- Waste statistics.

***Medium-term Priority Objectives:***

- Preparing and conducting the 2021 population census in Kosovo;
- Preparing and conducting the 2022 agriculture census;
- Strengthening human resources and cost-effectiveness in KAS;
  - Ensuring sustainable resources;
  - Rationalization of job positions;
  - Developing internal and external training;
  - Compiling and monitoring indicators within the 2030 strategy;
  - Confidential commitment, as additional support by the Government of Kosovo for the quality of statistical productions.
- Strengthening methodology and quality management;
  - Strengthening the Quality Management System;
  - Monitoring and enhancing areawork control;
  - Continuing the enhancement of using electronic devices in data collection;
  - Continuing the further use of sub-phases from GSBPM statistical models;
- Increasing and improving official statistics;
  - Full implementation of the ESA 2010 Methodology in economic statistics, in particular in national accounts;
  - Increasing the number of GDP tables for the transmission programme, which will be sent to Eurostat;
  - Further improving National Accounts and Government Finance Statistics in accordance with ESA 2010, IMF manual and the one of GFSM 2014;
  - Compiling and publishing supply and use tables (SUT), where all data sources will be used, balancing SUT with current and constant prices (using all deflators);
  - Input-output tables (I/O) are prepared;

- Establishment of the framework for non-observed economy - NOE (table approach for measuring NOE);
- Continue the publication of Government Finance Statistics-GFS annually and quarterly based on the IMF and GFSM 2014 manual and the production of EDP tables;
- Development of the Health survey;
- Development of the Adult Education Survey;
- Development and improvement of transport, hospitality and tourism, construction statistics and other short-term statistics;
- Development of investment statistics;
- Development of statistics on the use of ICT by businesses.

CBK will enrich statistical and research activities related to economy in general and the financial system in particular, through these strategic actions:

- Compilation and publication of statistics on Financial Accounts for Kosovo, in accordance with the methodology foreseen with ESA 2010;
- Further comprehensive advancement of monetary and financial statistics;
- Compilation of balance of payments statistics on a monthly basis for reporting to Eurostat;
- Development of the online reporting platform by non-financial corporations.

### **3.19. Acquis Chapter 19: Social Policy and Employment**

The acquis in the social area includes minimum standards in the area of labour law, equality, health and safety at work and anti-discrimination. The Member States participate in social dialogue at European level and in EU policy processes in the areas of employment, social inclusion and social protection.

Member States participate in EU policy processes in the areas of employment policy, social policy, inclusion and social protection. Social partners from Member States participate in social dialogue at European level.

In the area of disability, the EU has adopted a strategy aimed at aligning disability issues within the Union's respective policies and enhancing the integration of people with disabilities.

International agreements related to employment, work and social affairs, such as the relevant ILO conventions and the UN Convention on the Rights of Persons with Disabilities, should be considered.

With regard to Chapter 23 "Judiciary and Fundamental Rights", it should be noted that the rights of workers' trade unions are essentially contained in Chapter 19. As regards anti-discrimination and equal opportunities, these issues are essentially covered in Chapter 19 with a specific focus on aspects of employment, while Chapter 23 covers cultural rights and minorities as well as violence against women.

#### *SAA Requirements*

Pursuant to SAA Articles 82 and 106, cooperation in this area aims to facilitate the employment policy in Kosovo. They also seek to promote social dialogue as a fundamental drive to economic growth, as well as gradual alignment of legislation on labour, health, safety at work and equal opportunities for women and men, for persons with disabilities and for persons belonging to minorities and other vulnerable groups. This may also include alignment of Kosovo's legislation with EU acquis in the area of labour law, with special focus on women's working conditions, and to promote adoption of social inclusion and anti-discrimination policies in Kosovo.

#### Requirements from other EU accession mechanisms

Based on the conclusions of the SAA Subcommittee on Innovation, Information Society, Social Policy and Employment 2018, regarding *informal employment*, a strategy is needed to combat the informal economy.

Initiatives and strategies in the context of *occupational safety and health* are required to be clarified. It should also be ensured that municipalities provide social services, including by amending the Law on Local Finances to include the grant required by municipalities.

The EC *Kosovo 2019 Report* emphasizes that the Employment Agency is operational but the services it offers are limited, and that fatal accidents at work are on the rise and the general collective contract is not implemented. Bearing in mind that the recommendations of EC Report 2018 have not been implemented, the EC Kosovo 2019 Report specifically calls for the implementation of the 2018-2022 Strategy for Employment and Social Welfare and monitoring the results; to amend and apply the Labour Law, the Law on Occupational Safety and Health and the Law on the Social Economic Council; and urgently take measures to reduce workplace accidents. In the area of social policies and social services, the requirements and recommendations of the EC Kosovo Report and reports of other international organisations are on improving and advancing the Legislative Framework for social services, social assistance, strengthening of financing mechanisms and decentralization of social services, through the creation of a Special Social Service Guarantee, reform of the Social Assistance Scheme, support of the non-governmental sector licensed for social services, support of registered social enterprises and capacity building of social workers through implementation of training programmes.

Regarding non-discrimination in employment and social policy, this report states that bylaws for implementation of the Law on Protection from Discrimination have not been adopted. Kosovo needs to reform the maternity and maternity leave system, for that is an obstacle to women's recruitment procedures, especially in the private sector. During 2019 the Ombudsperson has received a similar number of cases as in previous years, but the number of ex officio investigations on grounds of discrimination has doubled. Institutions continue to be weak in prosecuting and investigating cases of discrimination. Discrimination against women when it comes to recruitment procedures in the private sector should be addressed.

## ***State of Play***

### *Legislative and Policy Framework*

The legislative framework in this area consists of the following relevant normative acts:

The legislative framework in the area of occupational safety and health has made progress in approximating domestic legislation with the EU Acquis. So far, a total of 25 directives (individual directives under Article 16 (1) of Framework Directive 89/391 and others) have been transposed into 19 relevant regulations adopted. The adopted regulations are listed below. EU directives in the area of working conditions have been identified and analyzed. The seventeen (17) directives have been transposed into the draft-law on Labour and the draft-law on Maternity and Parental Leave.

Therefore, the legislative framework in this area consists of the following relevant normative acts:

- Law No. 03/L-212 on Labour;
- Law No. 04/L-161 on Safety and Health at Work;
- Law No. 04/L-205 on the Employment Agency;
- Law No. 04/L-008 on Social Economic Council;
- The new Law No. 05/L-077 on Registration and Providing of the Services for Unemployed, Jobseekers and Employers;
- Law No. 05/L-020 on Gender Equality;
- Law No. 03/L-019 on Training, Vocational Rehabilitation and Employment of Persons with Disabilities, as amended by Law No. 05/L-078;

- Regulation (MLSW) No. 04/2014 on Minimum Safety and Health Requirements for the Use of Work Equipment;
- Regulation (MLSW) No. 05/2014 on Minimum Safety and Health Requirements in the Workplace;
- Regulation (MLSW) No. 02/2016 on Minimum Safety and Health Requirements for the Use of Personal Protective Equipment in the Workplace;
- Regulation (MLSW) No. 03/2016 on Minimum Safety and Health Requirements for the Protection of Employees Related to Work with Loads;
- Regulation (MLSW No. 04/2016 on Minimum Requirements for Providing Occupational Safety and Health Signs at Work;
- Regulation (MLSW) No. 05/2016 on Minimum Requirements Regarding Occupational Safety and Health of Employees at Risk from Explosive Atmospheres;
- Regulation (MLSW) No. 06/2016 on Minimum Safety and Health Requirements for Work with Display Screen Equipment;
- Regulation (MLSW) No. 01/2017 on the Protection of Employees from Risks Related to Vibration in the Workplace;
- Regulation (MLSW) No. 02/2017 on the Protection of Employees from Risks Related to Noise in the Workplace;
- Regulation (MLSW) No. 03/2017 on the Prevention of Injuries from Sharp Workplace Injuries in the Health Care and Hospital Sector;
- Regulation (MLSW) No. 04/2017 on the Protection of Employees from Risks Related to Carcinogens and Mutagens in the Workplace;
- Regulation (MLSW) No. 05/2017 on the Protection of Employees from Risks Related to Exposure to Biological Agents at the Workplace;
- Regulation (MLSW) No. 06/2017 on Minimum Occupational Safety and Health Requirements in Temporary or Mobile Construction Sites;
- Regulation (MLSW) No. 07/2017 on Minimum Occupational Safety and Health Requirements for the Protection of Workers from Risks Related to Occupational Safety at the Workplace;
- Regulation (MLSW) No. 08/2017 on Minimum Health and Safety Requirements Concerning the Exposure of Workers to Risks Due to Physical Agents (Electromagnetic Areas);
- Regulation (MLSW) No. 09/2017 on the Protection of Employees from Risks Related to Optical Radiation in the Workplace;
- Regulation (MLSW) No. 10/2017 on the Protection of the Health and Safety of Workers from Risks Related to Chemical Agents at the Workplace;
- Regulation (GRK) No. 22/2017 on Minimum Safety and Health Requirements of Employees in Underground Surface Mining Activities and Certain Mining Activities.
- Regulation on Active Labour Market Measures;
- AI No. 03/2018 on the manner, procedures and deadlines for monthly payment for employers who do not employ persons with disabilities;
- AI No. 04/2018 on the scope, competencies, composition and mandate of the medical-social commission for assessment of work abilities of disabled people;
- AI No. 05/2018 on the manner and procedures for assessment of work ability for people with disabilities;
- Regulation (GRK) No. 16/2018 for the customs and tax reliefs for employers employing persons with disabilities as well as for the persons with disabilities exercising independent activity.

These normative acts have transposed 25 directives and 22 regulations.

*Institutional framework:*

- Office of the Prime Minister;
- Ministry of Labour and Social Welfare;
- Ministry of Economy and Environment;

- Ministry of Trade and Industry;
- Ministry of Health;
- Ministry of Education and Science;
- Ministry of Finance.

### *Donor Support*

The Technical Assistance project "Support to the Labour Inspectorate in Combating Informality" aims to provide assistance worth EUR 1 million during July 2018 - July 2020 in capacity building for the Labour Inspectorate and Technical Assistance to the Ministry of Labour and Social Welfare.

The Technical Assistance Project "Capacity Building Support for MLSW and EARK" aims to provide assistance of EUR 1 million over the period May 2018 - May 2020. The overall objective of the project is to "increase employability and employment prospects sustainable for disadvantaged groups, especially youth and women in Kosovo". The aim of the project is to develop the capacity of the Ministry of Labour and Social Welfare and the Employment Agency to design, implement and monitor active labour market measures focusing on disadvantaged groups, especially youth and women, while the project has two components with the following results:

- Output 1: MLSW, EARK, local authorities and social partners are equipped with the skills to design concrete actions under active labour market measures in the sector of employment, education and social development;
- Output 2: MLSW and the Employment Agency are provided with the knowledge and experience to implement and monitor proposed ALMMs for disadvantaged groups, especially youth and women.

EYE project, second phase, "Enhancing Youth Employment" is funded by SDC. The purpose of phase II (January 2017 - December 2020) of the EYE project is: "An inclusive social and dynamic labour market that provides jobs increasingly, including youth self-employment in Kosovo". The expected outcomes of the project are the following:

- Outcome 1: Young women and men use the skills acquired to increase their employment through a market-oriented training system;
- Outcome 2: Young women and men make informed career choices and gain more employment opportunities and opportunities to increase income through an improved labour mediation system.
- Outcome 3: Businesses and socially-owned enterprises in targeted economic sub-sectors grow and invest in new jobs. The project started from January 2017 and will end in December 2020. (7 million Swiss francs).

The Technical Assistance project "Support to the Ministry of Labour and Social Welfare for Effective and Effective Implementation of Active Labour Market Measures" is funded by EU funds (IPA) and implemented by WYG savjetovanje d.o.o.

The project "Advice for Migration to Kosovo, Implementation Agreement between the Ministry of Labour and Social Welfare and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on 1 April 2016 until 31 October 2019 has been completed but the second phase 2020-2023 will continue where the content of the project will be expanded and many activities will be added.

The PME/DIMAK Project, implemented through GIZ, respectively the Global Project "Programme - Migration for Development. The main objective of the programme is: strengthening the contributions of migrants for development of their countries of origin and improving conditions for legal migration to the selected partner countries. This objective is being pursued actively in the following areas:

- Counselling on migration policy;
- Counselling on migration;
- Development-oriented return of migrants;
- Cooperation with the Diaspora.

This chapter is being supported by the Norwegian Government project, the purpose of which is to support the Kosovo public administration in implementing the SAA and increasing the readiness for EU membership in several chapters including statistics. This project will strengthen the institutional capacity of Kosovo's public administration, specifically in the Social and Employment Policies chapter by providing specialized training on the content of EU-derived requirements, transposition of the Acquis into national legislation, and reforms of relevant policies.

### *Medium-term Priority Objectives*

The main objective of MLSW in the area of legislation is continuous transposition of EU Acquis in the area of social policy and employment until 2022. A social protection system should be developed and put in place to support employment and increase the inclusion of the target groups through the development of policies and programmes designed to ensure and enhance the quality of social protection schemes, social services and increased coverage for social categories and other excluded groups.

In this regard, the following documents are planned to be approved in the medium term:

- The new law on social insurance and pensions funded by the state: through this law, it is aimed to create a reform in the social insurance system in Kosovo. The reform aims to establish a general and sustainable pension and disability system framework, namely establish a full social insurance system, aligning the current Legislative Framework, creating new legislation, building institutional, human and technological capacities. The reform as a process aims to have an impact on the increase of equality between different categories of beneficiaries in terms of social inclusion and long-term financial stability in the country
- The new Law on the Treatment of Persons with Disabilities: this draft-law will define the right definition for persons with disabilities, the inclusion of all types of disability and the division into categories according to the needs of persons with disabilities,
- Law amending the Law on Safety and Health at Work: The main purpose of this law will be the full transposition of European Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work (Framework Directive). This law aims to better regulate and advance the legal basis of safety and health at work;
- Draft and approve the bylaws for the Law on Social and Family Services;
- Draft and approve the bylaws for the Law on Social Assistance Scheme;
- Draft and approve the AI on the formula for financing social services and the Special Grant for Social Services;
- Support the licensed non-governmental sector with subsidies for the provision of social and family services;
- Support to registered social enterprises with subsidies and grants for the employment of marginalized groups.

### **3.20. Acquis Chapter 20: Enterprise and Industrial Policy**

EU acquis for this chapter consists mainly of policy principles and instruments such as communications, recommendations and conclusions of the Council. To a great extent those are implemented through the Competitiveness and Innovation Programme at all EU levels. This chapter contains also sector policies. In general, the enterprise and industrial policies are closely related to the EU Strategy 2020.



Through these general principles, EU seeks to promote and enhance competitiveness and industrial strategy. These principles derive from Article 173 of TFEU aiming to speed up the structural changes, encourage an environment favourable for businesses and SMEs as well as domestic and foreign investments, as well as to encourage and support innovation and entrepreneurship.

Policy instruments for enterprises and industry are developed through specific programmes that provide support (including financial support) to enterprises and policy makers. These programmes are focused on promoting the access to finance, business related services, Enterprise Europe Network, national policies on innovation and SMEs. Currently this is implemented through the Competitiveness and Innovation Programme 2014-2020. Directive 2011/7/EU is one of the important policy instruments aiming to combat late payments in commercial transactions.

The EU promotes specific sector analysis on competitiveness within the sectorial enterprise and industrial policies. This consists on launching the initiatives for particular sectors, different studies, networking initiatives, policy forums, etc.

Formulation and implementation of enterprise and industrial policies requires the necessary administrative capacities in all levels of administrative organisation of the state, including also the cooperation and consultation mechanisms.

#### *SAA Requirements*

SAA provisions related to this chapter consist of Articles 51, 74, 98, 99, 100, 101 and 102, which mainly provide a cooperation framework and objectives and emphasize the requirements for alignment with the *acquis*. According to Article 51, upon entry into force of the SAA, Kosovo shall ensure treatment for EU companies no less favourable than that accorded to its own companies in respect to employment conditions, payments and equal treatment of employees and operations legally established in the territory of Kosovo. Article 74 defines the obligations for approximation of legislation for internal market and trade at an early stage. This Article requires also the effective implementation of that legislation.

Article 98 provides a framework of promotion and protection of FDI and aims to create a favourable doing business climate. The cooperation in this area aims to improve the Legislative Framework in order to favour and protect the investments. Article 99 provides a cooperation framework in the area of industrial policy. Among others, this Article aims to promote modernization and restructuring of industry, encouraging and developing the competitiveness and promotion of cross border cooperation on industry development. Article 100 is related to cooperation in the area of SMEs and enterprises in general with the aim of creating a favourable environment for businesses. The cooperation shall be carried out within the framework of Small Business Act and by taking into account the *acquis* in this area.

Article 101 on Tourism, envisages a balanced and sustainable development of tourism through studying the opportunities for joint operations and strengthening cooperation between tourism enterprises, experts and institutions and their competent agencies in the area of tourism, by always considering the EU *acquis* regarding this area.

In December 2017, an agreement was signed for Kosovo's participation in the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME). Kosovo should begin developing measures to raise awareness among business parties and ensure their active participation in the programme.

#### *Requirements from other EU accession mechanisms*

The EC *Kosovo 2019 Report* states that Kosovo is moderately prepared in this area. Some progress has been made in improving the business environment. Efforts to revise and simplify business-related legislation

have been intensified by updating the Better Regulation Strategy. There is a need to further develop administrative capacity and to ensure stronger inter-ministerial coordination. The report underlines that there are no specific restructuring programmes, either for sector-specific development or for overall industry modernization.

The need to approve the structural reorganisation of the Kosovo Investment and Enterprise Support Agency (KIESA) was emphasized at the Meetings of the Subcommittee on Trade. It was also underlined that the SBA working groups should be operationalized in order to implement the SBA evaluation recommendations.

## ***State of Play***

### *Legislative and Policy Framework*

#### *Legislative and Policy Framework in the area of entrepreneurship and industry policy*

- Law 04/L-220 on Foreign Investment;
- Law on Construction Products;
- Law No. 06/L-041 on Technical Requirements for Products and Conformity Assessment;
- Law on Tourism No. 04/L-176;
- Law No. 04/L-034 on Privatization Agency of Kosovo and Law No. 06/L-023 amending the Law No. 04/L-034;
- Regulation No. 01/2018 on Labelling and Marking of Textile Products.

These normative acts have transposed the following acts of the acquis:

- EU Regulation 305/2011 on Construction Products.
- EC Regulation No. 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products.
- Regulation (EU) No 1007/2011 of the European Parliament and of the Council on textile fibre names and related labelling and marking of the fibre composition of textile products.
- EU Directive 90/314 on package travel, package holidays and package tours (partially).

The policy framework in this area consists of these documents:

- National Development Strategy 2016-2021;
- COSME agreement;
- Economic Reform Programme.

#### *Institutional Framework:*

- Ministry of Trade and Industry (Department of Industry, Division of Industrial Policy);
- Kosovo Investment and Enterprise Support Agency (KIESA);
- Ministry of Education and Science;
- National Council for Economic Development.

## ***Donor Support***

### *Current and planned bilateral donor projects*

*Projects for Business Environment and Investment Support* is a World Bank-supported project that will support MTI in drafting the regional investment reform agenda, implementing investment policy reform, and promoting investment. The project will last until June 2020.

### *Projects supporting the SMEs:*

- “Support for youth entrepreneurs”;
- “Triple Helix Competition” – The competition is launched by OECD and its partners in Kosovo for the best innovative idea from academia, business and public sector.
- Kosovo Credit Guarantee Fund has been established: This fund will increase access to finance for SMEs by covering 50% of the collateral for SMEs enabling them to get a bank loan. This guaranteed collateral will reduce the risk for the banks enabling them to decrease the interest rates and make their products more affordable. USAID, KfW and SECO contribute with around EUR 18 million, while Ministry of Trade and Industry contributes with EUR 1 million to creation of this fund. MTI continues to supplement the fund with EUR 1 million each year until 2020.
- The IPAs project for increasing competitiveness, which started implementation in July 2017, the project lasts 3 years and aims to help businesses through guarantors, credit guarantees by reducing the borrowing cost and building the capacities of SMEs, the project has a value of EUR 35 million, it is co-funded by the European Commission and EBRD.
- World Bank Loan-Project: Kosovo Youth Inclusion and Entrepreneurship - over 50 professional trainings and courses for young people from 16 to 29 years old with the aim of creating new jobs.
- Direct financial support to SMEs from the "Innovation Fund", co-financed with GIZ, which will be implemented by the Innovation and Entrepreneurship Centre. Priority is given to projects addressing these sectors: Agriculture, Production and ICT.

***Medium-term Priority Objectives:***

***Entrepreneurship and industry policies:***

- Supporting businesses in certifying their products with the European and International standards by providing small grants for SMEs, provision of grants and technical support to businesses for quality standards by 2020, ensuring, where possible, equal gender representation;
- Industry development through support of key sectors in order to increase productivity and export
- Promotion of export by preparing SMEs for export and identifying/developing potential markets
- Active participation in COSME and the Enterprise Europe Network, including the support to businesses to use these programmes.

***Innovation policy:***

- AI on the establishment of the Fund Management Mechanism and the grant for Innovation and Entrepreneurship and the manner of its operation.
- AI on the establishment and functionalization of I&E Centres.
- Establishment of 2 Regional Centres, in Peja and Mitrovica, with the aim of creating opportunities for young entrepreneurs, students and scientists to develop innovative ideas.
- Functionalization of Regional Centres for I&E, established in Prishtina and Ferizaj.
- Direct financial support for NGOs, SMEs and Start-Up Businesses: preparation and announcement of public call, assessment phase, monitoring phase.

**3.21. Acquis Chapter 21: Trans-European Networks**

This chapter covers Trans-European Networks known also as the main pillar of internal development of European markets. The aim of this chapter is to create the necessary transport, energetic and telecommunications network that connects European states with the possibility of including other states also. It enables the creation of a modern infrastructure that connects regional and national networks, ensuring free movement of goods, services, capital and workers, with aim of creating and empowering an equal society.

EU policies on trans-European transport networks (TEN-T) and energy (TEN-E) are based on three points: the legal basis for TEN; Articles 170-172 of the Treaty on the Functioning of the EU; Regulation (EU) No. 1315/201350 on Union guidelines for the development of the trans-European transport and energy network

and Regulation (EU) 1316/201351 on the establishment of the *Connecting Europe Facility-CEF* fund, amending Regulation (EU) 913/2010 and repealing Regulations (EC) 680/2007 and (EC) 67/2010.

This framework sets out the objectives of the EU's trans-European network policy, which includes transport and energy networks and aims at adapting and developing networks and ensuring their interconnection and interoperability. The new funding instrument for trans-European networks - the *Connecting Europe Facility (CEF)* fund and the revised TEN-T and TEN-E guidelines came into force on 1 January 2014. The purpose of establishing and developing Trans-European Networks (TEN) and the promotion of interconnections and the interoperability of national networks are to make full use of the internal market and to contribute to economic growth and job creation in the EU.

#### *Framework and state of play*

Regarding **power grids**, the new Accession Agreement between KOSTT and ENTSO-E was successfully voted by the Regional Continental Europe Group (RGCE) on 20 April 2020. From now on KOSTT and the Republic of Kosovo finally left the SMM Regulatory Bloc (Serbia, Montenegro and Northern Macedonia) and join the Kosovo-Albania Energy Systems Regulatory Bloc (AK Bloc).

Following the successful vote in April by the Continental Europe Regional Group (RGCE), the Chief Executive Officer of KOSTT signed the new Connection Agreement between KOSTT and ENTSO-E on 30 June 2020. Upon the start of implementation of the new Connection Agreement between KOSTT and ENTSO-E, KOSTT will operate as an independent regulatory area within the AK Bloc with the Republic of Albania, within the synchronous zone of Continental Europe. The new KOSTT - ENTSO-E Connection Agreement is expected to enter into force in the autumn of this year. This is an important step that brings KOSTT closer to membership in the European Network of Transmission System Operators (ENTSO-E).

Allocation of interconnection capacities and management of congestion of the interconnection network will be realized within the structure of this bloc and no longer by EMS (Serbia), and the revenues from these activities will also be collected by the Bloc, respectively by KOSTT. This development further paves the way for KOSTT to be integrated into the regional energy market, participate in the Albanian Energy Exchange (APEX) and to put into operation the 400 kV Kosovo-Albania line.

The pre-feasibility study for the Albania-Kosovo gas pipeline (ALKOGAP Project) was carried out through the WBIF platform. The main objective of this study was the initial feasibility assessment for the construction of the ALKOGAP pipeline - as a natural gas supply line from the Caspian region through the regional TAP / IAP pipelines, which in the first phase will connect Albania with Kosovo and potentially to continue, in the future, to other countries in the region.

The pre-feasibility study has provided the following recommendations for the next phases: preparation of the Gas Master Plan for the part of Kosovo, and realization of the joint feasibility study for the Albania-Kosovo gas pipeline. As per these recommendations, the former MED, now the Ministry of Economy and Environment, in cooperation with relevant institutions, has, in early 2019 through the WBIF platform, applied for financial support in the form of grants for the preparation of the Master Plan for Distribution of Natural Gas in Kosovo. In June 2019, the WBIF Steering Committee has approved the grant, in the amount of EUR 1.5 million, for the preparation of this master plan, planned to be realized in 2020-2021.

In the framework of regional cooperation, the Minister of Economic Development of the Republic of Kosovo and the Minister of Economy of Northern Macedonia in February 2019 signed a Memorandum of Understanding that is expected to further intensify cooperation between the two countries by setting priority areas for cooperation in the energy sector. In order to implement this agreement, in the first part of 2019 a joint application with Northern Macedonia was submitted to the WBIF platform for financial support in the form of a grant for a feasibility study for the North Macedonia - Kosovo, with the

Macedonian party in the role of promoter of the project. The WBIF Steering Committee has approved the grant in the amount of EUR 653,250.

In terms of **telecommunications networks**, no progress has been made in strengthening the institutional capacity of the Electronic and Postal Communications Regulatory Authority in drafting and implementing regulations.

#### Requirements from other EU accession mechanisms

Concerning **transport networks**, the EC *Kosovo 2019 Report* states that the institutional capacity to implement strategic projects should be strengthened at central and local government level in terms of public procurement and investment project planning, preparation and management. Priority projects in basic and inclusive networks remain to be carried out. Future investments in infrastructure should be implemented in line with EU standards on public procurement, state aid and environmental impact assessment. Projects should be channeled through a single project pipeline confirming the strategic orientation towards TENs. Implementation of the railway line project 10 and the highway project 6 is slower than expected. The authorities should take immediate measures to finalize the remaining railway border crossing protocols with North Macedonia. Additional efforts are also required to ensure the opening of the rail market with the indicative extension of the Orient/East-Mediterranean corridor. Although there has been progress in adopting maintenance plans for the entire underlying network (road and rail), Kosovo still lags behind in this regard and further efforts are needed.

In terms of **electricity networks**, there is no progress in the operation of the 400 kV transmission line and the frequency control with Albania is not operational due to the failure to implement the connection agreement between the European Network of Transmission System Operators for Electricity (ENTSO) -E and Transmission System Operator of Kosovo-KOSTT.

The pre-feasibility study for the Kosovo-Albania (ALKOGAP) gas pipeline deriving from the TAP project was completed in November 2018. The investment cost is estimated to be EUR 211 million, of which EUR 61 million in Kosovo, but the project depends on the construction of the TAP project, the Ionian-Adriatic pipeline and the gas transmission system in Fushe Kruje in Albania.

In terms of **telecommunications networks**, no progress has been made in strengthening the institutional capacity of the Electronic and Postal Communications Regulatory Authority in drafting and implementing regulations.

#### Transport

Kosovo is a regular member and active participant in the meetings at the level of ministries, steering committees and technical groups of SEETO (South East Europe Transport Observatory). The aim of these meetings is to develop strategic infrastructural documents and to develop basic and comprehensive infrastructure network in Southeast Europe, as an integral part of the Trans-European Network. Upon signature of the Memorandum of Understanding in 2004, all Southeast European states have committed to develop basic and comprehensive networks that will be an integral part of the basic and comprehensive Trans-European Network.

Kosovo has also adopted the Multimodal Transport Strategy which contains five main goals related to development of the basic and comprehensive SEETO network. The main goal of the strategy is: "Improvement, development and maintenance of transport infrastructure that is integrated in the Pan European corridors and is in conformity with European Standards". The basic and comprehensive SEETO network includes also the infrastructure projects of Kosovo that are part of the Southeast European network composed of infrastructure projects: road, railway and air transport. Kosovo also actively participates in the Transport Community established by the Treaty establishing a Transport Community on 12 July 2017 in Trieste, Italy and ratified by all signatory parties (Council Decision EU 2019/392).

The priority projects presented and identified in the multi annual plan of Southeast Europe as well as in Trans-European Network are the following: Route 6 which connects Prishtina with North Macedonia, Corridor VIII, Route 7 which connects Kosovo with Albania as well as Corridor X in Serbia, R6a (Prishtina-Mitrovica) and R6b (Prishtina-Peja).

As regards railway infrastructure, Kosovo has identified the project of Railway Line 10, which connects our country with Serbia, Corridor X and with North Macedonia through Corridor VIII. In addition to the Railway Line 10 which belongs to the Basic SEETO Network, Kosovo has taken the decision to also rehabilitate the Railway Line 7 (seven) which belongs to the comprehensive SEETO network and connects Railway Line 10 in Kosovo with the Corridor X in Serbia.

After putting into function of the segments of the motorway R7, Morine – Gjurgjice (connection with N9) - Bresje - Besi, MI in cooperation with WBIF and EIB, finalized the complement the feasibility study and environment impact for segment Besi - Merdare (border with Serbia). Furthermore, terms of reference were defined for drafting the preliminary project for segment Besi – Merdare, which will be funded by WBIF and the consultancy company was selected for project drafting, which is expected to start soon, and will last 14 months. After the finalization of project, it will be continued with the definition of further steps of funding this project. On the other hand, in July 2015 a contract was signed between MI and the winning company Bechtel Enka for the construction of the Prishtina - Hani i Elezit highway in the amount of EUR 599,944,263.55 (VAT included). The project has been completed and the Prishtina - Hani i Elezit Highway has been put into circulation.

MI is continuing with the extension of the road axis R6a/N2 (Prishtina–Mitrovica). For this project, MI has managed to secure a loan of 60 million dollars from Islamic Bank for Development, Saudi Fund for Development OFID.

Regarding the Kijevo-Zahaq section, MI has completed, in cooperation with the WBIF (Western Balkan Investment Framework) and EBRD, the feasibility study and environmental impact study (2016), which has yielded positive results in terms of economic feasibility of the project. The terms of reference for the preliminary project design from Kijeva - Zahaq (32 km) have been defined and the consulting company for the project design has been selected. The implementation of the implementation project, which is expected to last 12 months, is also ongoing, and after the completion of the implementation project is expected to continue with the definition of further funding steps for this project.

In the railway system, Kosovo has made progress in the division of the Kosovo Railways into two companies, Infrakos which is in charge of the management and maintenance of the Railway Infrastructure and Trainkos which deals with passenger and freight transport. The Republic of Kosovo has also established the Railway Regulatory Authority which deals with market regulation, licensing, certification, safety and interoperability of the railway system in the territory of Kosovo, while it has established the Research Department of Rail Accidents as a separate entity within the Office of the Prime Minister. According to reports issued by SEETO, Kosovo has made progress in implementing the required laws and standards by ensuring that the railway market is opened to external operators.

One of the priority projects identified also by SEETO is the Railway Route 10 and Railway Line 7, which are part of the Trans European Network that connects the Republic of Kosovo with Serbia and North Macedonia, namely the Corridors X and VIII.

Regarding the developments of Railway Route 10, on 06 February 2019, a contract was signed with the Italian company Generale Costruzioni Ferroviarie which started construction works on 29 August 2019 under the first phase of rehabilitation (Fushë Kosovë - Hani i Elezit). Meanwhile, the project Technical Detail Design for the second phase (Fushe Kosove - Mitrovica) has been completed and approved on 08

November 2019 by Infracos. Thus, the contract with the winning company for the construction works under this phase is expected to be signed in the fourth quarter of this year. Furthermore, finalization of works on general rehabilitation and modernization of Railway Route 10 is expected to be implemented until 2022-2023.

*Trans-European energy networks* cover gas transport and storage facilities as well as electricity transmission and make a significant contribution to the electricity and gas market. TEN-E responds to the growing importance of securing and diversifying the EU's energy supply, including the energy networks of Member States and candidate countries and ensuring the coordinated operation of energy networks in the EU and neighboring countries, security of power supply, completion of energy insulation and operation of internal energy.

This framework sets out the objectives of the Community policy on trans-European network policy involving transport, energy and telecommunications networks and aims to adapt and develop networks and ensure their interconnections and interoperability.

### Energy

The AI on the promotion of joint regional investment in the energy sector was adopted in February 2017. The forgoing AI has transposed the Regulation (EU) 347/2013. The purpose of this Regulation is to simplify the procedure for obtaining a permit and to facilitate investments in energy infrastructure in order to achieve the objectives of the Energy Community's energy and environmental policies. The Regulation, adapted for the Energy Community, lays down rules for the identification of important Energy Community projects called Projects of Energy Community Interest (PECI) and Projects of Mutual Interest (PMI).

Pursuant to the Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructure, the national authority in charge was established by decision of the Minister of Economic Development in August 2017. This Regulation also foresees the drafting and publication of a manual of procedures for the permit granting process applicable to Projects of Energy Community Interest (PECI). The Manual of Procedures has been developed and finalized in May 2018.

Concerning the signature of the agreement between KOSTT and ENTSO-E, the new Accession Agreement between KOSTT and ENTSO-E was successfully voted by the Regional Continental Europe Group (RGCE) on 20 April 2020. From now on KOSTT and the Republic of Kosovo finally left the SMM Regulatory Bloc (Serbia, Montenegro and Northern Macedonia) and join the Kosovo-Albania Energy Systems Regulatory Bloc (AK Bloc).

Following the successful vote in April by the Continental Europe Regional Group (RGCE), the Chief Executive Officer of KOSTT signed the new Connection Agreement between KOSTT and ENTSO-E on 30 June 2020. Upon the start of implementation of the new Connection Agreement between KOSTT and ENTSO-E, KOSTT will operate as an independent regulatory area within the AK Bloc with the Republic of Albania, within the synchronous zone of Continental Europe. The new KOSTT - ENTSO-E Connection Agreement is expected to enter into force in the autumn of this year. This is an important step that brings KOSTT closer to membership in the European Network of Transmission System Operators (ENTSO-E).

Allocation of interconnection capacities and management of congestion of the interconnection network will be realized within the structure of this bloc and no longer by EMS (Serbia), and the revenues from these activities will also be collected by the Bloc, respectively by KOSTT. This development further paves the way for KOSTT to be integrated into the regional energy market, participate in the Albanian Energy Exchange (APEX) and to put into operation the 400 kV Kosovo-Albania line. Three joint Kosovo-Albania working groups (WG on legal/regulatory matters; WG on technical-operational matters and WG on commercial matters) are working on the preparation of the legal and regulatory framework. Such activities are being carried out according to the projected dynamics led by WG coordinators and leaders from both

countries, supported by USAID; ECS, Nord Pool IFC, etc. KOSTT and Albania's TSO are in the process of creating a joint LFC block. To this end, there are plans to adopt rules enabling exchange/sharing and dimensioning of reserves between two TSOs as two LFC areas within one LFC Block. On the other hand, KOSTT has developed new Market Rules that include a part of the system's balancing mechanism that enables the treatment of cross-border balancing.

### *Donor Support*

As far as Donor Support is concerned, the Government of the Republic of Kosovo is preparing applications for the 5<sup>th</sup> call for investment under WBIF, with the application deadline being in the late November. The projects being currently prepared for application with WBIF are the following:

- General Rehabilitation of Railway 10 Phase 3, - Border with Serbia - Leshak-Fushe Kosove-Hani i Elezit-Border with the Macedonian Railway Section including signalling and Telecom;
- General Rehabilitation of the Eastern Railway Line (Border with Serbia - Podujeva - Fushë Kosovë);
- Construction of the highway (7 SEETO Road) Section E from Prishtina to Merdare.

### *Medium-term Priority Objectives*

With the aim at fulfilling the obligations arising from the SAA and other EU accession documents and mechanisms within the scope of Chapter 10, the focus during the period 2021 - 2024 will be on the following medium-term priority objectives:

#### TEN-E:

- Establishment of a joint electricity market with Albania;
- Membership of KOSTT into ENTSO-E.

#### TEN T:

- Construction of the R7 Morine-Prishtine-Merdare highway, the Besi-Merdare segment;
- Completion of the expansion segment of the National Road N9, Zahaq - Peja and the construction of the segment of the Kijeve-Zahaq highway;
- Construction of National Road N2 Prishtina - Mitrovica;
- General Rehabilitation and Modernization of the 10th Railway Line (Border with Serbia - Leshak - Fushe Kosove - Hani i Elezit - Border with North Macedonia);
- General rehabilitation and modernization of the 7th Railway Line (Border with Serbia - Podujevo - Prishtina - Fushë Kosovë).

## **3.22. Acquis Chapter 22: Regional Policy and Coordination of Structural Instruments**

This chapter covers all aspects of structural and cohesion funds that the EU grants to acceding countries as part of the enlargement package aiming to align the level of development of the respective country in all its territory in order to achieve development convergence of all regions. This is necessary so that the future member state is able to operate in all its territory in compliance with the criteria set forth by the acquis and other relevant standards. In more concrete terms, this chapter includes drawing up, approving and implementing Structural Funds and Cohesion Fund programmes reflecting each country's territorial organisation. These programmes are negotiated and agreed with the Commission, but implementation is the responsibility of the Member States. This is relevant only after membership, while during the accession process it is necessary to undertake the preparatory measures in this direction. The acquis under this chapter consists mostly of framework and implementing regulations, which do not require changes to national legislation but only transposition of legal provisions of the EU into Kosovo legislation, in order to ensure the implementation of EU financial instruments in accordance with the rules set out by the EU.

In this context, in the pre-accession period, before granting the candidate status, Kosovo shall set out the legal, institutional and administrative framework so that by the time of accession Kosovo is able to



successfully and appropriately implement these programmes. Therefore, this chapter provides an overview of the needs of Kosovo with regard to such measures, as well as the needs to prepare for further benefit from the EU assistance during the accession process. Based on these needs, Kosovo needs to develop conceptual policies for structural funds and regional policy and plan their sustainable administrative capacity building for their implementation.

### *SAA Requirements*

The Stabilisation and Association Agreement, respectively Articles 121, 122, 123, 124 and 125 enable Kosovo access to assistance provided by EU as part of the European integration process of the country. EU assistance is conditional upon the fulfilment of the political criteria for EU integration process and obligations of the stabilisation and association process and will focus on aligning the legislation with EU, economic development and improved governance. It will be based on annual or multi-annual programmes agreed between Kosovo and EU, within a multiannual indicative framework. EU assistance could also be provided in the form of macro-financial assistance, in coordination with international financial institutions, in the context of the implementation of programmes between Kosovo and the International Monetary Fund.

To meet its obligations under the SAA, Kosovo needs to ensure that financial cooperation will continue to support democratic, economic and institutional reforms, in line with the stabilisation and association process. Kosovo needs to strengthen donor coordination and financial assistance of the EU should be closely coordinated with other sources from member states and other countries outside the EU as well as international financial institutions. Kosovo is obliged to provide regular information on all sources of assistance.

Since 2007, EU has provided financial assistance to candidate and potential candidate countries for EU membership under the Instrument for Pre-Accession (IPA), in accordance with Council Regulation (EC) No. 1085/2006 dated 17 July 2006 establishing an Instrument for Pre-Accession (hereinafter: the Framework Regulation), in accordance with Article 17 of the Framework Regulation and Article 7 of Regulation (EC) No. 718/2007 implementing Council Regulation (EC) No. 1085/2006. Each recipient country has reached a framework agreement with the European Commission in order to set rules and principles of cooperation foreseen in the Framework Regulation. The assistance provided through the IPA has been extended for the period 2014-2020 by the regulation 231/2014 of the European Parliament and the Council establishing an instrument for pre-accession (IPA 2), namely the regulation on the implementation of the IPA 2. The Government of the Republic Kosovo and the European Commission (EC) signed the Framework Agreement which entered into force on 16 April 2015. Based on the Framework Agreement, for each IPA annual programme a financial agreement will be signed.

### *State of Play*

#### *Legislative Framework*

As stated above, the *acquis* in this chapter consists mostly of framework and implementing regulations, which do not require changes in national legislation, but need to be implemented through domestic legislation, in order to ensure the implementation of financial instruments of the EU in accordance with EU rules. However, the proper application of these funds requires transposition of the *acquis* in related areas, such as state aid, environment and public procurement. Measures in this regard are covered by the relevant chapters of this programme.

#### *Institutional Framework*

The institutional framework in this area consists of the following:

- Agency for European Integration;
- Ministry of Regional Development.

### *Programming*

Programming of EU assistance through the IPA is based on the Strategic Indicative Document 2014-2020, which defines the sectors and long-term priorities for 2014-2020. The assistance granted within IPA for the period 2014-2020 includes an amount of over 602 million Euros. Programming is sector-based, based on sector planning documents containing information that are relevant to the sectors in which programming occurs. 7 documents are drafted in the following sectors: i) the rule of law, ii) energy, iii) agriculture, IV) public administration reform; and V) competitiveness and innovation; VI) education, employment and social policies; and vii) environment. The first part of financial agreement for IPA 2016 entered into force, as well as the second part, by which Kosovo will benefit from direct budget support within the public administration sector, an amount of EUR 25 million, which will be disbursed starting from 2019. The financing agreement for IPA 2017, Part I, as well as for IPA 2017 Part II, which supports the public finance management at the same amount of EUR 25 million, as sector budget support, has also entered into force. Preparations for the programming of IPA 2019 and IPA 2020 have begun during 2018 and 2019, and the agreement for IPA 2018 and IPA 2019 Part I has entered into force in 2019, while the financing agreements for IPA 2019 Part II and for IPA 2020 are expected to be completed during 2020.

In order to coordinate all the infrastructure investments in the Republic of Kosovo, financed from internal and external resources, the Government established the National Investment Council (NIC) through the decision of 8 July 2015, co-chaired by the Minister of Finance and Minister of European Integration, while NIPAC Office plays the role of Technical Secretariat, in cooperation with the Ministry of Finance and Strategic Planning Office of the Office of Prime Minister. On 18 December 2017, the Government of Kosovo approved a priority list of infrastructure projects, including 63 projects reaching an amount of 3, 4 billion Euros in four (4) sectors: transport, environment, energy, and the social sector.

In the context of cooperation with other countries, multiannual programmes (IPA 2014-2020) for Cross Border Cooperation Programme with countries in the region, namely Kosovo-Albania, Kosovo and Montenegro, Kosovo and North Macedonia are approved. Partnership agreements for managing the technical assistance for cross-border cooperation programme with each partner country for multiannual programme IPA II 2014-2020 were signed. During this period, due to the fact that Montenegro is expected to advance to a decentralized management system, on 10 February 2017, was carried out the signing of a bilateral agreement between Kosovo and Montenegro for the cross border cooperation programme.

Furthermore, annual tripartite financial agreements (for 2018) on the cross-border cooperation programme between the European Commission, Kosovo and North Macedonia have been signed. In turn, the agreements between the European Commission, Kosovo and Albania as well as between the European Commission, Kosovo and Montenegro are also expected to be finalized. These agreements are expected to enter into force when the parties are notified through diplomatic channels.

Structures for the implementation of the cross-border cooperation programme with the partner countries are composed of: Operational Structure (OS) led by MLG, where the secretary general of MLG is the leader of the OS, delegated by NIPAC. Other structures for implementing this programme are the following: Joint Technical Secretariat (JTS) and the Joint Monitoring Committees (JMC) for each participating state in this programme. In the cross-border cooperation programme with Montenegro, the auditor's role within the Kosovo side is held by the Central Alignment Unit of Internal Auditing within the MoF, whereas the Control Body is within the MLG.

### *Monitoring*

IPA Joint Monitoring Committee conducts the monitoring of implementation of programmes and projects funded by IPA resources, and meets on an annual basis. Monitoring of donor assistance in general and EU assistance in particular is done in two ways: through the use of regular reporting to donors within the Aid Management Platform (AMP) and participation of officials in the meetings of Projects Steering Committees.

### *Medium-term Priority Objectives*

In order to fulfil the obligations arising from the SAA and other EU integration documents and mechanisms within the scope of Chapter 22, during the period 2019-2021 the following midterm priorities are foreseen:

- Drafting of the law on regional development;
- Drafting of the regional development strategy;
- Development of policies on economic zones and private sector in Kosovo;
- Drafting of policies on regional socio-economic development;
- Development of the project management and implementation system;
- Negotiation of the programme, signing and entry into force of the financing agreement for IPA 2020;
- Negotiation of the programme, signing and entry into force of the tripartite financial agreement between the EU, Kosovo and Albania for 2020 on the IPA II Cross-Border Cooperation Programme between Kosovo and Albania;
- Negotiation of the programme, signing and entry into force of the tripartite financial agreement between the EU, Kosovo and North Macedonia for 2020 on the IPA II Cross-Border Cooperation Programme between Kosovo and North Macedonia;
- Negotiation of the programme, signing and entry into force of the tripartite financial agreement between the EU, Kosovo and Montenegro for 2020 on the IPA II Cross-Border Cooperation Programme between Kosovo and Montenegro.

### **3.23. Acquis Chapter 23: Judiciary and Fundamental Rights**

Chapter 23 of the acquis covers the following areas: judicial system, anticorruption policy and fundamental rights. EU policies in the area of judiciary and fundamental rights aim to maintain and further develop the Union as an area of freedom, security and justice. The establishment of an independent and efficient judiciary is of a paramount importance. Impartiality, integrity and a high standard of adjudication by the courts are essential for safeguarding the rule of law. This requires a firm commitment to eliminating external influences over the judiciary and to devoting adequate financial resources and training. Legal guarantees for fair trial procedures must be in place. Equally, Member States must fight corruption effectively, as it represents a threat to the stability of democratic institutions and the rule of law. A solid Legislative Framework and reliable institutions are required to underpin a coherent policy of prevention and deterrence of corruption. Member States must ensure respect for fundamental rights and rights of citizens of EU, as guaranteed by the EU acquis and by the Fundamental Rights Charter.

#### *SAA Requirements*

##### Judicial system

In the light of the scope of judicial system, and in accordance with the obligations and requirements of the EU accession process deriving from the SAA (Art. 83), it is required to intensify the cooperation with the EU in the area of judiciary, focusing on strengthening the institutions with the view to consolidate the rule of law by strengthening the independence, impartiality and accountability of the judicial system. Cooperation will focus in particular on the administration of justice, development of adequate structures of courts and prosecutions, and other judicial bodies, to adequately prepare them for cooperation in civil, commercial and criminal matters and to enable them to effectively prevent, investigate, prosecute and adjudicate organized crime, corruption and terrorism.

#### Anticorruption policy

According to the obligations arising from the SAA, Article 83 (Strengthening of institutions and rule of law) and Article 91 (Preventing and combating organized crime and other illegal activities), is required to develop adequate structures for the police, prosecutors and judges and other judicial and law enforcement bodies in order to effectively prevent, investigate, prosecute and adjudicate corruption activities (Article 83). Also, according to Article 91 the parties shall cooperate with the aim to reinforcing the Kosovo structures for combating and preventing criminal activities, particularly corruption and other forms of serious crimes with a cross-border/administrative border dimension. In this regard it is required that Kosovo respects the relevant international conventions and instruments in this area. At the level of prevention, Kosovo is required to target the implementation of measures that are equivalent to those laid down in the relevant legislation of the EU, and to abide by the relevant international conventions and instruments related to this area.

#### Fundamental rights, protection of minorities and cultural heritage

In terms of protection of fundamental rights and protection of minorities, and in line with requirements deriving from SAA, it should be observed the respect for democratic principles and human rights, as declared in the Universal Declaration of Human Rights of 1948 and as defined in the Convention for the Protection of Human Rights and Fundamental Freedoms of 1950, in the Helsinki final Act and the Charter of Paris for a New Europe (Article 3), must be ensured. Moreover, Kosovo institutions should ensure respect for international law and instruments, including those related to the protection of human rights and fundamental rights, up to protection of persons belonging to minorities, without discrimination on any grounds (Article 4).

#### Protection of personal data

Based on the obligations deriving from Article 84 of SAA, the institutions of the Republic of Kosovo shall ensure that the protection of personal data by corresponding to that of the EU acquis. Protection of personal data shall be developed in the way that it is in compliance with the EU acquis in this area.

#### Requirements from other EU accession mechanisms

##### Judicial system

According to the findings of the *EC's 2019 Kosovo Report*, the following shortcomings in the functioning of the judiciary have been identified: limited applicability of laws of the 2015 justice package; inability of the judiciary not to be subjected to excessive political influence, limited capacities of rule of law institutions, administration of justice efficiently and promptly.

Kosovo is at an early stage of developing a functional judicial system; limited progress has been made in implementing the laws of the 2015 justice package, but with the latest amendments of the package, more visible developments in the justice system are expected in the future. The integration of Serbian judges and prosecutors, as well as of Kosovo judicial staff within the Kosovo judicial system, has been a major achievement during 2017 and 2018. The judiciary is still subject to inappropriate political influence, and the rule of law institutions need constant and strong efforts to develop their capacities. The administration of justice remains slow and inefficient. Since the recommendations of the last report are addressed only in part, they still remain valid.

Kosovo should pay particular attention in:

- Continuing to strengthen the capacity of judges, prosecutors and support staff, as well as improving the court administration, in particular through the functional system of case management, which should enable the random allocation of cases and provide reliable statistical and gender-based data in accordance with the methodology of the European Commission for the Efficiency of Justice (CEPEJ);

- Continuing the efforts to reduce the backlog cases, including by using alternative dispute resolution tools and in particular mediation, the use of which should be properly financed and promoted.

According to the requirements arising from the meeting of the Subcommittee on Justice, Freedom and Security, the process of the Review of the Rule of Law Sector should be finalized, according to the deadlines set forth by the Ministry of Justice and gradually enter the implementation phase of the sectoral strategy.

In addition, within the conclusions of the last Subcommittee meeting, it was required ensuring of consistency between policy decisions and findings from the Functional Review process. Furthermore, it was required also improvement in the administration of judiciary, in particular through an electronic case management system that is used continuously in all courts and prosecutor's offices, which should also perform random allocation of cases and provide reliable statistical data, disaggregated by gender.

#### Anticorruption policy

According to the findings of the *EC's 2019 Kosovo Report* regarding the fight against corruption, progress has been made on a track record for investigation and prosecution of high-level cases, including final convictions. Progress was also made on the preliminary confiscation of assets although final confiscations remain low.

Since the recommendations of the last report have been addressed only in part, they still remain valid, thus, Kosovo should particularly pay attention to:

- Increase continuously the progress of the case track record, increase the number of prosecutors in the Special Prosecution Office who investigates and prosecutes high-level corruption cases, as well as provide trainings for capacity building in financial investigations, confiscation of assets, as well as in effective witness protection;
- Amend the legal framework (for the suspension and removal of public officials under indictment and convicted of corruption, for the declaration of assets, as well as for the whistle-blowers) to approximate it with the European standards; specifically adopt the revised Criminal Procedure Code;
- Adopt relevant legislation, parallel to amendment of the Law on Anti-Corruption Agency, in order to provide the Agency with more competencies to verify the declarations of assets and to make the declaration system more effective in dealing with bribes;
- Ensure that financial reports and campaign reports of political parties are published and audited continuously, and that sanctions against violations of relevant laws are applied; amend the legal framework that regulates financing of political parties and financing of campaigns based on the opinion of the Venice Commission to ensure effective implementation, accountability and transparency.

Kosovo should also prioritize the thorough implementation of the revised legislative framework in the area of rule of law, including training and awareness-raising, in order to make it an effective tool for fighting corruption.

According to the obligations arising from the Subcommittee on Justice, Freedom and Security, institutions of the Republic of Kosovo should be strongly committed to strengthening the structures for combating, preventing, investigating, prosecuting, and adjudicating corruption in an effective way. Also, the Ministry of Justice, during the Functional Review process, should determine the parameters of the legal framework in the area of anti-corruption and the relevant legislation on the declaration of assets by public officials. During the review, efforts should be made to clarify the overlapping of mandates, inter-institutional coordination and the responsibilities of institutions that fight corruption in the country.

#### Fundamental rights, protection of minorities and cultural heritage

According to the findings of the EC's 2019 Kosovo Report, implementation of the legislation and human rights strategies remains challenging, as it is limited by inadequate financial resources, limited political prioritization and lack of coordination. Based on this report, the Office for Good Governance within the OPM lacks the necessary resources and capacity to fulfil its broad mandate, which includes overseeing, coordinating and drawing up policies in the areas of good governance, human rights, equal opportunities and anti-discrimination issues; coordinating the involvement of civil society in policy and decision-making; and monitoring the implementation of strategic documents on corruption. The role of the human rights officers in ministries and municipalities also needs to be strengthened

In this regard, Kosovo should:

- Approve the Kosovo Programme on Gender Equality;
- Amend the new law on protection against domestic violence, which aims to increase the mechanisms of protection against domestic violence;
- Adopt the necessary legislation that supports the management of cases of domestic violence, including rehabilitation and reintegration for victims of domestic violence;
- Establish a permanent budget line for sustainable financing of shelters, to ensure their financial stability;
- Reassess and strengthen the efficiency and effectiveness of the mechanisms for the coordination and implementation of human rights, including the rights of minority persons and displaced persons;
- Strengthen the implementation of the Law on Gender Equality, promote the representation of women in decision-making roles and advance the implementation of the strategy and action plan on protection against domestic violence;
- Implement the Law on Child Protection and ensure sustainable financing and genuine accountability of relevant institutions and actors, as well as the integration of child protection systems at central and local level;
- Proper management of illegal reoccupation of property;
- Advance the protection of cultural heritage by fully implementing the legislation on special protective zones and the legislation addressing illegal constructions; adopt the Laws on Cultural Heritage and Religious Freedom, as well as ensure the continuous functioning of the Implementation and Monitoring Council;
- Ensure the continued implementation of the strategy and action plan for the inclusion of Roma and Ashkali communities, including the allocated funds;

According to the obligations arising from the Subcommittee on Justice, Freedom and Security, it is necessary for the institutions to commit to implement the human rights law package, specifically to continue the inter-institutional coordination at the central level, and between the central and local level, as well as to provide a sustainable budget for the implementation of human rights policies at central and local level. The EC also assessed that the recommendations of the Ombudsperson were further implemented in general. However, the Government and the Assembly need to be more active in providing proper monitoring. In the framework of this meeting, it was requested that the concept-document for an umbrella Law on persons with disabilities be approved as soon as possible.

It is also necessary to fully investigate attacks on journalists, cases of sexual and domestic violence, hate crime, hate speech and discrimination and attacks on LGBTI persons, as well as to ensure timely and full investigation and adjudication of such cases. Priority is given to the establishment of institutional mechanisms for protection against discrimination in all ministries and municipalities, as well as the establishment of a coordination system between them and the Office of Good Governance.

#### Protection of personal data

According to the findings of the *EC's 2019 Kosovo Report*, for the implementation of the Law on Personal Data Protection, the Commissioner of the new Information and Privacy Agency should be appointed and the necessary bylaws should be updated.

### ***State of Play***

#### *Judicial system*

The legislative framework in this area consists of these relevant normative acts:

- Law on Courts;
- Law on State Prosecutor;
- Law on the Kosovo Judicial Council;
- Law on the Kosovo Prosecutorial Council;
- Law on Disciplinary Liability of Judges and Prosecutors;
- Law on the Academy of Justice;
- Law on Notary;
- Law on Mediation;
- Law on Enforcement Procedure;
- Law on Execution of Penal Sanctions;
- Criminal Code of the Republic of Kosovo;
- Criminal Procedure Code of the Republic of Kosovo;
- Law on Liability of Legal Persons for Criminal Offences.

The policy framework in this area consists of the following documents:

- The Prosecutorial System Strategic Plan 2019-2021;
- National Backlog Reduction Strategy and Action Plan;
- Development Strategy of the Ministry of Justice 2018-2021;
- Legislative and policy framework in the fight against corruption.

#### *Anticorruption policy*

The anticorruption policy area in the Republic of Kosovo is regulated by the following laws:

- Law on Declaration, Origin and Control of Property of Senior Public Officials and on Declaration, Origin and Control of Gifts of all Public Officials;
- Law on Prevention of Conflict of Interest in Discharge of Public Functions;
- Law on Anticorruption Agency;
- Law on Protection of Whistle-blowers;
- Law on Financing of Political Entities,
- Law on Public Procurement.

The policy framework in this area consists of the following documents:

- Strategic Plan 2019-2021 of the Prosecutorial System
- The Anticorruption Strategy and Action Plan
- The Anticorruption Action Plan

#### *Fundamental rights*

The legislative framework in this area consists of these main relevant normative acts:

- Law on Protection against Discrimination;
- Law on Ombudsperson;
- Law on Gender Equality, Law on Protection against Domestic Violence;
- Criminal Code of the Republic of Kosovo;
- Juvenile Justice Code;

- Law on the Civil Aspects of International Child Abduction;
- Law on Vocational Ability, Rehabilitation and Employment of People with Disabilities;
- Law for Blind Persons;
- Law on Material Support for Families of Children with Permanent Disability;
- Law on the Status and Rights of People with paraplegia and tetraplegia.

The policy framework in this area consists of the following documents:

- National Strategy on the Rights of Persons with Disabilities 2013-2023;
- National Strategy on Property Rights;
- National Strategy on Protection from Domestic Violence and the Action Plan 2016-2020;
- Standard Procedures of Action against Domestic Violence;
- Kosovo Programme for Gender Equality;
- National Strategy on rights of the child 2019 – 2023.

#### Protection of minorities and cultural heritage

Laws covering the area of protection of minorities and cultural heritage are as follows:

- Law on Protection and Promotion of the Rights of Communities and their Members in Republic of Kosovo;
- Law on the Use of Languages;
- Law on Special Protective Zones.

The policy framework in this area consists of these documents:

- Strategy for Inclusion of Roma and Ashkali Communities in the Kosovo Society;
- Strategy for Communities and Returns;
- National Cultural Heritage Strategy 2017-2027

#### Protection of personal data

- Law on Protection of Personal Data.

#### *Institutional Framework*

##### Judicial system

The institutional framework in the area of judicial system consists of the following institutions:

- Ministry of Justice;
- Kosovo Judicial Council;
- Kosovo Prosecutorial Council;
- State Prosecutor;
- Academy of Justice;
- Basic Courts;
- Court of Appeals;
- Supreme Court;
- Constitutional Court.

Other institutions that cover the area of the justice system are the Notary Chamber of the Republic of Kosovo, Kosovo Chamber of Advocates and Kosovo Chamber of Private Bailiffs.

##### Anticorruption policy

The institutional framework in the area of anticorruption policy consists of the following institutions:

- Anti-Corruption Agency;
- The Anticorruption Task Force of SPRK;



- National Coordinator on Combating Economic Crime;
- National Anticorruption Council;
- Basic Prosecution Offices;
- Follow-up mechanism for the establishment of inter-institutional cooperation - Kosovo Prosecutorial Council has created the database/ follow-up mechanism in order to align the statistical reports between the submitting entities of criminal reports.

#### Fundamental rights

The institutional framework in the area of fundamental rights consists of the following mechanisms:

- Office for Good Governance (OPM);
- Institution of the Ombudsperson;
- Agency for Gender Equality;
- Officials for Gender Equality in Ministries and Municipalities
- Officials for Protection from Discrimination in Ministries and the Municipalities;
- Kosovo Property Comparison and Verification Agency;
- National Coordinator for Protection from Domestic Violence;
- Inter-ministerial Committee on the Rights of the Child;
- Advisory and Coordination Group on the rights of the LGBTI community;
- Kosovo Correctional Service;
- Kosovo Probation Service;
- MoJ Inspectorate for KCS;
- National Mechanism against Torture and Other Cruel, Inhuman, or Degrading Treatment or Punishment;
- Agency for Free Legal Aid;
- National Council for Persons with Disabilities.

#### Protection of minorities and cultural heritage

The institutional framework in the area of protection of minorities and cultural heritage consists of the following mechanisms:

- Ministry for Communities and Returns;
- Ministry of Culture, Youth and Sports;
- Consultative Council for Communities;
- Implementation and Monitoring Council;
- Office of the Language Commissioner;
- Office for Community Affairs; Office for Community Affairs; The Technical Working Group on Coordination of the Implementation of the Recommendations of the Framework Convention for the Protection of National Minorities;
- Local Public Safety Committees;
- Municipal Community Safety Councils;
- Municipal Action Committee for Monitoring implementation of the strategy and action plan for the inclusion of Roma and Ashkali communities in Kosovo society.

#### Protection of personal data

- Information and Privacy Agency.

#### **Donor Support**

#### Judicial system

In the following is given a summary of EU and bilateral assistance projects in the area of the judiciary.

*The Case Management Information System* aims to support justice institutions in Kosovo. This project, supported by the Norwegian Ministry of Foreign Affairs, aims to provide technical assistance to the Kosovo Judicial Council (KJC) in automating the functioning of work in all courts and prosecution offices in Kosovo.

*Strengthening the Judicial System in Kosovo*, a project funded by the UK Government, represented by the British Embassy Prishtina, through its implementing partners (Axiom International and Agency Ltd). The project will cover four main thematic areas, namely “Appointment, Promotion and Transfer of Judges”, “Performance Assessments”, the implementation of the “Joint Assessment Framework” and “Mentoring”. The project started its first phase in October 2018 - March 2019 and has produced reports. The project for the Enhancement of Professional Capacities of the Constitutional Court (2019 - 2020): this project aims at the most effective implementation of European standards in handling individual complaints by the Constitutional Court and better communication with the public. The two-year project is being implemented in cooperation with the Office of the Council of Europe in Prishtina and with the support of the Norwegian Embassy in Kosovo.

British Project: Strengthening of the judicial and prosecutorial system that aims to strengthen the capacity and role of the Kosovo Prosecutorial Council (KPC) by providing direct support to the KPC to identify the most pressing issues and challenges it faces, and to prepare the action plan to address these issues and challenges efficiently. This project is funded by the Government of the United Kingdom, represented by the Foreign and Commonwealth Office Association (FCOA), through the implementing partner - Axiom International. Duration: October 2018 - March 2021.

The “Support for an independent, professional and impartial prosecutorial system” project, which will be implemented through the advancement of cooperation with the media and increase of the administrative capacity and efficiency of the KPC. This project is implemented by CILC and funded by the Dutch Embassy. Duration: September 2019 - May 2021.

The USAID-funded programme will also begin with the “Justice Matters” programme, with duration from June 2018 to June 2021, and aims to improve access to justice for all and the inclusion of marginalized groups, by strengthening institutions, stakeholders and processes for the provision of free legal aid services and legal information.

The EC in the IPA 2018 programme has also planned assistance for the justice system in Kosovo worth EUR 9.25 million. This programme aims to strengthen the judicial system in Kosovo and bring its standards closer to European ones and the EU Acquis. This will be achieved through strengthening independence and impartiality, accountability, professionalism, quality, efficiency and transparency of institutions in the justice sector. The programme will support the overall management of the justice sector and will develop activities to support institutions, capacity building and improving working conditions. In addition, the action will support the fight against domestic violence and increase access to justice for all citizens, with a particular focus on women, vulnerable and marginalized groups, and the implementation of internationally recognized methodologies GRECO and MONEYVAL for strengthening Kosovo's institutions in the fight against corruption, money laundering and terrorism. This programme will be specified and contracted by the end of 2019.

Justice institutions will be further supported by the IPA 2020 programme, namely the construction of the facility for the Academy of Justice, support with equipment for further operationalization of the Case Management Information System in all courts and prosecution offices and the construction of a recovery centre in cases where the main data centre has technical problems and fails. This programme will also cooperate with the Council of Europe to increase the capacity of legal professionals (Kosovo Academy of Justice, Kosovo Bar Association, university students and professors) regarding the jurisprudence of the

European Court of Human Rights and HELP methodology. This programme is at the early stages of planning and will be further detailed in 2019, while it shall be tentatively contracted in 2021.

In Q4 2019 it is tentatively planned to start the second phase of the programme “Horizontal Facility for the Western Balkans and Turkey” co-financed by IPA 2018 and implemented by the Council of Europe. The second phase of the KoSEJ project, as part of this programme, aims to continue to improve the daily functioning and quality of the justice system with ongoing support for the courts and central authorities: recognizing and making more effective use of the European Commission for the Efficiency of Justice methodology and tools. (CEPEJ) and implementation of recommendations made in the first phase of the project.

EU assistance in the area of fundamental rights includes the projects described in the following.

Return and Integration to Kosovo V (EU-RRK V), a Programme funded by the EU within IPA 2016, co-funded by the MCR and being implemented by the International Organization for Migration (IOM), aims to contribute in the efforts of the Government of Kosovo to promote a tolerant and multi-ethnic environment based on respect for universal human rights, which are conducive for sustainable return and reintegration of displaced persons and families of refugees from the ranks of minorities. The project supports about 400 families returned to all stages of its activities in selected municipalities. Programme activities began in 2018, and are expected to be completed within 36-48 months.

The EU Community Stabilisation Programme - phase four (EU-CSP IV) under IPA 2018, which officially commenced in January 2020, and in this period started implementation-related meetings/activities. The programme, funded by the EU and the Ministry of Communities and Returns, aims to support the creation of a comprehensive multi-ethnic society in Kosovo, the creation of opportunities to generate income for non-majority communities, and the promotion of sustainable reintegration of returnees, by supporting socio-economic stability and community development initiatives, thus increasing the prospects for integration and social inclusion. First, by bringing support to the creation and development of collective/associated businesses, it will help them to develop collective business operations, create a new value-added product and joint benefit through their maximal results and strengthened position. Second, the action supports young entrepreneurs or non-majority operators to establish or increase their production through material assistance and know-how, as well as establishing business connections and expanded market access. Third, by implementing community-level projects, the action will directly support a wide range of initiatives to address the concerns, priorities and needs of the wider community, fostering opportunities for social (re)integration among community members. All activities are carried out in close cooperation with local authorities who play an important role in every step of the process. The implementation period of the project is 24-30 months.

The EU project “Support for the closure of Collective Centres” - phase two, a programme funded by the EU within the IPA 2018, co-financed by the MCR, which project officially started in January 2020 and in this period, meetings/activities for project implementation have begun. The project will contribute to the good implementation of strategies for families displaced to collective centres, supporting the implementation of sustainable solutions for their social and economic integration. The activity will take place through multilateral interventions aimed at supporting a dignified and sustainable integration for up to 70 direct beneficiary families (142 individuals) residing in these collective centres. As indirect beneficiaries, the municipalities of Leposavic, Zvecan and Gracanica will benefit from increased capacity to provide sustainable solutions for their displaced population. Three main outcomes are expected: the closure of 14 collective centres/centres and sustainable housing solutions provided to up to 70 displaced families which facilitates their departure from collective centres towards a dignified life; providing socio-economic support to up to 70 displaced families; and community development support and improved infrastructure in three municipalities. Activities in various sectors (housing, humanitarian aid, income generation, social integration) will be implemented in parallel. All activities are carried out in close cooperation with local

authorities which play an important role in every step of the process. The implementation period of the project is 24-30 months.

### ***Medium-term Priority Objectives***

#### *Judicial system*

Aiming to fulfil the obligations arising from the SAA and other EU accession documents and instruments within the scope of Chapter 23, during 2020 – 2024, the Government of Kosovo will focus on these medium-term priorities:

- The justice system reform through further advancement of the legal and policy framework based on the analysis of the Functional Review of the Rule of Law sector.

In order to identify and define the strategic and development objectives in the area of rule of law, increase the effectiveness of the state institutions in law enforcement, the Legislative Framework regulating the rule of law and the processes and cooperation between institutions that have responsibilities in the area of rule of law will be reviewed. In addition, the capacities of institutions in charge of the rule of law will be evaluated; recommendations for improving the Legislative Framework, as well as cooperation processes will be provided. This process will be led by the MoJ, which shall report to the Steering Committee on the performance, results, and recommendations of the functional review. The Steering Committee shall consist of representatives of the following institutions: MoJ, MIA, MoF, KJC, KPC, KIA, and international donor representatives which provide technical assistance in support of the functional review. This Steering Committee is tasked to define the general lines of performance of the functional review based on the recommendations of the MoJ, and to review and submit to the Government of Kosovo a proposal for the National Rule of Law Strategy in Kosovo. For this purpose, MoJ will make memorandums of cooperation with independent institutions in the area of Rule of Law for cooperation and coordination of activities under this process:

- Adoption of bylaws of the Civil Code;
- Increasing the number of notaries in line with amendments reflected in the new Law on Notary;
- Increasing the number of private enforcement agents;
- Increasing the number of mediators;
- Carrying out trainings for notaries, private enforcement agents and mediators.

In the *medium term*, in order to fulfil the obligations deriving from the SAA, the KJC will focus on *the following midterm priorities*:

- Development and implementation of the process of increasing the judicial positions and positions for support staff and monitoring the decisions of the KJC;
- Capacity building of courts in administration of justice by increasing the number of professional associates in accordance with the Law on Courts;
- Organizing continuous trainings for judges in all departments by respective areas and in particular specialized trainings for the Special Department within the Basic Court of Prishtina and the Court of Appeals, based on the training programme emerging from the training needs assessment process;
- Drafting of the Judiciary Strategy and Action Plan (2020-2023);
- Strengthening performance, transparency and accountability by introducing regular publications on key performance indicators of judges, updating criteria and procedures for judging court performance, establishing objective criteria and performance evaluation measures, introducing mandatory continuing legal education for judges, developing a communication plan to inform and raise public awareness of the activity of the judiciary;
- Consolidation of the CMIS Project. This project aims to use information and communication technology to support the vision of the Kosovo Judicial Council to create an efficient, transparent and accountable judicial system in its work and accessible to all.

In the *medium term*, KPC in order to increase the efficiency and effectiveness of the prosecutorial system, in accordance with the mandate and challenges identified in the EC Country Report, aims to:

- Advance the administration and accountability system, as well as the performance appraisals in the prosecutorial system;
- Approve and oversee the backlog reduction policy with a focus on dealing with cases of corruption, economic crime and organized crime;
- Implementation of the Action Plan 2019 -2021 and the Strategic Plan in the Kosovo Prosecutorial System;
- Build the professional capacities of prosecutors and administrative staff;
- Further advancement of professional capacities of the SPRK;
- Completing bylaws in accordance with the latest legal amendments;
- Further advancing of the case management electronic system.

In the medium-term period, the *Academy of Justice* will focus on building professional and interdisciplinary capacities of judges, prosecutors and judicial and prosecutorial administrative staff by implementing initial and ongoing training programmes, and by providing resources and other legal materials in accordance with Law on Academy of Justice and other bylaws.

In addition to implementing the programmes arising as a result of the needs of judges and prosecutors, the priorities in the medium term will be the following:

- Mandatory trainings with a focus on Professional Ethics for Judges, respectively referred to in the Law on Disciplinary Liability of Judges and Prosecutors;
- Legislative amendments in both criminal and civil area;
- Organization of training sessions for judges and prosecutors of all departments according to the respective areas, based on the training programme that has emerged from the training needs assessment process conducted in cooperation with the Kosovo Judicial Council and the Kosovo Prosecutorial Council.

#### Anticorruption policy

Aiming to fulfil the obligations arising from the SAA and other EU accession documents and instruments in the area of Chapter 23, during 2020 - 2024, the Anticorruption Agency will focus on these medium-term priorities:

- Drafting an analysis for the mandate of the Anticorruption Agency. This analysis foresees the need to create mechanisms for assessing the risk of corruption in different sectors; assessment of legislative areas that enable *corruption legislation proofing*, and monitoring the implementation of integrity plans.
- Complementing the mandate with additional measures for the implementation of the preliminary investigation procedure and the control over the wealth of senior public officials;
- Establishment of the mechanism and institutional capacity building of the officials of the Law Enforcement Agency for protection of whistle-blowers.

In the medium-term period, the *Academy of Justice* will focus on the following:

- Professional capacity-building of judges and prosecutors in combating any form of corruption by prioritizing specialized training programmes in the fight against corruption, money laundering, financial investigations and other corruption offenses.

In addition to implementing programmes that emerge as a result of the needs of judges and prosecutors, the priorities in the medium-term period will be the following:

- Mandatory trainings with a focus on Professional Ethics for Judges, respectively referred to in the Law on Disciplinary Liability of Judges and Prosecutors;

- Legislative amendments in both, criminal (in particular on the new definitions on domestic violence and sexual harassment in the amended Criminal Code) as well as on legislative changes in the civil matters;
- Organizing trainings for judges and prosecutors for all departments by the respective area, based on the training programme emerging from training needs assessment process conducted in cooperation with the Kosovo Judicial Council and Kosovo Prosecutorial Council.

#### Fundamental rights

With the aim at fulfilling the obligations arising from the SAA and other EU accession documents and mechanisms within the scope of Chapter 23, the Government of Kosovo in the area of fundamental rights during 2020-2024 will prioritize the enforcement of currently applicable laws and will focus on updating and implementing human rights strategies by providing long-term access in this regard. Respectively to:

- Ensure proper monitoring of adhering to reports and recommendations deriving from the Ombudsperson with the aim at increasing further the level of implementation;
- Establish and fully functionalise institutional mechanisms for protection against discrimination in all ministries and municipalities, and establish a coordination system between them and the Office of Good Governance;
- Establish a system for monitoring human rights at the national level;
- Implement human rights, strengthen gender equality and address and reduce domestic violence (through the implementation of the Law on Gender Equality in all public and private spheres of social life) by addressing the reduction of domestic violence cases;
- Align the electoral reform legislation with the Law on Gender Equality;
- Implement the Kosovo Programme for Gender Equality and establish a monitoring system for the implementation of the Law on Gender Equality;
- Implement the Gender Impact Assessment for the regulatory framework;
- Advance the sector of property rights, aiming at a clearer definition of property rights by law and providing more efficient, accessible and affordable mechanisms through which citizens will be able to benefit legal recognition of their rights;
- Improve the policies for the execution of criminal sanctions, as well as raising awareness of the courts to increase the number of cases of imposing alternative punishments against prison sentences.

In the medium-term period, the Academy of Justice will focus on building professional and interdisciplinary capacities of judges, prosecutors and administrative and judicial administrative staff by implementing training programmes in line with European Court of Human Rights practices and providing legal resources to beneficiaries, through the library as well as various research materials.

#### Protection of minorities and cultural heritage

In the medium term period, actions for inclusion of marginalized groups and minority communities in higher education will be taken. At the same time, the efforts to improve the access of refugees and displaced persons to their properties and public services and to provide with greater economic opportunities shall be continued.

Revision of the legal framework, including,

- Law on Displaced Persons;
- Law on the Return of Unlawfully Removed Objects of Cultural Heritage;
- Law on Export of Cultural Goods;
- Regulation on Supporting Community Projects;
- Updating the Strategy for Communities and Return;
- Raising funds for the restoration of cultural heritage monuments: historical, cultural and religious monuments.

With the view to protection, preservation and promotion of cultural heritage, special attention will be paid to cross-border cooperation and inclusion of heritage sites in Kosovo in regional development agendas of cultural tourism.

### **3.24. Acquis Chapter 24: Justice, Freedom and Security**

Chapter 24 of the acquis consists of the following areas: border management, migration, prevention and control of irregular migration, visa policy, document security, combating organized crime and police cooperation, the fight against terrorism, combating narcotics and judicial cooperation in criminal and civil matters. The area of justice, freedom and security is among the most dynamic areas of policy within the EU. EU policies in this area aim to maintain and further develop the EU as an area of freedom, security and justice and guarantee the security, rights and freedom of movement in the EU. The EU (EU) legislation (acquis) in this area is based on the general principles deriving from the Treaty on EU, the Treaty on the Functioning of the EU, as well as the jurisprudence of the Court of Justice of the EU.

The areas covered include the alignment of private international law, extradition between member states, policies of internal control and external borders, visas, migration, asylum policy, judicial and police cooperation and the fighting against crime (including fight against terrorism, organized crime, drug trafficking, human trafficking, cybercrime, etc.). Kosovo, as acceding country, should make gradual transposition of the acquis in this area as well as develop and implement an appropriate policy and institutional framework with the capacity to implement the transposed acquis. At the same time, Member States are required to have the necessary administrative capacity within the law enforcement agencies and other relevant bodies, which must attain the standards required in these areas. Even though the most detailed EU policy on justice, freedom and security is the Schengen acquis, including the lifting of internal border controls in the EU, however, for the new Member States, substantial parts of the Schengen acquis are implemented following a special decision to be taken by the Council.

#### *SAA Requirements*

The Stabilisation and Association Agreement explicitly establishes a set of obligations for Kosovo contained in Title VII, respectively, in Articles 83-93 of the SAA.

According to the SAA, in the area of border management, Kosovo will ensure the alignment of the relevant legislation with the EU acquis, the intensification of regional cooperation, and exchange of information, institutional capacity building and combating transnational crime. Regarding visa policy, in short term period, Kosovo shall ensure the transposition of national legislation in line with EU acquis. In particular, Kosovo shall ensure to expand and make operational the visa issuing network system.

With regard to the rule of law, requirements of the SAA and other EU accession mechanisms consist of strengthening and consolidating the rule of law institutions. This is especially noted in Article 83 of the SAA, which states that cooperation in this area will focus in particular on strengthening the independence, impartiality and accountability of the judiciary. In this regard, it is particularly necessary to build professional capacities among the ranks of police officers, prosecutors and judges to prevent, investigate, prosecute and adjudicate organized crime, corruption and terrorism.

Regarding migration in general, Kosovo shall align the national legislation with the EU acquis, regarding the conditions of entry and legal residence of foreigners in Kosovo, the conditions of their employment, family reunification, long-stay, study, research, qualified workers, seasonal workers, mobility of workers within enterprises and punitive measures on employers. Regarding management of regular migration, Kosovo shall respect the principle of fair and equal treatment of foreigners, including promoting their integration.

Regarding the prevention and control of irregular migration, Kosovo will continue to take necessary measures for prevention and control of illegal migration, including trafficking and smuggling of migrants, and will also ensure the protection of the fundamental rights of migrants and provision of assistance to migrants in need.

Kosovo will continue the repatriation and return of Kosovo citizens, nationals of third countries and stateless persons who have entered the territory of any state to the EU via Kosovo or who have entered the territory of Kosovo via an EU member state. Kosovo shall also start negotiations for signing of agreements in order to determine the specific procedures for the repatriation of these persons. In addition, Kosovo will provide its citizens with appropriate identity documents and will facilitate the administrative process for this matter. Kosovo will continue its efforts to sign readmission agreements with countries that are part of the Stabilisation and Association Process, and will take necessary measures to ensure the rapid and flexible implementation of these agreements.

Regarding asylum policy, Kosovo shall guarantee the international standards in accordance with the Geneva Convention relating to the Status of Refugees 1951 and Protocol relating to the Status of Refugees 1967. Special attention shall be paid to the rights of asylum seekers, thereby to ensure that the principle of "non-refoulement" is respected. In the short term, Kosovo shall ensure the alignment of national legislation with the EU acquis, especially regarding the acceptance of asylum seekers, the treatment of asylum requests and management of return process of asylum seekers to their country of origin.

With the view to prevent and combat organized crime and other illegal activities, Kosovo shall align its legislation with the EU acquis and strengthen mechanisms to prevent and combat all forms of organized crime. Kosovo shall participate and cooperate with regional and international mechanisms to combat organized crime and to adhere to international conventions and instruments in this area.

As regards money laundering and terrorist financing, Kosovo shall take the necessary measures in order to prevent the use of financial systems for proceeds from criminal activities and financing of terrorism. Kosovo shall align national legislation with the EU acquis and strengthen the mechanisms for combating money laundering and financing of terrorism, while simultaneously adopting the international standards in this area, especially the standards recommended by the FATF (Financial Action Task Force).

Regarding cooperation in combating illicit drugs, Kosovo shall continue to collaborate to ensure a balanced and integrated approach towards drug issues, by aligning the legislation with the EU acquis and by strengthening structures for combating illicit drugs. Kosovo shall also focus on the management of health and social consequences of drug abuse and effective control of precursors, in line with the common principles of the EU strategy on drugs and other relevant documents.

In the area of fight against terrorism, Kosovo shall continue to align its legislation with the EU acquis and to strengthen institutional mechanisms for prevention, combating and financing of terrorism, ensuring the rule of law, human rights, fundamental freedoms, international law on refugees and international humanitarian law. Kosovo shall observe international conventions and instruments in this area.

#### Requirements from other EU accession mechanisms

In the area of border management, the EC's 2019 Kosovo Report and the conclusions of the Subcommittee on Justice, Freedom and Security emphasize that further efforts are needed to ensure that the NCBM operates to its full potential, including implementation of the findings of the latest review through the relevant action plan, as well as the adoption of the Strategy for IBM 2020-2025. Regarding inter-institutional cooperation in this area, the report states that this cooperation can be improved at the highest level, but also, in particular, in terms of information exchange and joint risk analysis.



In the area of asylum, the *EC's 2019 Kosovo Report* highlights the need to continue with building the capacities to handle asylum applications and staffing at the Centre for Asylum Seekers. Also, according to the report, there is a lack of psycho-social and legal support for residents at this centre, assistance in child development, and support from social services. Furthermore, although it is provided for in the bylaw on admission and initial treatment for asylum seekers, the border referral system, including access to legal aid, has not yet been established. Moreover, there are concerns about interviewing techniques which are often complicated due to lack of adequate translation. The report also recommends that the emergency plan be operational and that additional capacities be increased to ensure Kosovo's readiness in the event of a migration flow, and that bylaws in the area of asylum be completed.

In the area of migration, the *EC's 2019 Kosovo Report* identifies several challenges, including the need for closer inter-institutional cooperation and coordination. Moreover, the report and the Subcommittee emphasise that the new five-year strategy on migration must be approved following its revision, in order to reflect the main challenges facing Kosovo in this area based on expert recommendations, and it also emphasizes the need to finalize the bylaws in this area. Furthermore, the report states that the Government Authority on Migration is in a good position to play a more proactive role in leading policies in the area of migration, and that the Regulation on GAM should be approved. According to the EC Report, there are also some shortcomings in proper implementation in the area of migration management, especially due to the lack of coordination between government agencies. Providing real care for the most vulnerable migrant groups still remains a challenge. Moreover, it is also stressed the need to continue with efforts to prevent smuggling of people and functioning of a mechanism for the return of irregular migrants, in line with the EU standards and practices. Within the conclusions arising from the meeting of the Subcommittee on Justice, Freedom and Security 2019, it is emphasized that capacities should be built to ensure Kosovo's readiness in the event of a migration flow, and to encourage further exchange of information between Kosovo authorities and EU Member States on regular labour migration, including statistics and profiles of people finding jobs abroad, especially between different policies and security institutions.

In the area of reintegration, the *EC's 2019 Kosovo Report* states that Kosovo must provide adequate assessment of the Reintegration Strategy and address the challenges faced by municipalities in this process. In this regard, an access system that provides inclusion for all vulnerable groups and that focuses on sustainable community support should be developed. The report also recommends that efforts should be increased to adequately inform the returnees.

With regard to money laundering and terrorism financing, the *EC's 2019 Kosovo Report* states that the Law on the Prevention of Money Laundering and Combating Terrorist Financing is not yet fully in line with the EU Acquis and other international standards. Also, the report states that money laundering is not investigated as a criminal offense per se, but always in relation to other criminal offenses and that parallel financial investigations are not being conducted systematically for organized crime cases. The EC report and conclusions of the 2019 meeting of the Subcommittee on Justice, Freedom and Security recommend that the recommendations of the FATF/MONEYVAL and GRECO reports be implemented, the cooperation between relevant authorities be increased, and the capacities of FIU be strengthened to investigate suspicious financial transactions.

Regarding cooperation in the area of narcotics, the *EC's 2019 Kosovo Report* underlines poor enforcement of legislation. The report recommends functionalizing of the Narcotics Observatory and development of an early warning system, as well as to ensure routine data collection. The 2019 meeting of the Subcommittee on JFS recommends continuing with drafting of a protocol or an SOP on preservation, treatment and destruction of drug precursors.

Regarding the *fight against organized crime*, Kosovo is at an early stage: Some progress was made notably through significant legislative reforms in the rule of law area, in investigating and prosecuting high-level cases and on the preliminary freezing of assets. However, little progress was made on final confiscation of

assets and there are still few financial investigations and final conviction. The situation in the north of Kosovo with regard to organised crime continues to pose challenges for law enforcement agencies. Generally, it has partially met the recommendations identified last year, namely those about the background of cases, intelligence-led policing and the adoption of legal reforms. However, the report still recommends that Kosovo should prioritize the full implementation of the legislative framework revised in the area of rule of law, including training and awareness raising, to make it an effective tool in combating organized crime; further increase the number of prosecutors in the Special Prosecution Office to investigate and prosecute high-level organized crime cases and provide training to strengthen their capacities to conduct financial investigations, confiscate assets and effectively protect witnesses; concretely implement intelligence-led and community policing approaches, including more relevant reporting of criminal intelligence and improved task assignments within police directorates, to enable more proactive policing. Furthermore, the Report recommends the rapid functioning of the Office for Asset Restitution within the Police, and its further development, including an increase in the number of requests from the parties involved. The report also calls for better exchange of information between institutions to combat crime, including access to databases, and increased institutional cooperation.

As regards to cybercrime, the *EC's 2019 Kosovo Report* states that the authorities should use available expertise of the international community when drafting new legislation in the area of cybercrime. Whereas in the conclusions of the 2019 meeting of the Subcommittee on Justice, Freedom and Security it was required to continue with organization of awareness raising activities, training and specialization of police and prosecution services to increase their capacity in fighting cybercrime. They also emphasize the need of continuation of efforts in order to support the achievements achieved in building a professional, independent and specialized police service in the country, including the provision of regular specialized training, as well as relevant resources for specialized equipment and staff.

The report recommends that the threats identified in SOCTA and developed by the Kosovo Police be turned into operational priorities, supported by adequate resources. Furthermore, it is recommended that the review of legislation on cybercrime take into account the input of relevant experts, whereas steps should be taken towards the implementation of legislation for combating trafficking in human beings.

Regarding the track record of cases, the report refers to the confirmation by the EC on achieving the goals for combating organized crime, and emphasizes that it will continue to follow the developments closely and actively. Operational procedures for the track record of cases should be reviewed, whereas it is recommended to increase the final convictions for cases of organized crime.

While it is noticed that the police has good capacities to combat organized crime, the report states that it remains subject to corruption and political pressure. Subcommittee on JFS recommends the finalization of police restructuring, based on the input of EU experts. The report notes that intelligence-led policing is poorly implemented, whereas the Police Information System is not yet in use.

As regards to witness protection, the report continues to state that regional and international cooperation is necessary, as well as training for prosecutors and judges.

The *EC's 2019 Kosovo Report* and conclusions of the Subcommittee for JFS 2019 emphasizes that asset classification should play a key role in combating organized crime, and that the implementation of new asset confiscation legislation could help in this regard. The report recommends the establishment of a confiscation fund as soon as possible.

With regard to fight against terrorism, the *EC's 2019 Kosovo Report* states that the Law on Prevention of Money Laundering and Terrorist Financing is not fully in compliance with EU and International standards. The conclusions of the Subcommittee on Justice, Freedom and Security recommend continuing the consistent implementation of the anti-terrorism strategy and the strategy for the prevention of violent

extremism and radicalization. Institutions must be provided with comprehensive programmes for the prevention, de-radicalization, rehabilitation and reintegration of returned fighters, including those in prisons and their families, especially women and juveniles. The Subcommittee also recommends that the Reintegration Division, within MIA be fully functionalized. Also, significant priority should be given to preventing the spread of radicalization and that local practitioners are given resources, support and knowledge needed to effectively address the problem; and also attention should be paid to the role of social media and external influence in the processes of radicalism. It also stressed that Kosovo should increase information exchange and operational cooperation with its neighbours, EU Member States, Europol and Interpol. They also need to build capacities in responding to crisis and to protect critical infrastructure, ensuring effective implementation of its law on critical infrastructure.

Regarding the area of international judicial cooperation in civil and criminal matters, the EC's 2019 Kosovo Report emphasizes the lack of conclusion of agreements in this area with the aim to intensify international judicial cooperation. However, it is noted that Kosovo has unilaterally aligned itself with the 1961 Hague Convention on Abolishing the Requirement of Legalisation for Foreign Public Document. If we refer to the conclusions drawn from the meeting of the Subcommittee on Justice, Freedom and Security, held in 2019, in the area of international judicial cooperation, Kosovo institutions need to amend the Law on International Judicial Cooperation in Civil Matters and to adopt the Law on International Judicial Cooperation in Criminal Matters. Efforts are also being made in continuing the efforts to negotiate new bilateral agreements on international judicial cooperation in criminal matters, to make further efforts so Kosovo becomes a member of international forums in the area of international judicial cooperation, as well as to collect/compile detailed statistics.

## ***State of Play***

### *Legislative and Policy Framework*

#### *Legislative and Policy Framework in the area of border management*

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 04/L-214 on State Border Control and Surveillance;
- Law No. 04/L-216 on Cooperation Between Authorities involved on integrated border management;
- AI No. 08/2010 on Form, Content and Manner of Placing of Warning and Written Signs on Border Crossing Points and Border Crossing Zone;
- AI No. 03/2010 on Marking the Border Line;
- AI No. 30/2012 on Rules on Local Border Traffics;
- 23 agreements and Protocols on Police Cooperation in the area of Borders (with Albania, North Macedonia, Montenegro and Serbia);
- 12 agreements for custom cooperation (with Albania, Montenegro, Finland, Hungary, North Macedonia, Slovenia, Turkey, France, Italy, Polonia, Austria and Great Britain).

These normative acts have transposed the following acquis acts:

- Regulation No. 562/2006/EC (Schengen Borders Code);
- Regulation (EC) No 1931/2006 of the European Parliament and of the Council Laying Down Rules on Local Border Traffic;
- Regulation (EU) 610/2013 of the European Parliament and of the Council amending Regulation (EC) No 562/2006 of the European Parliament and of the Council establishing a Community Code on the rules governing the movement of persons across borders (Schengen Borders Code);
- Convention implementing the Schengen Agreement, Council Regulations (EC) 1693/2013 and (EC) 539/2001 and Regulations (EC) 767/2008 and (EC) 810/2009 of the European Parliament and Council;

- Regulation (EU) No 1051/2013 of the European Parliament and of the Council amending Regulation (EC) No 562/2006 in order to provide for common rules on the temporary reintroduction of border control at internal borders in exceptional circumstances;
- Guidelines for Integrated Border Management in EU External Cooperation.

#### Visa policy

As of 1 July 2013, the Government of the Republic of Kosovo has placed a visa regime for citizens of 88 countries planning to enter the Republic of Kosovo. Visa regime continues to apply with complete legislation and functional system of KVIS in Kosovo's 15 diplomatic missions and 7 BCP.

Legislative Framework in the area of visa consists of the following main relevant normative acts:

- Law No. 04/L-219 on Foreigners; and
- AI MFA/No. 01/2014 on procedures for the issuance of visas to foreigners by the diplomatic and consular missions of the Republic of Kosovo.

These normative acts have transposed the following *acquis* acts:

- Regulation (EC) No. 810/2009 (Visa Code);
- Directive 2014/66/EU of the European Parliament and of the Council of 15 May 2014 on the conditions of entry and residence of third-country nationals in the framework of an intra-corporate transfer;
- Directive 2014/36/EU of the European Parliament and of the Council of 26 February 2014 on the conditions of entry and stay of third-country nationals for the purpose of employment as seasonal workers.

#### Migration

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 06/1-036 on Foreigners;
- Law No. 06/1-026 on Asylum;
- Law No. 03/L-208 on Readmission;
- 23 bilateral readmission agreements;
- Law No. 04/1-215 on Citizenship;
- Law No. 04/L-218 on Preventing and Combating Trafficking in Human Beings and Protecting Victims of Trafficking.

These normative acts have transposed the following *acquis* acts:

- Directive 2014/66/EU of the European Parliament and of the Council of 15 May 2014 on the conditions of entry and residence of third-country nationals in the framework of an intra-corporate transfer;
- Directive 2014/36/EU of the European Parliament and of the Council of 26 February 2014 on the conditions of entry and stay of third-country nationals for the purpose of employment as seasonal workers;
- Regulation (EC) No 810/2009 of the European Parliament and of the Council on establishing a Community Code on Visas - in part;
- Directive 2009/52/EC of the European Parliament and of the Council on providing for minimum standards on sanctions and measures against employers of illegally staying third-country nationals - fully;
- Council Directive 2009/50/EC on the conditions of entry and residence of third-country nationals for the purposes of employment - fully;
- Directive 2008/115/EC of the European Parliament and of the Council on common standards and procedures in Member States for returning illegally staying third-country nationals - fully;
- Council Directive 2005/71/EC on a specific procedure for admitting third-country nationals for

- the purposes of scientific research - in part;
- Council Directive 2004/81/EC on the residence permit issued to third-country nationals who are victims of trafficking in human beings or who have been the subject of an action to facilitate illegal immigration, who cooperate with the competent authorities - in part;
- Council Directive 2004/114/EC on the conditions of admission of third-country nationals for the purposes of studies, pupil exchange, unremunerated training or voluntary service - in part;
- Council Directive 2003/109/EC concerning the status of third-country nationals who are long-term residents - in part;
- Council Directive 2003/86/EC on the right to family reunification - in part;
- Directive 96/71/EC of the European Parliament and of the Council concerning the posting of workers in the framework of the provision of services - in part;
- Directive 2011/98/EU of the European Parliament and of the Council on a single application procedure for a single permit for third-country nationals to reside and work in the territory of a Member State and on a common set of rights for third-country workers legally residing in a Member State - partially;
- Council Directive 2001/51/EC amending the provisions of Article 26 of the Convention implementing the Schengen Agreement of 14 June 1985 - partially;
- Council Directive 2002/90/EC on defining the facilitation of unauthorised entry, transit and residence - fully transposed;
- Directive 2008/115/EC of the European Parliament and of the Council on common standards and procedures in Member States for returning illegally staying third-country nationals;
- European Convention on Human Rights;
- The UN Convention on the Status of the Refugees (Geneva Convention, 1951) and its Implementing Protocol (New York Protocol, 1967);
- UN Convention on the Rights of the Child; and
- The Charter of Fundamental Rights of the European Union.

Policy framework in this area consists of the following documents:

- National Strategy on Reintegration of Repatriated Persons;
- National Strategy on Sustainable Reintegration of Repatriated Persons; and
- Light migration profiles (such as comprehensive documents with standard migration data and data on other areas potentially affecting the migration phenomenon, such as economic and social situation, labour market, human capital, education, trade, etc.).

Policy framework in this area is also based on the following international normative acts:

- Universal Declaration of Human Rights;
- Geneva Convention of 1951 on the Status of Refugees and its Protocol of 1967;
- The New York Convention on Non-Citizenship;
- The UN Convention on the Elimination of All Forms of Discrimination against Women;
- The Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment;
- The Convention for the Protection of Human Rights and Fundamental Freedoms;
- UN Convention on the Rights of the Child; and
- The International Covenant on Civil and Political Rights and its Protocols.

### Asylum

Legislative Framework in this area consists of the new Law on Asylum (adopted on 5 May 2018), partially transposed the following acquis acts:

- Council Directive 2003/9/EC on standards for the reception of asylum seekers;
- Council Directive 2004/83/EC on minimum standards for the qualification and status of third country nationals or stateless persons as refugees or as persons who otherwise need

- international protection (Qualification Directive);
- Directive 2011/95/EU of the European Parliament and of the Council on standards for the qualification of third-country nationals or stateless persons as beneficiaries of international protection, for a uniform status for refugees or for persons eligible for subsidiary protection (Recast);
- Council Directive 2005/85/EC on Asylum Procedures; and
- Directive 2013/33/EU of the European Parliament and of the Council of 26 June 2013 laying down standards for the reception of applicants for international protection; and
- Directive 2013/32/EU of the European Parliament and of the Council of 26 June 2013 on common procedures for granting and withdrawing international protection.

#### Combating Money-laundering and Terrorist Financing

Legislative Framework in this area consists of the following main relevant normative acts:

- Criminal Code No. 04/L-082 of the Republic of Kosovo;
- Law No. 05/L-096 on the Prevention of Money Laundering and Combating Terrorist Financing, which transposed:
  - Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC and international standards established by the Financial Action Task Force (FATF);
- Law No. 04/L-178 on the Prevention of Money Laundering and the Combating Terrorist Financing; and
- Law No. 03/L-15 on Declaration, Origin and Control of Property of Senior Public Officials.

#### Fight against narcotics

Legislative Framework in this area consists of the following main relevant normative acts:

- Criminal Code of the Republic of Kosovo
- Criminal no, 04/L-123 Procedure Code;
- Law no, 02/L-123 on Narcotic Medicaments, Psycho-tropes and Precursors, which is based on the following Conventions:
  - United Nations Special Convention on Narcotic Drugs (New York, 30 March 1961), as amended by the 1972 Protocol (Geneva, 25 March 1972);
  - United Nations Convention on Psychotropic Substances (Vienna, 21 February 1971);
  - United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna, 20 December 1968, which applies also to judicial cooperation in criminal matters.
- AI No. 10/2010 on Methadone Administering and Managing for the Maintenance Programmes.

The policy framework in this area is composed of the new National Strategy against Narcotics and the Action Plan 2018-2022.

#### Fight against organized crime and police cooperation

Legislative Framework in this area consists of the following main relevant normative acts:

- Criminal Code, in which partially has been transposed the following acquis acts:
  - The Framework Decision on the fight against organised crime (Framework 9Decision 2008/841/JHA);
  - Framework Decision on increasing protection by criminal penalties and other sanctions against counterfeiting in connection with the introduction of the euro (Framework Decision 2000/383/JHA);

- Framework Decision on combating fraud and counterfeiting of non-cash means of payment (Framework Decision 2001/413/JHA);
- Directive 2011/36/EU on preventing and combating trafficking in human beings;
- Directive 2011/93/EU on combating the sexual abuse and sexual exploitation of children; and
- Council Framework Decision 2004/757/JHA laying down minimum provisions on the constituent elements of criminal acts and penalties in the area of illicit drug trafficking.
- Criminal Procedure Code transposed the following acquis acts:
  - Directive 2010/64/EU on the right to interpretation and translation in criminal proceedings; Directive 2012/13/EU on the right to information in criminal proceedings;
  - Directive 2012/29/EU establishing minimum standards on the rights, support and protection of victims of crime, and replacing Council Framework Decision 2001/220/JHA;
  - Directive 2013/48/EU on the right of access to a lawyer in criminal proceedings and in European arrest warrant proceedings, and on the right to have a third party informed upon deprivation of liberty and to communicate with third persons and with consular authorities while deprived of liberty;
  - Council Framework Decision 2005/212/JHA and Council Framework Decision 2000/383/JHA.
- Law on Witness Protection;
- Law on Prevention and Fight of the Cyber Crime;
- Law no, 03/L-141 on Managing Sequestered or Confiscated Assets transposing the following acquis acts:
  - Council Framework Decision 2005/212/JHA;
  - Council Framework Decision 2007/845/JHA; and
  - Council Framework Decision 2006/783/JHA.
- Law on International Judicial cooperation in Criminal Matters transposing the following acquis acts:
  - Council Framework Decision 2003/577/JHA;
  - Council Framework Decision 2006/783/JHA on the application of the principle of mutual recognition to confiscation orders;
  - Council Framework Decision 2007/845/JHA;
  - Council Framework Decision 2001/413/JHA; and Council Framework Decision 2007/845/JHA.
- Law on Protection of Informants;
- Law on Police;
- Law on Narcotic Medicaments, Psycho-tropes and Precursors, which partially transposed
  - Regulation (EU) No 1258/2013 of the European Parliament and of the Council of 20 November 2013 amending Regulation (EC) No 273/2004 of 11 February 2004 on drug precursors.
- Law on Preventing and Combating Trafficking in Human Beings and Protecting Victims of Trafficking that partially transposed
  - Directive 2011/36/EU on preventing and combating trafficking in human beings and protecting its victims.
- Law on Crime Victim Compensation that has partially transposed:
  - Council Directive 2004/80/EC relating to compensation to crime victims, where this law reflects the requirement of the directive, concerning the procedures for compensation of crime victims in cross-border cases and the establishment of decision-making and assistance authorities in cases of compensation for the victims.
- Law on State Border Control and Surveillance;

- Law on Execution of Penal Sanctions;
- Law on Kosovo Intelligence Agency;
- Law on State Prosecutor;
- Law on Classification of Information and Security Clearances;
- Law on Courts;
- Law on the Protection of Personal Data; and
- Law on Interception of Electronic Communications.

The policy framework in this area consists of the following documents:

- National Strategy and Action Plan of the Republic of Kosovo against Organized Crime;
- National Strategy and Action Plan of the Republic of Kosovo against Narcotics 2018-2022; and
- National Strategy on Controlling and Collecting Small Arms and Light Weapons.

#### Fight against terrorism

The legislative framework in this area consists of the following main relevant normative acts:

- Criminal Code of the Republic of Kosovo;
- Criminal No. 04/L-123 Procedure Code;
- Law No. 05/1-096 on the Prevention of Money Laundering and Combating Terrorist Financing; and
- Law No. 05/1-002 on Prohibition of Joining the Armed Conflicts Outside State Territory;
- Law on Prevention of Money Laundering and Prevention of Terrorism Financing; and
- Law on the Prohibition of the Union of Armed Conflict outside the territory of the country.

The policy framework in this area consists of the following documents:

- National Strategy of the Republic of Kosovo against Terrorism 2018-2022;
- National Strategy for prevention and combating against informal economy, money laundering, terrorist financing and financial crimes 2014-2018; and
- Strategy on Prevention of Violent Extremism and Radicalisation Leading to Terrorism 2015-2020.

#### International judicial cooperation in criminal and civil matters

The legislative framework in this area consists of the Law on International Judicial cooperation in Criminal Matters that transposed the following acquis acts:

- Council Framework Decision 2003/577/JHA on the execution in the EU of orders freezing property or evidence;
- Council Framework Decision 2006/783/JHA on the application of the principle of mutual recognition to confiscation orders;
- Council Decision 2007/845/JHA of 6 December 2007 concerning cooperation between Asset Recovery Offices of the Member States in the area of tracing and identification of proceeds from, or other property related to, crime; and
- Council Framework Decision 2001/413/JHA of 28 May 2001 on combating fraud and counterfeiting of non-cash means of payment.

#### *Institutional Framework*

##### Border management

The Institutional framework in this area consists of the following institutions:

- Kosovo Police (Border Department);
- Kosovo Customs; and
- Food and Veterinary Agency.



In addition, the Executive Board for IBM and the National Centre for Border Management (NCBM) also functions.

#### Visa policy

The Institutional framework in this area consists of the following institutions:

- Ministry of Foreign Affairs and Diaspora, respectively the Department of Consular Affairs and Foreign Service missions;
- Ministry of Internal Affairs, respectively the Department of Citizenship, Asylum and Migration;
- Kosovo Police, respectively Border Police.

#### Migration

The institutional framework in this area consists of the following institutions:

- Ministry of Internal Affairs, respectively the Department of Citizenship, Asylum and Migration (which also supervises the Asylum Centre and Detention Centre for Foreigners);
- Kosovo Police, respectively the Directorate for Migration and Foreigners, Department for Investigation of Organized Crime, Border Police and Directorate for Investigation of Trafficking; and
- Municipalities (having a role in implementing reintegration policies).

#### Asylum

The institutional framework in this area consists of Ministry of Internal Affairs, respectively the Department of Citizenship, Asylum and Migration (within which the Centre for Asylum Seekers operates).

#### Fight against money laundering and financing of terrorism

The institutional framework in this area consists of the following institutions:

- Financial Intelligence Unit;
- Ministry of Finance, respectively Kosovo Customs, and Tax Administration of Kosovo;
- Kosovo Police, respectively, the Directorate against Economic Crimes;
- State Prosecutor; and
- Special Prosecution of the Republic of Kosova.

#### Fighting against narcotics

The institutional framework in this area consists of the following institutions:

- Kosovo Police, respectively Directorate for Investigation of Drug Trafficking (with the support of other KP departments);
- Kosovo Customs;
- Kosovo Intelligence Agency;
- Ministry of Health, respectively Health Inspectorate, Kosovo Agency for Medical Products and Equipment;
- Kosovo Forensic Agency;
- Ministry of Justice, respectively Department of Forensic Medicine; and
- Kosovo Judicial Council.

In addition, there is also the National Coordinator and the Secretariat in charge of this area within the MIA.

#### Fight against organized crime and police cooperation

The institutional framework in this area consists of the following institutions:

- Ministry of Internal Affairs, respectively the Kosovo Police:
  - Directorate against Organized Crime;

- Directorate Against Trafficking with Narcotics;
- Directorate for Investigation of Economic Crimes and Corruption, through Investigation Division, consisting of the Sector for Economic Crimes Investigation, Investigation of Corruption and Financial Crimes Investigation;
- Directorate for Witness Protection;
- Unit against Terrorism; and
- Sector for Cybercrime Investigation;
- Ministry of Finance, respectively
  - Kosovo Customs;
  - Financial Intelligence Unit; and
  - Tax Administration of Kosovo.
- Ministry of Justice;
- Kosovo Intelligence Agency;
- Kosovo Judicial Council;
- Kosovo Prosecutorial Council;
- Prosecutions; and
- Courts.

In addition, there is also the National Coordinator and the Secretariat in charge of this area within the MIA.

#### Fight against terrorism

The institutional framework in this area consists of the following institutions:

- Ministry of Internal Affairs;
- Kosovo Intelligence Agency;
- Ministry of Finance, respectively
  - Kosovo Customs;
  - Financial Intelligence Unit; and
  - Tax Administration of Kosovo;

In addition, there is also the National Coordinator and the Secretariat in charge of this area within the MIA.

#### International judicial cooperation in civil and criminal matters

The institutional framework in this area consists of the Ministry of Justice, respectively:

- Department of International Judicial Cooperation;
- Department of International Judicial Cooperation, which consists of two divisions:
  - Division for Cooperation in Criminal Matters, and
  - Division for Drafting and Negotiating Agreements.

#### ***Donor Support***

Kosovo institutions are supported by the European Commission (through IPA) and by other bilateral donors with the following summarized projects.

#### Current and planned projects under IPA

##### *Support the fight against financial crime/money laundering*

- Description: The project aims to increase the capacity of all law enforcement institutions in the fight against financial crime and confiscation and asset recovery, as well as in preventing violent extremism and radicalization;
- Beneficiary: Ministry of Internal Affairs and Ministry of Finance;

- Implementation period: 2017 – 2020.

*Capacity building of Kosovo Forensics Agency and Kosovo Police in provision of forensic services:*

- Description: the project aims at capacity building and coordination of all forensic services, including capacity building in DNA analysis, as well as support in the area of explosives and firearms.
- Beneficiary: Ministry of Internal Affairs (KFA and KP);
- Implementation period: 2017-2020.

*Support to civil registration and document security:*

- Description: Continuation of the support provided so far to the Civil Registration Agency in the central and municipal level
- Beneficiary: Ministry of Internal Affairs (CRA);
- Implementation period: 2017-2020.

*Support for police reform in line with EU standards:*

- Description: Assistance in the implementation of police reforms, including the implementation of intelligence-led policing, combating cybercrime, providing training and equipment related to advanced investigation techniques in the area of trafficking in drugs, human beings, etc. creating an early-warning system of new drugs; addressing the issue of reducing the average age of the Kosovo police;
- Beneficiary: Ministry of Internal Affairs (KP);
- Implementation period: 2017-2020.

*Project against economic crime in Kosovo (PECK III):*

- Description: this project aims to improve the implementation of anticorruption (AC), money laundering/combating financing of terrorism (AML/CFT), counter-terrorism measures and their compliance with European standards;
- Beneficiary: Office of the Prime Minister, Financial Intelligence Unit, Anticorruption Agency, and Ministry of Finance;
- Implementation period: after completing PECK II.

The EU Rule of Law Mission (EULEX) supports and assists Kosovo's authorities in the area of rule of law, particularly in the areas of police, judiciary and customs. As a technical mission, EULEX monitors and advises Kosovo authorities as long as a limited number of executive responsibilities remain, as in the case of the Special Prosecution Office. This institution's duty is to deal with sensitive cases such as war crimes, terrorism, financial crime, corruption, and organized crime cases.

*Current and planned projects of bilateral donors*

Besides the support provided by the European Commission, MIA also continuously benefits from projects by ICITAP, assisting Kosovo in strengthening the rule of law in Kosovo and building the capacities of judicial, prosecution and rule of law institutions in combating organized crime, human trafficking, corruption, money laundering and terrorism. ICITAP programme is funded by the Bureau of International Narcotics and Law Enforcement Affairs within the U.S. State Department. ICITAP is currently supporting Kosovo through the programmes described in the following.

*Support to Kosovo police executive management:* this programme provides advice to the General Director of the Kosovo Police on cooperation with the Serbian Police, extension of the rule of law in northern Kosovo, raising the level of professionalism, accountability and integrity within executive and middle level police.

*Support to the Ministry of Internal Affairs to improve the executive management practices, and support to MIA agencies such as Kosovo Police Inspectorate, Kosovo Forensic Agency, Emergency Management Agency, and Kosovo Academy for Public Safety, in building capacities.*

*Support in the area of combating serious crimes and complex criminal investigations: which aims to improve MIA's capacity to prevent and combat organized crimes, corruption, terrorism, trafficking in narcotics, trafficking in human beings etc., and improving the capacities of the crime investigation department within the KP, to carry out investigations on complex cases using modern investigative techniques.*

ICITAP also provides support in the area of integrated border management and in the area of security in community.

Moreover, MIA benefits from the support provided by UNDP, particularly through *the Firearms and Explosives Risk Mitigation project*.

MIA also benefits from the *Support to the process of European Integration* project, which supports the Department for European Integration and Policy Coordination within the MIA regarding the coordination capacity building in the process of visa liberalization. The project also provides support to the Department for Citizenship, Asylum and Migration, as well as Department on Reintegration of Repatriated Persons.

MIA also benefits from the project *Support for the Governmental Authority on Monitoring of Migration Movements* funded by the Swiss Agency for Development and Cooperation which is implemented by the International Centre for Migration Policy Development. The project aims to increase the capacity of the Governmental Authority for Migration in drafting and preparing migration policies through technical assistance and training.

### ***Medium-term Priority Objectives***

In order to meet the obligations arising from the SAA and other EU accession documents and mechanisms in areas within the scope of Chapter 24, the focus over the period 2019-2023 will be in these medium-term priorities:

#### *Border management*

- Advancing international cooperation with authorities such as Frontex, Selec etc. ;
- Opening new border crossing points with neighbouring countries;
- Advancing border surveillance and control equipment.

#### *Visa policy*

- Inclusion of KVIS to other diplomatic and consular missions of the Republic of Kosovo.

#### *Asylum*

- Establishment of a sustainable system of cooperation at the central and local levels for asylum seekers seeking international protection.

#### *Migration*

- Advancing international cooperation in combating irregular migration; and
- Promotion of regular and circuit migration.

#### *Fight against money laundering and terrorist financing*

- Further improvement of policy framework in the area of the fight against Money laundering and terrorist financing;
- Kosovo's membership in Moneyval;
- Strengthening capacities of the Financial Intelligence Unit (FIU) in the fight against Money laundering and terrorist financing
- Strengthening inter-institutional cooperation, including inter-institutional cooperation with law enforcement authorities and reporting entities, particularly in the area of treating suspicious

financial transactions;

Combating narcotics

- Advancing cooperation with the EMCDDA.

Fight against organized crime and police cooperation

- Creating a database for criminal records, including evidence for convicted persons;
- Increasing the number of prosecutors and judges and their specialization in the area of organized crime;
- Technical capacity building of Kosovo Forensic Agency Laboratories;
- Increasing the number of orders for confiscation of assets and generally improving the results in the permanent confiscation of illegally acquired assets;
- Adoption and overseeing policies to reduce the number of cases focusing on tackling corruption, economic crime and organized crime.

Fight against terrorism

- Building of technical, logistical and technological capacities in the area of terrorism and preventing the spread of extremism by internet and social media;
- Merging of anti-terrorism, radicalism and violent extremism strategies;
- Building of technical, logistical and technological capacities in the area of terrorism;
- Cyber capacity building against terrorism;
- Strengthening of de-radicalization and re-integration capacities and approach;

International judicial cooperation in civil and criminal matters

- Advancing international legal cooperation in matters of extradition and mutual legal assistance in criminal and civil matters.

### **3.25. Acquis Chapter 25: Science and Research**

The acquis on this chapter does not require transposition of EU rules into national legal order but it requires from member states to ensure the necessary implementing capacities to pursue the EU objectives and activities in the area of research and technological development. The necessary implementing capacities are related to the existence of conditions for participation in EU programmes for research and innovation to facilitate integration into the European Research Area (ERA), contributing to the Innovation Union (IU) and to the Europe Strategy 2020 in general.

*SAA Requirements*

Under Article 118 of the SAA, the Parties should encourage cooperation in scientific research and technological development on the basis of mutual benefit, taking into account available resources, adequate access to relevant programmes subject to appropriate levels of effective protection of intellectual, industrial and commercial property rights. Cooperation should take into account priority areas related to the EU acquis in the area of technical development and research.

Requirements from other EU accession mechanisms

According to *EC Kosovo 2019 Report*, Kosovo is at an early preparation stage of science and research. A limited progress has been achieved in the area of innovation.

In the following year, Kosovo must particularly: increase governmental expenses in research and give its efforts on promoting private sector investments by completing the Smart Specialisation strategy; focus efforts in increasing participation in the EU Horizon 2020 programme; provide statistical data on the numbers of researchers, on the percentage of GDP spend on research and innovation, and on the performance related to European Research Area priorities.

Kosovo has made efforts to develop its research and innovation policy. However, the Law on scientific research activities is not being implemented due to lack of funding. Government spending on research amounts to only 0.1% of GDP. Kosovo has made some efforts to spend this limited amount more efficiently (e.g. building lecture rooms and laboratories that address plagiarism). In 2018, EUR 1.1 million was allocated for specific labs and equipment at two regional innovation centres. In higher education, the post-graduate programmes that prepare students for research careers are of poor quality, with both private and public higher education institutions apply very uneven criteria for promotion based on scientific research and publications. Since the last Research Strategy expired in 2016, Kosovo has not developed new strategic targets to support the development of research activity.

There has been no progress on integration into the European Research Area. Kosovo needs to submit reliable statistics to monitor progress in this area.

On framework programmes, Kosovo participates in the EU's Horizon 2020 research and innovation programme (H2020) as a third party. It has so far participated in 11 Horizon 2020 projects (10 in 2017 and a new one in 2018). The level of Horizon 2020 participation remains below Kosovo's potential. Kosovo has already taken some initial actions to improve its Horizon 2020 performance and particularly through better linking of researchers, an improved National Contact Points' network, exchange of best practices and mentoring with other countries. Kosovo needs to continue and further strengthen these efforts.

According to the conclusion of the 2020 meeting of the Subcommittee on Innovation, Information Society, Social Policy and Employment, as regards science and innovation, Kosovo should: provide statistical data on numbers of researchers, percentage of GDP spent on research and innovation, and performance related to the European Research Area priorities (by October 2019), prepare for its participation in the exercise of European Innovation Scoreboards, engage itself more actively in the development of a Smart Specialization Strategy, draft a Roadmap of Infrastructure for Research and Innovation, conduct a landscape analysis of research and innovation of Kosovo, and make progress in the development and implementation of laws on research and innovation.

## ***State of Play***

### *Legislative Framework*

Science and research in Kosovo is regulated by Law No. 04/L-135 on Research Activity. This Law contains the best European practices that support the scientific research focusing on economic and social development. Moreover, the law contains provisions regulating the link of scientific research with the economy and industry. As a responsible structure for the management of national research priorities is the National Council on Science, while the Department of Higher Education, Science and Technology in the Ministry of Education and Science is the main policy making institution in the area of science and research.

In November 2018, the Assembly adopted the Law on Scientific Innovation and Transfer of Knowledge and Technology. In 2019, the AI and the Regulation on the Voucher Scheme were adopted.

### *Institutional and Policy Framework*

Kosovo in the EU Framework Programme for Scientific Research and Innovation "Horizon 2020" shall participate as an international cooperation partner country. The success of the application in the Horizon 2020 programme is 18.6% with 11 projects funded. In order to functionalize the system of national contact point, MES has adopted the Regulation on operation and functionalization of Kosovo's national contact points for Horizon 2020. Measures have been taken to promote the programme through delivering training sessions to the scientific community and beyond in order to compile project proposals, through training of national contact points, supporting the participation of NCPs in central thematic sessions in European

countries within their networking programme. During 2018, Kosovo has advanced its status (neighbouring country of cooperation) in COST Association (COST - European Cooperation in Science and Technology). Measures have been taken to promote the programme. The central activity for promotion of the programme was implemented in Prishtina in cooperation with COST Association. So far 13 researchers from Kosovo are part of COST shares (compared to 2018 where there was only one researcher).

***Medium-term Priority Objectives:***

- Draft and approve the Law on Financing of Scientific Research Activities;
- Draft the bylaws pursuant to the Law on Scientific Innovation and Transfer of Knowledge and Technology where a total of 5 bylaws will be drafted;
- Improving the policy and strategic framework and capacity building on research and innovation, ensuring equal gender representation and reflecting gender aspects;
- An inter-ministerial mechanism should also be established which will manage the link between innovation and research (the link between industry-research and economy);
- The awarding of PhD scholarships (20 annual scholarships) for students of both genders studying in the top 500 Universities of the World shall continue (each student shall be supported in the amount of EUR 5,000.00 per academic year). In this way, internationalization of Kosovar science will be possible. Within this goal, the scientific institutions will be equipped with the necessary infrastructure for scientific research;
- Kosovo has started the mobility scheme with the Republic of Albania, whereas with the Republic of Turkey has signed a cooperation agreement – TUBBITAK;
- Continue supporting the voucher innovations by supporting new businesses with the relevant area experts, on publications and scientific publications, participation in international organisations, awarding the prize from the Minister for the Scientist of the Year;
- Based on EU policies for expansion, it is aimed at Kosovo to have an advanced status in the following Horizon 2020 programme, which has been named as Horizon EU to start being implemented on 2021-2022.

For more information regarding the innovation priorities, please refer also to Chapter 20.

### **3.26. Acquis Chapter 26: Education and Culture**

The areas of education, training, youth and culture are primarily the competence of the Member States. Treaty on the Functioning of EU (TFEU) foresees that the Union encourages the cooperation and support among Member States by supporting their actions and by fully respecting their responsibilities for the content of learning, organisation of the education and vocational training systems, and the national and regional cultural diversity.

The acquis on education and culture mainly consists of a cooperation framework using programmes and an open method of coordination to move towards convergence of national policies and the attainment of shared objectives. In the area of education, training and youth, Member States need to have the legal, administrative and financial framework as well as the necessary implementing capacities in place to ensure sound management, including financial management of decentralized EU programmes. The acquis contains also the Directive for educating of children of emigrant workers' and the decisions of European Court of Justice for the cases related to non-discrimination between citizens of EU member states and another EU citizen.

The objectives of education and training systems approved in 2001, as well as the Copenhagen process for vocational training and the Bologna process on higher education, give instructions on improving the quality of education and training systems. The working programme "Education and Training 2010" and the strategic framework "Education and Training 2020" integrate all actions at the European level and

contribute on improving the quality of education and training systems. Shared objectives for EU's youth policies are defined in EU's Strategy for Youth (2010-2018) which is based on an open method of coordination. In the area of sports, Commission Communication of 2011 "Development of the European Dimension in Sport" proposes concrete actions for supporting and coordinating policy measures, with the aim to potential adoption by the Council of the multiannual EU working plan for sport.

Regarding the cultural policy, Member States should uphold the foreseen principles in Article 167 of TFEU and in particular, to ensure that their international commitments allow the development and implementation of policies and instruments that aim preservation of and promotion of cultural diversity. In accordance with these principles, UNESCO Convention for Protection and Development of Divers Cultural Expression is a key element of acquis in the area of culture. Commission Communication for the European Agenda for culture in a globalized world introduced a structured dialogue in the culture sector and an open method of coordination, in order to implement three common sets of objectives: cultural diversity and intercultural dialogue; culture as a catalyst for creativity; and culture as a key component in international relations.

#### *SAA Requirements*

Therefore, Article 107 of the SAA requires cooperation between the parties with the aim of raising the level of education in general, vocational education, training and policy development for youth work in Kosovo with the aim of developing skills, employment, social inclusion and economic development in Kosovo. A priority for higher education system should be to achieve adequate quality standards of institutions and programmes in accordance with the objectives of the Bologna process and Declaration. Parties should cooperate in order to ensure that access to all levels of education and training in Kosovo is done without discrimination on grounds of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. In addition, also the needs of students with disabilities in Kosovo must be addressed.

Article 108 of the SAA requires cooperation between the parties aiming to promote cultural cooperation for increasing the operator's capacity and understanding between individuals and minorities. This cooperation should support cultural diversity in the country based on the principles of the UNESCO Convention on the protection and promotion of diversity of cultural expression.

#### *Requirements from other EU accession mechanisms*

Based on the EC *Kosovo 2019 Report*, it is indicated that Kosovo is at an early stage of education and culture preparation. No progress has been made in the previous year and the quality of education has yet to be improved. Since the previous report recommendation has not been addressed, in the following year Kosovo must in particular: approve a new law on higher education in order to implement a standard-based reform, including the provision of autonomy and independent operation of higher education institutions and quality assurance mechanisms; graduate reform efforts in pre-university education (including vocational education and training programmes), focusing on competency-based learning; improve access to quality education for marginalized groups to enrol in the preschool education.

According to the conclusions of the Subcommittee on Innovation, Information Society, Social Policy and Employment 2019, Kosovo needs to collect accurate data on Education and Training indicators called 'ET 2020', in order to answer to the Eurostat questionnaire as well as improve data reliability. The Commission recommended addressing the risk of corruption and political influence, especially in higher education, to adopt laws on higher education and pre-school education. Kosovo will boost efforts to increase the enrolment rate for early children aged 0-5, including increasing the provision of childcare facilities and in line with the European reform agenda. Adequate budget should be allocated for the implementation of the Kosovo Education Strategic Plan 2017-2021 and its action plan in coordination with relevant donors. As for the VET catalogue, Kosovo has to complete it.



In the area of cultural heritage, it is required to draft a law on cultural heritage, to enforce the Constitutional Court's ruling on the property dispute in Deçan, to raise awareness and share information on the “Creative Europe” programme, to ensure the continued functioning of the Implementation and Monitoring Council, and to ensure performance in punishing cases of damages or illegal constructions in cultural heritage protected areas.

## **State of play**

### *Legislative Framework*

#### Education

The area of *higher education* is regulated by:

- Law No. 04/L-037 on Higher Education. Law on Higher Education;
- Law No. 03/L-060 on National Qualifications and National Qualification Framework.

#### Vocational Education and Training

- Law No. 04/L-138 for Vocational Education and Training;
- Law No. 04/L-143 on Adults Education and Training;
- Law No. 03/L-060 on National Qualifications.

#### Preschool education

- Law No. 02/L-52 on Preschool Education;
- Law No. 04/L-032 on Pre-University Education;
- Law No. 06/L-046 on Education Inspectorate in the Republic of Kosovo.

#### School dropout

- AI No. 08.2018 on the Establishment and Strengthening of Prevention and Response Teams towards Abandonment and Non-Enrolment of Students in Pre-University Education.

#### Culture

- Law No. 02/L-57 on Institutions of Culture;
- Law No. 04/L-065 on Copyright and Related Rights;
- Law No. 2003/24 on Sport;
- Law No. 04/L-056 on the National Ensemble of Songs and Dances “Shota”;
- Law No. 04/L-59 on Philharmonic, Opera and Ballet;
- Law No. 2004/22 on Cinematography;
- Law No. 02/L-88 on Cultural Heritage;
- Law No. 04/L-106 on Theatres.

### *Institutional and Policy Framework*

Upon the decision of the European Network of Agencies for Quality Assurance in Higher Education (ENQA) on changing the status of KAA to an “under review” member, the KAA has undergone a re-evaluation process. The ENQA team of experts came to a conclusion that the general level of fulfilling the European standards and guidelines (ESG) is not sufficient to renew the KAA’s membership in ENQA. On this occasion the Board of ENQA notifies that KAA has the right to reapply two years after the receipt of this Decision. During these two years, KAA will undergo also an evaluation from ENQA’s experts in order to assist and advice the KAA prior its formal application for re-evaluation.

As a result of an agreement with European Commission and MES, Kosovo participates in EU Programme for Education Tempus since 2003. The Tempus Programme has consistently contributed directly to

development of curricula, cooperation with the society, management of universities, teacher training as well as quality assurance projects, which cover almost the entire higher education sector in Kosovo. The successor of Tempus is the Erasmus + Programme which implements the projects through Erasmus + Office in Kosovo. This office is focused in the area of higher education and contributes to awareness-raising, visibility, adaptability, sustainability, effective approach towards international dimension of Erasmus + Programme. Kosovo's high education institutions have increased their interest for participation in schemes within the ERASMUS+ programme by increasing their absorption capacities. In this year, a total of ten (10) projects on capacity building have been funded, four (4) of which will be coordinated by the Kosovo HEIs. Moreover, 3 projects have been funded in the Jan Monet scheme, and the mobility of students and academic staff has been significantly increased (during 2019, there was a total of 1405 mobilities, see <http://erasmuspluskosovo.org/en/erasmus/projects/>).

All advisory bodies (Industrial Boards) in Public Universities drafted and signed the Regulations on the Rules of Procedures. The University of Prishtina has established them in 10 academic units, the University of Applied Sciences in Ferizaj has established 1 Advisory Body. The University of Gjakova "Fehmi Agani" has established 2 Advisory Bodies. The University "Haxhi Zeka" has established 3 Advisory Bodies. The University of Mitrovica "Isa Boletini" is in the process of drafting the regulation for Advisory Bodies, whereas, the University of Gjilan has approved the Regulation.

The basic strategic document which sets the development objectives in the education system in the Republic of Kosovo is the Kosovo Education Strategic Plan 2017-2021, approved by the Government of Kosovo. This strategic document is a comprehensive strategic document, which includes all education levels in Kosovo, starting from the pre-primary up to university level. Other strategic documents on education development are the following: Communication Strategy; Strategy against Drop Out; Strategy on Schools Promoters of Health 2009-2018, Strategy on Integration of Roma, Ashkali and Egyptian 2007- 2017 and the Strategy on Pre-University Development 2007-2017.

On vocational education, there are vocational schools and 4 centres of competence have been established. The VET system created by the legislation in force is 3 + 1 + 1, also based on demands of the labour market. Profiling of existing vocational education profiles, based on sectorial areas as per ISCED, has been completed.

Regarding pre-university education, the curriculum is being implemented in Kosovo schools, with new curricula/subjects implemented for both the preparatory grade and grades 1, 2, 3, 6, 7, 8, 10, 11 and 12. For the new school year 2020/2021, it is expected that the teaching/subject programmes for grades 4 and 9 will be ready, while in 2021 with the 5<sup>th</sup> grade, the finalization and implementation of the curriculum and new curricula will be completed.

To enhance quality management in pre-university education, MES stressed the internal quality improvement guidelines, implementation of external quality assessment mechanisms and capacity building of Education Inspectorate, also this inspectorate has joined SICI (The Standing International Conference of Inspectorates).

The AI 4/2017 on evaluation of performance of pre-university education institutions, as well as the Guideline on Internal Evaluation of school performance and the Guideline on External Evaluation of school performance, were adopted in April 2017, and are being implemented in those schools that are implementing the new curriculum framework. Following adoption of the Law No. 06/L-046 on the Education Inspectorate in the Republic of Kosovo (August 2018), the AI No. 14/2018 on evaluation of teachers' performance was adopted in October 2018. Based on the Law on the Education Inspectorate, MES is preparing an AI on evaluation of performance of the director and deputy director of the public educational institution and pre-university trainers. Following adoption of this bylaw, the Education Inspectorate will commence with evaluation of performance of directors and deputy directors.

Therefore, a priority of the Inspectorate of Education for the period from 2020 to 2024 is quality assurance in pre-university education through inspections, mainly related to evaluation of performance of teachers, principals and deputy principals, as well as of pre-university education institutions. Improving the quality of pre-university education is closely linked to capacity-building of the Education Inspectorate.

The instruments for pedagogical assessment of children with special needs have been completed and published, and have been piloted in 7 municipalities and 14 schools. MES, within the specific municipal grant for 2019, has included a new policy: employment of 100 assistants for children with special needs.

In terms of strengthening external quality measurement mechanisms, MES has participated in the PIA International Test, and has organized the Achievement Test for ninth grade students and the State Matura Exam. MES has also prioritized the professional development of teachers and modernization of teacher training in line with Kosovo's new curricular framework.

As regards the cultural heritage, the institutional framework consists of the Ministry of Culture, Youth and Sport as the main legislative institution for this area, the Ministry of Economy and Environment as the implementing and monitoring institution regarding spatial construction plans, the Ministry of Local Government as the institution for monitoring the work of municipalities and other law-enforcement institutions.

### *Donor Support*

Education sector projects:

- Within IPA 2016, the European Commission supports the capacity building for professional development of teachers. The project delivers training sessions for pre-primary and primary teachers in a total of 50 schools in 10 municipalities of Kosovo;
- Supporting the improvement of education infrastructure is another component within IPA 2016. This activity includes evaluation analysis on subsidizing the construction of pre-primary education infrastructure and the public municipal infrastructure that contributes to the development of education. All locations for the construction of kindergartens foreseen under IPA 2016 funds have been designated;
- IPA 2017 Education, Employment and Social Policies (a total of EUR 4.5 million, EU contribution in the amount of EUR 3.8 million) The main purpose of this activity is to improve employability through vocational education and training that would lead to increased participation in the labour market especially for youngsters and women;
- Within IPA 2018, education will be supported by the EU in the amount of EUR13 million. Under this assistance will be aimed to increase access to pre-primary, primary and secondary education for students of vulnerable groups. Strengthening capacities for overall and effective management by providing quality teaching at central and municipal level;
- The Quality, Accountability, Integrity, and Transparency in Higher Education – QAIN project aims to provide support for the development and implementation of regulations, procedures and best practices for enhancing quality in higher education. The development of two schemes to promote research-based teaching;
- The Aligning Education With Labour Market Needs - ALLED II project will focus on strengthening the quality and relevance of education and training programmes for the labour market and will support the adaptation of the Legislative Framework and mechanisms as a prerequisite for increasing employability. The project has begun to be implemented in 2018 and is expected to be completed in 2021. The total cost of the project will be EUR 4,500,000.

### *Medium-term Priority Objectives*

#### Pre-university education

- Drafting and adoption of the concept-document and draft-law on early childhood education 0-6;
- Implementation of the new Law on Education Inspectorate improves quality of education at all levels and improves access to education for marginalized groups. The implementation of the new curricula of pre-university education has continued in all schools in Kosovo;
- Continuing to apply the new curricula of Pre-University Education in all Kosovo schools;
- Capacity building of pedagogical evaluation experts for children with disabilities.

#### Vocational education and training

- Increasing quality in vocational education and training based on the labour market requirements will continue.

#### Higher education

- The Law on Higher Education has been approved by the Government but not yet adopted by the Assembly. We will continue amending and adopting bylaws on higher education;
- In order to advance the country's higher education, MES will be focused in profiling higher education institutions to the labour market needs by developing university strategies.

#### Institutional capacity-building

- Improvement of the education inspectorate, in accordance with European legislation and international standards.
- Professional development of teacher
- Linkage of the teachers' grade system with salaries according to licensing system.
- For the further advancement of occupational standards, it is planned to continue with the drafting of new standards.
- VET curricula and adult education will be aligned with the Curriculum Framework for Pre-University Education and the Framework.

### **3.27. Acquis Chapter 27: Environment**

This Chapter covers EU environment policy that aims to promote sustainable development and protect the environment for present and future generations. It is based on preventive action, namely the “polluter pays” principle, fighting environmental damage at source, shared responsibility and the integration of environmental protection into other EU policies. The acquis comprises over 200 major legal acts covering horizontal and bylaws. Compliance with the acquis requires significant investment. A strong and well-equipped administration at national and local level is imperative for the application and enforcement of the environment acquis.

#### *SAA requirements*

The SAA, in Articles 115, 116 and 117 defines the cooperation between the Republic of Kosovo and the EU in the area of Environment, Climatic Change and Civil Protection. Article 115 foresees prevention of further environmental degradation and commencement of improving the environmental situation with the aim of sustainable development in Kosovo. It also foresees strengthening Kosovo’s administrative structures and procedures, and gradual approximation of Kosovo’s legislation to the EU acquis and adapted to the EURATOM acquis. Article 116 on climate change, is focused in developing the climate change policies, namely mitigation (reduction of greenhouse emissions) and adaptation to them (climate change), taking into consideration other relevant policies, including sectors such as energy, transport, industry, agriculture, education, etc. It also focuses on gradual approximation of Kosovo’s legislation to EU acquis on climate change, in particular the effective monitoring, reporting and verification of results for greenhouse gas

emissions as well as inclusion of Kosovo in international mechanisms. Article 117 on civil protection, foresees improvement, prevention, preparation and response to natural and man-made disasters. Moreover, foresees also enhancing Kosovo's civil protection capacities and Kosovo's gradual approximation to the EU acquis related to disaster management.

#### Requirements from other EU accession mechanisms

From EC's *Kosovo 2019 Report*, in sub-section 6.20 Environment and Climate Change, it is estimated that Kosovo is at an **early stage of preparation** in the area of environment and climate change. Some progress has been made, mainly through the approval of relevant strategies, but serious problems continue to affect the population's life and health. The growing challenges of environmental protection and climate change require much greater political will.

While from the requirements drawn from the "INFRA" 2020 Subcommittee meeting in the area of Environment, in the sector of air, the Municipality of Prishtina should approve a plan for air quality of Prishtina, identify sources of air pollution and commence the effective implementation of reduction measures.

From the Waste Sector, the hazardous waste storage operator should be functional and operational, including funding, personnel, facilities and preparation of the Waste Management Plan, and the National Waste Strategy and Action Plan for Solid Waste should be reviewed. In the sector of waters, progress should be continued in implementing the Directive on Underground Water for "Drini i Bardhë", identify and monitor other areas of threat regarding the underground water and surface water. In Nature, the drafting of the detailed regulatory plans for the National Park "Sharri" and "Bjeshket e Nemuna" should be finalised. In Forestry sector, it should be reported on the efforts to combat illegal logging/cutting of trees, and the Law on Forests should be adopted by transposing the EU Timber Regulation 995/2010.

In the area of Climate Change, the inter-institutional cooperation should be improved in order to ensure the integration of climate change into other sectors, especially in the sector of energy and transport, and to strengthen the role of the National Council on Climate Change. In this context, an integrated National Plan of Climate and Energy and a long-term decarbonisation strategy should be prepared.

### ***State of Play***

#### *Legislative, Policy and Institutional Framework*

##### Horizontal legislation

Legislative framework in this area consists of the following main relevant normative acts:

- Law on Environmental Impact Assessment (EIA);
- Law on Strategic Environmental Assessment (SEA); and
- Law on Environmental Protection.

These normative acts have transposed the following acquis acts:

- Directive No. 2001/42/EC on Strategic Environmental Assessment, fully transposed;
- Directive No. 85/337/EEC on Environmental Impact Assessment, fully transposed; and
- Directive No. 2003/35/EC on Public Inclusion, fully transposed.

Directive establishing an Infrastructure for Spatial Information (INSPIRE Directive No. 2007/2/EC) is being transposed within the draft-law on Establishment of National Infrastructure on Spatial Information in Kosovo, which sets out the comprehensive rules for the establishment of National Infrastructure on Spatial Information in Kosovo, on enforcing the environmental policies and activities which could have environmental impact.

During this period, the draft of the AI No. 06/2007 on the Rules and Standards of the Discharges on Air by the Stationary Sources of Pollution (amendment) has been completed. This AI has been subject to all phases envisaged and is ready to be submitted to the Government for approval.

The Ministry of Economy and Environment, namely the Department of Environmental Protection and Water/Division for the Protection from Industrial Pollution is responsible authority for the implementation of the horizontal environmental legislation.

#### Air quality

The legislative framework in this area consists of the Law No. 03/L-160 on Air Protection from Pollution, which has transposed the following acquis acts:

- Air Quality Framework Directive No. 2008/50/EC, partially transposed;
- Directive No. 2004/70/EC on arsenic, cadmium, mercury, nickel and polycyclic aromatic hydrocarbons in ambient air, fully transposed;
- Directive No. 70/220/EEC on measures to be taken against air pollution by emissions from motor vehicles, partially transposed;
- Directive 1999/13/EC on the limitation of emissions of volatile organic compounds due to the use of organic solvents in certain activities and installations, fully transposed;
- Directive No. 2001/81/EC on national emission ceilings for certain atmospheric pollutants, partially transposed;
- Directive No. 96/61/EC on prevention and control of pollution from industrial plants, partially transposed;
- Regulation No. 1005/2009 on substances that deplete the ozone layer, partially transposed; and
- Regulation No. 842/2006 of the European Parliament and of the Council on certain fluorinated greenhouse gases partially transposed.

For further transposition of the Framework Directive No. 2008/50/EC on Air Quality, on 24.07.2018, the Government has approved the draft-law on Air Protection from Pollution, and forwarded to the Assembly for adoption. However, due to the dissolution of the Assembly the same was returned to be re-forwarded for adoption.

On the other hand, the Air Quality Action Plan 2018-2020 (adopted on 05.06.2018) provides the framework through which the protection and reduction of air pollution in the country will be achieved, in accordance with the relevant EU standards and with principles of best practice.

Also, the National Plan for the Reduction of Emissions (NPRE) 2018-2027 (adopted on 29.05.2018), provides a framework for reduction of emissions in the air from Kosovo Energy Corporation (TPP Kosovo A and TPP Kosovo B), which will reflect the reduction of air pollution in KEC's vicinity as well as in the entire territory of the country, in accordance with the established EU standards and obligations deriving from the Energy Community Treaty.

The authority in charge for air quality is the Ministry of Environment and Economy, respectively the Department of Environmental Protection and Water management/Division of Protection from Industrial Pollution, Kosovo Environmental Protection Agency/Hydrometeorological Institute, with a total of 9 officials. Other institutions related to this area are mainly: Ministry of Agriculture, Forestry and Rural Development (MAFRD), Ministry of Health (MoH), and Ministry of Local Government (MLG).

#### Waste management

The legislative framework in this area consists of the Law No. 04/060 on Waste, which has transposed the following acquis acts:

- Directive No. 2008/98/EC on Waste, partially transposed;

- Directive No. 86/278/EEC on Sewage Sludge, partially transposed;
- Directive No. 2000/53/EC on end-of-life vehicles (ELV), partially transposed;
- Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment, fully transposed;
- Directive No. 2002/95/EC on Waste Electrical and Electronic Equipment (WEEE), fully transposed;
- Directive No. 1999/31/EC on the Landfill of Waste, fully transposed; and
- Regulation No. 1013/2006/EC on shipments of waste, partially transposed.

During this period, the draft-law on Waste from the Mineral Extraction Industry has been completed, which is expected to undergo the final stages of approval in the first half of 2020. On the other hand, the Draft AI No. 22/2015 for Management of Wastes Containing Asbestos is completed and is expected to be submitted for approval during 2020.

In order to implement the legislation on waste, currently in force are the following: Strategy on Waste Management 2013-2022 and Action Plan 2013-2017, which provides particular emphasis to waste management principles described by the Directive No. 2008/98/EC on Waste, and the principle "polluter pays". Whereas during 2019, the Strategy and Action Plan 2019 - 2029 for integrated solid waste management is drafted with the support of GIZ, these two documents are at their final stages and are expected to be approved during 2020.

Under the Law on Waste, Article 13, the Ministry of Economy and Environment (MEE) and Municipalities of the Republic of Kosovo are authority in charge for waste management. Within MEE operates the Department of Environmental Protection and Water, namely Division for Chemicals and Waste, as well as the Environmental Protection Agency/with a total of 8 officials. Other institutions involved in various forms in the waste sector are mainly the following: Ministry of Agriculture, Forestry and Rural Development (MAFRD), Ministry of Health (MoH), and Ministry of Local Government (MLG). Municipalities under the Law on Waste are competent for solid waste management, bulk waste, wastes from the construction and demolition of buildings.

#### Water quality

The legislative framework in this area consists of the Law No. 04/L-147 on Waters of Kosovo, which has transposed the following acquis acts:

- Water Framework Directive No. 2000/60/EC, partially transposed;
- Directive No. 91/271/EEC concerning Urban Waste-Water Treatment, partially transposed; and
- Directive No. 98/83/EC on the quality of water intended for human consumption, partially transposed.

During 2019, the Law on Waters of Kosovo has been subject to amendment. The draft-law has been completed and is at the stage of public consultations. On the other hand, regarding the Implementation of Kosovo National Water Strategy 2017-2036 (adopted on 30.05.2018), the Decision No. 45 dated 15.10.2019 has been issued by the Minister of MEE authorizing the Regional River Basin Authority as a responsible institution under the Law to draft and approve a three-year plan for the implementation of the National Water Strategy 2017-2036 in coordination and consultation with all relevant parties.

The authority in charge on water protection and management is the Ministry of Economy and Environment (MEA), namely the Water Department/Agency for Environment Protection with 30 officials. Other institutions involved in the area of water include mainly the following: Ministry of Health (MH), Ministry of Agriculture, Forestry and Rural Development (MAFRD), Ministry of Local Government (MLG), and Regulatory Office for Water and Sewage (ROWS).

#### Nature protection

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 03/L-233 on Nature Protection;
- Law No. 04/L-086 on National Park "Bjeshket e Nemuna";
- Law No. 04/L-087 on National Park "Sharri";
- Law No. 2003/3 on Kosovo Forests; and
- Law No. 2006/41 on Hunting.

These normative acts have transposed the following acquis acts:

- Directive No. 2009/147/EC on the conservation of wild birds, fully transposed;
- Council Directive No. 92/43/EEC, of 21 May 1992, on the conservation of natural habitats, wild fauna and flora, fully transposed;
- Council Directive No. 1999/22/EC relating to the keeping of wild animals in zoos, partially transposed;
- Directive No. 83/129/EEC concerning the importation into Member States of skins of certain seal pups and products derived therefrom, partially transposed;
- Regulation No. 338/97 (EC) on the protection of species of wild fauna and flora by regulating trade therein, with amendments, partially transposed;
- Regulation No. 3254/91 (EEC) prohibiting the use of leghold traps in the Community and the introduction into the Community of pelts and manufactured goods of certain wild animal species originating in countries which catch them by means of leghold traps or trapping methods which do not meet international humane trapping standards, partially transposed;
- Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market Text with EEA relevance, partially transposed;
- Regulation No. 2173/2005 (EC) on the establishment of a FLEGT licensing scheme for imports of timber into the European Community, partially transposed; and
- Regulation No. 348/81 (EEC) on common rules for imports of whales or other cetacean products, and amendments, partially transposed.

Strategic framework for the protection of nature in the Republic of Kosovo is composed of Strategy and Action Plan on Biodiversity 2011-2020, Forests Strategy 2010-2020; National Strategy for the area of forest non-wooden products 2014-2020 and Strategy on Climate Protection on forest sector in Kosovo.

Furthermore, Action Plan on Biodiversity 2017-2020 (adopted on 30.05.2018) identifies specific activities, responsible and supportive institutions as well as secured or possible funding sources and timeframe.

The authority in charge for protection of nature is the Ministry of Economy and Environment (MEE), namely the Department for Environmental Protection, division for nature protection, Agency for Environment Protection, with a total of 15 officials. Other institutions related to this area include the following: Ministry of Agriculture, Forestry and Rural Development (MAFRD), Ministry of Culture, Youth and Sports (MCYS), Ministry of Local Government (MLG), and Municipalities.

#### Industrial pollution control

The legislative framework in this area consists of the Law No. 03/L-043 on Integrated Prevention Pollution Control.

It has transposed the following acquis acts:

- Directive No. 2012/18/EU SEVESO III on the control of major-accident hazards involving dangerous substances, partially transposed; and



- Directive 2004/42/CE of the European Parliament and of the Council of 21 April 2004 on the limitation of emissions of volatile organic compounds due to the use of organic solvents in certain paints and varnishes and vehicle refinishing products, partially transposed.

Moreover, during 2019, the Law on Integrated Prevention Pollution Control has undergone the stage of amendment. Currently, the draft is completed and is at the stage of being submitted to the Government for approval.

IA No. 04/2018 for Preventing Major Accidents Involving Hazardous Substances (adopted on 06.06.2018), under which the Directive SEVESO III is further transposed. On the other hand, in order to implement the transposed EU acquis, the following are in force, the Environmental Protection Strategy 2013-2022 and the Kosovo Environmental Action Plan 2013-2017.

The assigned authority in charge for the control of industrial pollution is the Ministry of Economy and Environment (MEE), the Environmental Protection Department, namely the Division for the Protection from industrial pollution being assisted by the Environment Protection Agency, with a total of 15-20 officers, and the Ministry of Local Government.

### Chemicals

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 04/L-197 on Chemicals;
- Law No. 03/L-119 on Biocide Products.

These normative acts have transposed the following acquis acts:

- Council Directive No. 87/217/EEC of 19 March 1987 on the prevention and reduction of environmental pollution by asbestos, partially transposed;
- Regulation No. 528/2012/EC, EU concerning the making available on the market and use of biocidal products, partially transposed;
- Regulation No. 1907/2006/EC on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), partially transposed;
- Regulation (EC) No. 1272/2008 on classification, labelling and packaging of substances and mixtures, partially transposed;
- Regulation (EC) No. 689/2008 on the export of chemicals, namely Regulation No. 649/2012/EU for export-import -PIC procedure, partially transposed; and
- Regulation No. 648/2004/EC on Detergents, fully transposed.

On 09.10.2018, the Government of Kosovo, by Decision No. 05/68, approved the draft-law on Biocide Products, that is for the further completion of the Legislative Framework and further alignment with EU acquis in the area of chemicals, which aims to regulate and operate the internal market through the alignment of the rules for making it available on the market and the use of biocidal products, ensuring a high level of protection of the health of humans, animals and the environment. This draft-law has been forwarded to the Assembly but due to the dissolution of the Assembly the same has been returned for approval.

The authority in charge for the control of pollution by chemicals is the Ministry of Economy and Environment (MEE), namely the Department of Environmental Protection, Division for chemicals and waste, as well as the Environmental Protection Agency, with a total of 4 officials, and Ministry of Local Government (MLG).

### Noise protection

The legislative framework in this area consists of the Law No. 02/L-102 on Noise Protection, which has partially transposed the Directive No. 2002/49/EC of the European Parliament and of the Council of 25 June 2002 relating to the assessment and management of environmental noise.

In order to further approximate the local legislation with the EU acquis in the area of noise protection, Kosovo has decided to amend the Law No. 02/L-102 on Noise protection, which has been approved by the Government on 02.10.2018, with No. 03/67. This law will fully transpose Directive No. 2002/49/EC of the European Parliament and the Council, of 25 June 2002, on the assessment and management of environmental noise.

The authority in charge on protection from environmental noise is the Ministry of Economy and Environment (MEE), namely Department of Environment Protection/Division on protection from industrial pollution and the Agency for Environment Protection/ Hydro-meteorological Institute, with a total of 4 officials, Ministry of Local Government (MLG) and Municipalities.

### Forestry

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 2003/3 on Forests;
- Law No. 02/L-53 on Hunting;
- Law No. 2006/02- L41 on Fire Protection; and
- Law No. 02/L-26 on Agricultural Land.

These normative acts have transposed the following acquis acts:

- Directive (EU) No. 92/43/EEC on the conservation of natural habitats and of wild fauna and flora, partially transposed;
- Directive (EU) No. 79/409/EEC on the conservation of wild birds, partially transposed;
- Regulation (EU) No. 691/2011 on European environmental economic accounts, partially transposed; and
- Regulation (EU) No. 995/2010 laying down the obligations of operators who place timber and timber products on the market, so called "EU TR", partially transposed.

Furthermore, the Law No. 2003/3 on forests in Kosovo was approved by the Government of Kosovo on 23.05.2019. This draft-law was forwarded to the Assembly for adoption, but due to the dissolution of the Assembly, the same was returned to be re-forwarded for adoption.

The following AIs were also adopted:

- AI No. 15/2019 on Standards and Conditions for Licensing Processors of Wood Products, 27 May 2019;
- AI No. 13/2019 on the determination of the criteria and procedures of given of licences for the accomplishment of works in forests and forest lands, 27 May 2019;
- AI No. 14/2019 on Licensing of the Legal Subjects for Planning and Projection in Forestry Area, 27 May 2019.

On the other hand, the policies, strategies and action plans for the development of the forestry sector in Kosovo adopted by the Government of Kosovo are summarized in the document "Forestry Development Strategy 2010/2020".

The authority in charge in the area of Forestry is the Ministry of Agriculture, Forestry and Rural Development (MAFRD) as the highest Kosovo forests management body, namely the Forestry Department and Kosovo Forest Agency (KFA). The numbers of employees in the Forestry Department is 7 while KFA

as an executive authority employs 140 officials. Other relevant institutions include the following: Ministry of Economy and Environment (MEE) and Ministry of Local Government (MLG).

#### Climate change

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 03/L-160 on Air Protection from Pollution;
- AI No. 01/2016 on Mechanisms for Monitoring and Reporting Greenhouse Gas Emissions; and
- AI No. 09/2015 for Monitoring Greenhouse Gas Emissions.

These normative acts have transposed the following acquis acts:

- Directive No. 2009/30/EC as regards the specification of petrol, diesel and gas-oil, partially transposed;
- Directive No. 2011/83/EU on consumer rights, fully transposed;
- Regulation (EU) No. 525/2013 on a mechanism for monitoring and reporting greenhouse gas emissions and for reporting other information at national and Union level relevant to climate change, partially transposed; and
- Regulation No. 842/2006 on certain fluorinated greenhouse gases (F-Gases), partially transposed.

Regarding the policy framework, the Climate Change Strategy and Action Plan 2019-2028/2019-2021 was adopted on 19 February 2019. The final draft of the Concept-document on Climate Change was also drafted, which is also expected to be approved during 2020, and will precede the process of drafting of the Law on Climate Change, planned for 2020.

Furthermore, the national plan on energy and climate is being drafted by the inter-ministerial group led by the MEA. As a result, 5 thematic subgroups have been established such as: greenhouse gases, RES, security of supply, internal energy market and the subgroup for innovation and competitiveness. This plan is expected to be completed by 2021.

The authority in charge designated for climate change is the Ministry of Economy and Environment (MEE), respectively the Department of Environmental Protection/Division for Protection from Industrial Pollution, and the Environmental Protection Agency/Hydrometeorological Institute, with a total of 9 officials. Other institutions related to this area are mainly the following: Ministry of Agriculture, Forestry and Rural Development (MAFRD), Ministry of Health (MoH), Ministry of Local Government (MLG). Furthermore, since 2015 has been established and is functional the National Committee on Climate Change.

#### Civil protection

The legislative framework in this area consists of the following main relevant normative acts:

- Law No. 04/L-27 for Protection against Natural and other Disasters;
- Law No. 04-L-230 on the Agency for Emergency Management;
- Law No. 04/L-012 on Fire Protection; and
- Law No. 04/L-049 on Fire-Fighting and Rescue.

These normative acts have partially transposed Directive No. 2012/18/EU- SEVESO III.

So far Kosovo has drafted a National Reaction Plan as well as the Disaster Risk Reduction Strategy and Action Plan 2016 - 2020.

The authority in charge for civil protection is the Ministry of Economy and Environment (MEE), respectively the Department of Environmental Protection, namely the Division on Protection from Industrial Pollution, KEPA - Hydrometeorological Institute; Ministry of Internal Affairs and the Emergency Management Agency with a total of 7 officials. Other relevant institutions relating to civil

protection are namely the following: Ministry of Foreign Affairs and Diaspora, Ministry of Finance, Ministry of Agriculture, Forestry and Rural Development, National Public Health Institute, Kosovo Fire-fighters Unit, Ministry of Local Government (MLG).

### ***Donor Support***

#### *Horizontal legislation*

Regarding Donor Support, the SIDA-funded project "Kosovo Environmental Programme 2016-2020" worth EUR 6,810,000 is being developed in support to MEE. The project consists of eight (8) components, including strengthening of institutional capacities for monitoring, conservation of biodiversity through the Red Book of animal species in Kosovo; strengthening of the management of transboundary natural parks; establishment of the groundwater monitoring system in Kosovo; strengthening capacities for the implementation of the environmental legislation at the local and central level; study on groundwater of the Drini i Bardhë/White Drin basin; support to the drafting of management plan of White Drin basin and support to the Inter-Ministerial Water Council. Also, a project supported by WBIF "Preliminary Flood Risk Assessment in the White Drin, Lepenc and Sitnica River Basin is being developed in the water area.

#### *Air quality*

Regarding Donor Support, a three-year (2017-2020) project is being developed, funded by the Japanese Government and implemented by the Japan International Cooperation Agency (JICA) "Capacity Development Project for Air Pollution Control". The project includes the component of evaluating air quality monitoring stations and the possibility of supply with new analyzers, including completing and calibrating them as well as staff training. One component of the project is also the creation of air emissions inventory as well as training for modelling and forecasting air quality. The last component of the project is the development of the central software for real-time monitoring of air quality from all monitoring stations.

With the support of the European Commission Office in Prishtina, the software for collecting data from monitoring stations has been installed. This software enables real-time reporting of air quality monitoring from the 8 monitoring stations. Investments in improving the air quality monitoring system will continue with additional support from the US Government through the Millennium Challenge Corporation Programme and from the Japanese Government through the Japan International Cooperation Agency.

Under the IPA 2018 and IPA 2019 programme, rehabilitation of Kosovo B will be supported at an amount of EUR 78 million, EUR 40 million under IPA 2018 and EUR 38 million under IPA 2019, which will reduce the pollution generated by the plant's operation.

#### *Waste management*

Under the IPA 2018 programme, the EU has allocated EUR 11 million for the environment. These funds will be used to assist the solid waste management system in the municipalities of Kosovo through investments in establishment of new landfills, rehabilitation of the existing ones and assisting the institutional capacities of MEE and municipalities. IPA 2020 also provides further environmental support in the amount of EUR 16 million for the waste management system.

#### *Water quality*

Regarding Donor Support in this sector, a project "Prishtina III" is being developed. Municipality of Prishtina, Fushë Kosovë and Gracanica benefit directly from this project, while 8 other municipalities in which RWC Prishtina operates benefit indirectly. The value of this project is EUR 35 million (EUR 20 million loan from KfW, EUR 5 million from IPA 2010, EUR 5 million from the Government of Kosovo and EUR 5 million from the Municipality of Prishtina).

The project "Prishtina II", which includes the rehabilitation of water supply networks in 30% of the city of Prishtina and 70% of the city of Fushë Kosovë, as well as the rehabilitation of the plant in Badovc, which is

of great importance because it was one of the oldest water plants, is under implementation. The value of this project is EUR 17 million (EUR 11 million grant from WBIF/EU and EUR 6 million loan from the German Government).

Also, with the support of the German Government, 6 wastewater projects are being implemented and prepared in six phases: First and second phase - construction of the plant for wastewater treatment in Prizren, with MEE. The third phase - construction of the plant in Gjakova, in cooperation with the Swiss Government. The fourth phase - construction of the plant in Peja, also with the Swiss Government. The fifth phase - rehabilitation of the network in Gjakova, Peja and Prizren. The sixth phase remains for additional intervention needs.

#### Nature protection

No projects in this area.

#### Industrial pollution control

With regard to Donor Support in this area, MEE benefits from JICA 2017-2020 project at a value of approximately USD 4 million for capacity development for air pollution control.

#### Chemicals

No projects in this area.

#### Protection from noise

No projects in this area.

#### Forestry

No projects in this area.

#### Climate change

No projects in this area.

#### Civil protection

No projects in this area.

### ***Medium-term Priority Objectives***

In order to meet the obligations arising from the SAA and other documents and mechanisms for EU accession in the areas within the scope of Chapter 27, the focus during 2021 - 2024 will be on following medium-term priorities:

- Transposition of Directive No. 2004/35/EC on Environmental Liability, Directive No. 2003/04/EC on Access to Information, Directive No. 66/2010/EC on Eco-label, Regulation No. 1221/2009/EC EMAS, as well as Regulation No. 2011/832/EU EMAS Global;;
- Groundwater and Surface Water Monitoring Programme;
- Drafting of the Air Quality Action Plan 2021-2023;
- Drafting of the National Energy and Climate Plan;
- Draft-law amending Law No. 04/L-60 on Waste (Waste Framework Directive No. 2008/98/EC WFD);
- Draft-law amending Law No. 04/L-197 on Chemicals (Regulation (EC) 1272/2008).
- Continuation of drafting the Drini i Bardhë river basin management plan;
- Management plans for the basins of rivers Iber, Morava of Binca and Lepenc;
- Rehabilitation of sanitary landfill in Peja, construction of new cell, and closure of the illegal landfill in Istog;
- Biodiversity Strategy and Action Plan 2021 - 2030;

- Increase of the number of nature protected areas by 40 more areas;
- 4 Detailed Regulatory Plans for National Parks;
- Forestry Development Strategy 2021 - 2030;
- National Programme for Wildlife Management and Hunting; and
- National Forest Inventory III.

### 3.28. Acquis Chapter 28: Consumer and Health Protection

The EU acquis on the Chapter of Consumer Protection and Public Health consists of measures, regulation, recommendations, coordination and support for activities of Member States, including financial support. The Chapter deals with the interest of citizens in relation to consumer safety policies, economic interest and public health.

The acquis in the area of **consumer protection** includes consumer protection, product safety, selling of consumption products and their guarantees, unfair contract conditions, online sale, door to door sale, misleading information, unfair commercial practices, consumer loans, as well as cross-border implementation and cooperation. The EU Rapid Alarm System (RAPEX) is part of this as well.

In the area of **public health**, the EU acquis deals with issues related to tobacco control, transmissible diseases, blood, tissues, cells and organs, mental illness, prevention of drug abuse, and cancer diagnosis. The acquis in this area also regulates the patient rights in cross-border health care, promotion of healthy environment and prevention of injury.

Implementation of policies in consumer protection and public health requires adequate administrative capacities and infrastructure at all administrative organisational levels. In terms of consumer protection this means effective market surveillance and adequate judicial and non-judicial mechanisms for claim and dispute resolution. The EU policies aim at public involvement in policy consultation and awareness-raising in consumer protection.

#### *SAA Requirements*

Regarding **consumer protection**, Article 81 of the SAA obliges Kosovo to create active consumer protection policies, in line with the EU law, including enhancement of information and development of independent organisations in Kosovo, alignment of national legislation on consumer protection with the existing EU acquis, effective legal protection of consumers to ensure improvement of the quality of goods consumed, and maintaining the adequate safety standards, monitoring the regulations by the respective authorities and ensuring access to adequate legal compensation in cases of disagreement, as well as exchange of information on hazardous products.

#### *Requirements from other EU accession mechanisms*

In the area of consumer protection, the EC's 2019 Kosovo Report and recommendations emerging from the Subcommittee on Internal Market, Competition and Consumer and Health Protection, emphasize that it should be increased civil society engagement in consumer protection and consumer rights, as well as ensure adequate number of inspectors and ensure market surveillance.

As regards to public health, the EC's 2019 Kosovo Report underlines the increase of financial resources to enable the implementation of health sector reforms, including further expansion of the Electronic Health Information System.

#### *State of Play*

##### *Legislative and Policy Framework*

#### Legislative and policy framework in the area of consumer protection

Legislative framework in this area consists of the following main relevant normative acts:

- Law No. 06/L-034 on Consumer Protection;
- AI No. 13/2018 on the Complaint Handling Procedure.

These normative acts have transposed these acquis acts:

- Directive 93/13/EEC on Unfair Contract Conditions, Directive 98/6/ EC on consumer protection in the indication of the prices of products offered to consumer;
- Directive 1999/44/EC on certain aspects of the sale of consumer goods and associated guarantees, Directive 2002/65/EC concerning the distance marketing of financial services;
- Directive 2005/29/EC concerning unfair business-to-consumer commercial practices in the internal market;
- Directive 2008/48/EC on credit agreements for consumers;
- Directive 2008/122/EC on the protection of consumers in respect of certain aspects of timeshare, long-term holiday product, resale and exchange contracts;
- Directive 2009/22/EC on injunctions for the protection of consumers' interests,
- Directive 2011/83/EU on Consumer Rights;
- Directive 1999/44/EC of the European Parliament and of the Council and repealing the Council Directive 85/577/EEC and Directive 97/7/EC.

Policy framework in this area consists of Consumer Protection Programme 2016-2020.

Legislative Framework in the area of *financial services* consists of the following main relevant normative acts:

- Law No. 04/L-155 on the Payment System for Payment Service Users;
- Law No. 04/L-018 on Compulsory Motor Liability Insurance;
- Regulation on Disclosure of Effective Interest Rate Requirements;
- Internal Complaints Handling Rules;
- Regulation on Internal Complaints Handling Process;

These normative acts have transposed the following acquis acts:

- Directive 2007/64/EC on Payment Services in the Internal Market - partially;
- Directive 2009/13/EC, as well as Regulation No. 2001/25 on Licensing, Supervision and Regulation of Insurance Companies and the Insurance Intermediaries - partially;
- Directive 2008/48/EC on Credit Agreements for Consumer, which among others defines calculation of the effective rate.

#### Health protection

Legislation in the area of public health consists of Law No. 04/L-125 on Health. This law has the aim of establishing legal grounds for the protection and improvement of health of the citizens of the Republic of Kosovo through health promotion, preventive activities and provision of comprehensive and quality healthcare services.

Legislative Framework in the area of Health Protection consists of the following laws:

- Law No. 04/L-192 on Transplantation of Tissues and Cells;
- Law No. 04/L-156 on Tobacco Control;
- Law No. 02/L-78 on Public Health; Law No. 02/L-76 on Reproductive Health;
- Law No. 02/L-109 on Prevention and Fighting Against Infectious Diseases;
- Law No. 02/L-128 on Narcotic Medicaments, Psycho-tropes and Precursors;
- Law No. 05/L-025 On Mental Health;

- Law No. 2004/38 on the Rights and Responsibilities of the Kosovo Residents in the Health Care;
- Law 02/L-76 on Reproductive Health;
- Law No. 03/L-110 for termination of pregnancy;
- AI No. 06/2013 on Medically Assisted Conception;
- AI No. 05/2011 on Prevention and Control of Hospital Infections;
- AI No. 05/2010 on Vaccinoprophilax, Seroprophilax and Kimioprofilax;
- AI No. 08/2015 on Clinical and Protocols;
- AI - On the activity, structure and functions of health services for HIV/AIDS.

These normative acts have transposed the following acquis acts:

- Directive 2002/98/EC on setting standards of quality and safety for the collection, testing, processing, storage and distribution of human blood and blood components regardless of purpose;
- Directive 2004/33/EC, through which is applied Directive 2002/98/EC in relation to technical requirements for blood and blood components;
- Directive 2005/61/EC, through which is applied Directive 2002/98/EC in relation to traceability and reporting of serious adverse reactions and events;
- This Law partially transposes Directive 2004/23/EC on the Establishment of Quality and Safety Standards for the Donation, Procurement, Testing, Proceeding, Preservation, Storage and Distribution of Human Tissues and Cells.
- The Law in question partially transposes Directive 2001/37/EC on the Production, Presentation and Sales of Tobacco Products, Directive 2003/33/EC on the Advertising and Sponsorship of Tobacco Products and the Council Recommendation 2002 on the Prevention of Smoking and Tobacco Control Improvement Initiatives.
- This law partially transposes Directive 2006/141/EC on Infant Formula and Subsequent Formula.

Regarding the policy framework, the competent institution for the development of health protection policies is the Ministry of Health. This legislation implementation institution possesses a number of strategies, programmes and action plans described in the following.

The Health Sector Strategy 2017-2021 defines three strategic objectives for the development of health sector, including: Health Preserving and promoting, ensuring sustainable health financing and reorganizing the health sector. The Ministry of Health in order to continue improving the health of mother, child, adolescent and reproductive health has finalized the Strategic Plan 2019-2021 on mother, child, adolescent and reproductive health (SPMChARH).

The Strategic Plan provides a comprehensive framework in efforts to achieve the goal of reducing the morbidity and mortality of mothers and children in the Republic of Kosovo.

This document promotes an integrated approach for implementation of activities and recommendations that support policies and programmes of the Ministry of Health, as well as global goals of this area in general.

Taking into account the state of mother and child health in our country, the need to address the problems in this area is considered a priority of the Ministry of Health and for this purpose the Sectoral Health Strategy 2017-2021 has foreseen within the Strategic Objective "Health Preservation and Promotion", Specific Objective 2: Improvement of mother and child health.

The expanded immunizations programme is a document that determines the mandatory vaccines, which are used to immunise children of certain age at certain time intervals. Aiming at addressing the inequality, the Ministry of Health, in cooperation with the relevant partners and supported by the World Health Organisation (WHO), has started the process of reorienting the programme in order to increase the level of



immunization for children of Roma, Ashkali and Egyptian communities. With this in mind, a number of activities are taking place, in order to ensure the inclusion of such children in the regular vaccination.

### *Institutional Framework*

#### Consumer protection

Institutional framework in this area consists of following institutions:

- Ministry of Trade and Industry, namely the Department for Consumer Protection and the Market Inspectorate;
- The Central Bank of Kosovo, specifically the Division on Appeals Review for Financial Service Users in CBK.

Another important body in consumer protection is the Council for Consumer Protection, established through the Law on Consumer Protection. The Council has been expanded from 7 to 16 members, by the Government's Decision No. 05/77, dated 4 December 2018. Members of the Council represent MTI, Food and Veterinary Agency (KFVA), Kosova Chamber of Commerce (KCHC), Kosovo Business Alliance (KBA), Central Bank of Kosovo, Energy Regulatory Office, Independent Media Commission, the Non-Governmental Organisations "Konsumatori", "LENS", "FOL" and "Kallxo.com", and the GAP Institute. The Council responsibilities are of a counselling nature in the area of consumer protection, while it is also responsible to draft the Programme for Consumer Protection, and the monitoring of its implementation.

#### Health protection

The main body in the area of health protection is the Ministry of Health. The competent bodies tasked with implementation and monitoring of the law on tobacco control are the following: central inspectorates of line ministries, such as: Health Inspectorate (MoH), Sanitary Inspectorate (KFVA), Market Inspectorate (MTI), Labour Inspectorate (MLSW), Education Inspectorate (MES), Transport Inspectorate (MI), Kosovo Police (MIA), Kosovo Anticorruption Agency, and municipal inspectorates. Present administrative capacities for implementation of the law on tobacco control currently are not sufficient.

Transfusion activity in the Republic of Kosovo is performed by authorized transfusion institutions organized in two levels; National Centre for Blood Transfusion and Blood Transfusions Units that function within regional hospitals.

The Health Inspectorate operates within the Ministry of Health and has 25 employed inspectors.

The Inter-Ministerial Council for Tobacco Control was established by the Government of Kosovo pursuant to the Law on Tobacco Control, and it consists of 15 members, representing Ministry of Health, Education, Science and Technology; Finance; Labour and Social Welfare; Justice, Internal Affairs; Environment and Spatial Planning; Infrastructure; Agriculture and Rural Development; Culture, Youth and Sports; health practitioners, media and civil society representatives. This Council is competent to propose prevention measures, as well as measures in awareness-raising, education, and for monitoring their implementation.

Other institutions responsible to implement the legislation in the health sector are the National Institute on Public Health, Municipalities/Inspectorates, Health Institutions and National Board on Cancer Control.

### *Donor Support*

Kosovo institutions are supported by the European Commission (through IPA) and by other bilateral donors with the following summarized projects.

#### *Current and planned IPA Projects*

##### Consumer protection

- Description: Free Movement of Goods 2 - The Consumers Protection Component aims to support awareness-raising activities, to further approximate legislation with the EU acquis, to support the Department for Consumer Protection in active participation in relevant European and international organisations and in staff training.
- Beneficiary: Ministry of Trade and Industry, namely the Department of Consumer Protection.
- Period of implementation: 2018 - 2020.

*Support to the Kosovo institutions in the integration process* is the programme of the Luxembourg government which aims to increase the institutional capacity of the Republic of Kosovo in implementing the priorities deriving from the SAA. This project started in 2019 and will provide support to Kosovo institutions in the area of consumer protection.

#### Health protection

- The health sector is supported by the project "Accessible and Quality Health Care" funded by the Swiss Government/SDC. The project will focus on Primary Health Care and aims to improve the health of the population of Kosovo by improving access to health services, quality of services and health management by empowering the needs of patients (especially vulnerable groups). This project is being designed for the second phase which is expected to start in 2020.
- The Luxembourg Government, through the project "Support to the Kosovo Health System KOS 017" (Phase 2). The project will continue to support the health sector in developing reforms in the health sector. 6,000,000. The second phase of this project will start in 2020.
- The Global Fund will continue to support activities in preventing TB and funding the continuation of the project "Prevention of HIV in Kosovo".
- The United Arab Emirates have started the construction of the Paediatric Surgery Hospital at UCCK at a value of EUR 22,000,000. The paediatric hospital construction project will be completed in 2021.
- The health sector will continue to be supported through the project "Support to the health system" funded by the Italian Government. The remaining project budget will be 628,869 and will focus on developing cardiac surgery with the aim of making the cardiac surgery clinic operational through professional staff training, provision of expertise by Italian experts and purchase of equipment.
- *Support to Kosovo institutions in the integration process* is the programme of the Government of Luxembourg which aims to increase the institutional capacity of the Republic of Kosovo in implementation of the priorities deriving from the SAA. This project started in 2019 and will provide support to Kosovo institutions in the area of health protection.

#### *Medium-term Priority Objectives*

##### Consumer protection

- Drafting and Approval of Bylaws for the Implementation of the Law on Consumer Protection;
- Strengthening the role of the Council for Consumer Protection;
- Implementation of the Consumer Protection Programme;
- Further development and strengthening of administrative capacities of the Department for Consumer Protection;
- The continuous increase of the level of involvement of consumer associations and relevant stakeholders in the area of consumer protection.

##### Health protection

- In the legal aspect, in the mid-term plan will continue the alignment of the primary and bylaws with the EU acquis in the area of patients' rights in the cross-border healthcare, mental health, blood, tissue, cells, injury prevention, smoking, diet, psychological and physical activity.

- In terms of institutional capacity, for the next 2 years the functionalization of state authority, namely Biomedical Division established on the basis of the Law on Transplantation of Tissues and Cells will be done.
- With regard to implementation measures, the focus will be in implementing the existing strategies, with special focus on: cancer control, promotion of health education, primary healthcare, mental health, antimicrobial resistance, programme for immunisation of mother, children and adolescent, reproductive health, vaccination and HIV-AIDS.
- Full operationalization of the health insurance system, including the necessary Legislative Framework, collection of premiums through the Insurance Fund and the health information system, is another priority aspect for the medium term.

### **3.29. Acquis Chapter 29: Customs Union**

The acquis in the area of customs union consists almost exclusively of legislation which is directly binding for the Member States. It includes the EU Customs Code and its implementing provisions, combined nomenclature, common customs tariff and provisions on tariff classification, customs duty exemption, duty suspensions and certain tariff quotas, and other provisions, such as those on customs control of counterfeit and pirated goods, drugs precursors, export of cultural goods, as well as on mutual administrative assistance in customs matters and transit. Member States must ensure that the necessary implementing and enforcement capacities, including links to the relevant EU computerised customs systems, are in place. The customs services must also ensure adequate capacities to implement and enforce special rules laid down in related areas of the acquis, such as external trade.

#### *SAA Requirements*

Actions in the area of customs have been undertaken in accordance with obligations deriving from Stabilisation and Association Agreement, Articles 17, 18, 19, 39, 48, 75, 93 and 104. Articles 17, 18, 19, 39, 48 and 93 particularly outline strengthening of cooperation with countries in the region that have signed the SAA, while Article 49 and Protocol 3 stipulates the originating rules for implementation of this Agreement.

The Stabilisation and Association Agreement, particularly Article 104 refers to customs. This Article obliges the parties that will enter into cooperation in this area with the purpose of guaranteeing compliance with provisions to be adopted in the area of trade and to reach approximation of the customs system of Kosovo with the one of EU, thus contributing towards achievement of liberalization measures foreseen by this Agreement and to gradually approximate Kosovo customs legislation with the EU acquis. The cooperation will take into account the priority areas related to the EU customs acquis. In this aspect, Protocol 4 establishes the rules for mutual administrative assistance in the area of customs, between the parties. Also, in order to ensure free trade, the Customs will enhance administrative capacities in the area of fighting informal economy, and the area of protection of intellectual property (Chapter VI, Article 4.3).

Within Protocol 3, following the entry into force of the SAA, Kosovo should sign and ratify the Convention on Pan-Euro-Mediterranean preferential rules of origin, as the convention that implements SAA regarding the area of trade.

Customs is considered as one of the key areas in the implementation of obligations deriving from SAA on free movements of goods, implementation of facilitating trade measures as well as fighting fiscal evasion, contraband and piracy for a stable economic development. This covers legislation aligned/adopted with acquis, strategic documents, structuring of Customs Administration, administrative capacities and the rule of law.

#### *Requirements of other EU accession mechanisms*

Based on the EC *Kosovo 2019 Report*, in the area of customs Kosovo can be considered as averagely prepared. There has been some progress such as implementation of the customs measures for the protection of intellectual property rights (IPR). Recommendations in last year's report have not been fully addressed and further on, Kosovo should in particular further align customs legislation, strengthen coordination between Kosovo Customs, law enforcement agencies and other relevant institutions to combat the informal economy and customs fraud.

Conclusions drawn at the Subcommittee require that the Kosovo Customs and Excise Code be adopted to further align it with the EU acquis and practices, as well as to further strengthen coordination between Kosovo Customs, law enforcement agencies and other relevant institutions to combat the informal economy and customs fraud. The principles of good human resources management and merit in recruitment and promotion policies in Kosovo Customs should be applied. It is also recommended that the Customs should consider applying for the Customs 2020 Programme, which aims at further improving the customs capacities in the approximation with the EU.

## ***State of Play***

### *Legislative and Policy Framework*

In the recent years, Customs has made significant progress and has undertaken a number of positive steps towards modernization and development, which aim to approximate the administration procedures and systems with those of EU.

Kosovo Customs has continued to improve its legislation. On 8 May 2018, the Law No. 06/L-015 on Customs Measures for the Protection of Intellectual Property Rights has been published in the Official Gazette. During the end of 2017, 2018 and 2019 several domestic bylaws (including those that have only been amended) have been adopted, of which the most important are listed below:

- AI No. 43-2017 on procedures for granting authorization for approved exporters' procedures. The purpose of this AI is to enhance simplified procedures during issuance and verification of reduction of administrative costs and time by being authorized as a certified exporter.
- AI No. 44-2017 amending AI 86/2010, which specifies the obligation to place fiscal controlling signs (banderols) in alcoholic beverages. This AI specifies the conditions and criteria to be met for issuing a license for banderols, to the entity that deals with the import, production of alcoholic beverages and the setting out the sanctioning measures.
- AI No. 45/2017 amending the AI No. 37/2016 on the establishment of employment relationship for Customs Officers. This AI has amended Article 45 dealing with the promotion, Article 94 dealing with the schedule of using annual holiday and Article 98 dealing with the compensation of educational activities.
- AI No. 46/2018 on the implementation of selective controls on customs operations. This rule of AI for the implementation of selective controls is defined by using risk management techniques.
- AI No. 47-2018 amending the AI No. 36/2016 on salaries, allowances and remunerations applicable to Kosovo Customs.
- AI No. 48-2018 amending the AI No. 92/2011 which defines the places where customs offices will be located, the working hours, routes and deadline for goods brought to Kosovo.
- AI MF-KC No. 471/2018 amending AI No. 36/2016 on salaries, allowances and remunerations applicable to Kosovo Customs, dated 18.01.2018;
- AI No. 48/2018 amending AI No. 24/2016 which has amended the AI No. 92/2011 which defines the places where the customs offices will be located, the working hours, routes and the deadline for presenting goods brought to Kosovo, dated 19.03.2018;
- AI No. 49/2018 amending the AI No. 69/2009 laying down the conditions for the transport of excise products and the documents that should accompany them, dated 18.05.2018;

- AI No. 50/2018 amending the AI No. 103/2012 on the inventory of Kosovo Customs property, dated 07.06.2018;
- AI No. 51/2018 amending the AI No. 106/2012 on assessment of the property of Kosovo Customs, dated 07.06.2018;
- AI No. 52/2018 amending AI No. 33/2016 on the Treatment and Administration of Seized and Confiscated Goods, dated 20.06.2018;
- AI (MF-KC) No. 53/2018 on the implementation of Law No. 06/L-015/2018 on Customs Measures for the Protection of Intellectual Property Rights, dated 16.07.2018;
- AI No. 57/2019 amending AIs No. 39/2017 on the organisational structure of Kosovo Customs and its annexes.
- AI No. 58/2019 laying down special rules for the regulation and operation of customs during the transition following the change of status for civil staff employed in Customs to public officials.
- AI No. 59/2019 amending AI No. 39/2017 on the organisational structure of Kosovo Customs and its Annexes, as amended by AI No. 57/2019.
- AI No. 60/2019 amending AI No. 37/2017 regulating the employment relationships of Customs officers.

Overall, Kosovo's legislation in the area of customs duties has been assessed to be largely in line with the EU acquis and customs framework.

As far as the transposition of acquis acts in these normative acts is concerned, Kosovo Customs, as its primary legislation, implements the Law No. 03/L-109 on Customs and Excise Code, dated 10 November 2008, amended by Law No. 04/L-099, dated 3 May 2012. This law is partially in line with the EU Customs Code, namely with EU Regulation No. 952/2013 of the European Parliament and of the Council, of 9 December 2013, laying down the Union Customs Code.

Implementing provisions of the Customs Code are contained in AI 11/2009 of 2009, signed by the Ministry of Finance.

#### *Institutional and Policy Framework*

The institutional framework in this area comprises of the following institutions:

- Ministry of Finance, including Kosovo Customs, and
- Other institutions for specific aspects in interaction with MoF, such as MTI, MIA, MAFRD, etc.

The Kosovo Customs Administration operates under the authority of Ministry of Finance which is the responsible body to implement customs policies in the Republic of Kosovo and to ensure rightful and comprehensive application of customs rules and other applicable provisions for good, which are subject to customs supervision. The new Customs and Excise Code was adopted by the Kosovo Assembly on 11 November 2008 and amended in 2012, and is in line with EU legal standards and aims economic development of the Republic of Kosovo.

Besides the responsibility to collect custom duties, Kosovo Customs is the main institution to collect VAT and the Excise tax at borders, and is responsible to protect the society from smuggling drugs and other forbidden goods, which have a negative impact and constitute economic crime and fiscal evasion.

Kosovo Customs operates throughout the Kosovo customs territory, including the north, in two borders points with Serbia, in order to implement the Customs and Excise Code of Kosovo (No. 03/L-109) and unify customs procedures.

Kosovo Customs has been developed in accordance with the EU standards and is completely financed by the Kosovo consolidated budget and currently employs around 591 employees. Customs invests in its staff, in order to keep up with new developments, always in accordance with the Customs Operative Strategy and Blueprint (EU Document).

In terms of strategic documents, Kosovo Customs operates based on the Operational Strategy. At the end of 2019, the Strategic Plan 2020-2024 has been finalized and approved.

This strategy sets the aims and objectives established by the Government of Kosovo.

In 2018 Kosovo Customs has conducted the measurement according to the Customs the Blueprint (2015 version), when data were analyzed and self-assessment was also carried out. As a result of these analyses the gap report was completed and needs were identified.

The SEED application remains one of the most important tools for the pre-arrival information exchange with Montenegro, Albania, Serbia and North Macedonia.

Kosovo Customs collects approximately 58% of the Kosovo budget income. IMF has continuously praised the service for its performance, comparing it to the services of Western Europe.

During 2019 total revenues collected by Kosovo Customs amounted to approximately EUR 1,180,000,000, which is an increase of 4% compared to the same period in 2018. On the other hand, SAA, the fiscal package targeting the import tax exemptions for producers as well as the used cars imported have also had an impact on the revenue collected by Customs during this period. As regards the exemptions deriving from SAA, it should be noted that the impact on revenues during this period as result of SAA during 2019 was around EUR 64 million, or EUR 20 million more compared to the same period of the previous year. In turn, the impact on revenues by the **fiscal package** targeting producers during 2019 was EUR 81 million, or EUR 9 million more than in 2018.

Kosovo Customs successfully completed the necessary preparations, including the IT system for proper FTA application with Turkey, which entered into force on 1 September 2019.

Customs has undertaken internal reforms in order to accommodate the business needs, decrease the expenses and the bureaucratic procedures which reforms shall indirectly serve also as anticorruption preventive measures.

Concerning trade facilitation, Customs continuously strives to maintain a balance between control and facilitation of trade, by creating conditions conducive to customs clearance procedures and their acceleration. The green and blue channels enable legitimate businesses to complete customs procedures within 30 minutes from the entrance into the customs check. Also, recently the *Paperless* concept has been introduced for customs clearance of goods. In order to further enhance the performance and facilitate the trade, Kosovo Customs will continue comprehensive administrative reforms and will increase the number of businesses that use the Green channel. Customs has prepared the infrastructure for eliminating business registration for export-import, online sale of goods, and it was implemented the E-Payment project.

An important step is also the introduction of the Secure Line (free telephone line) which resulted in increase of actions and information regarding corruptive actions. Over 95% of the information received from the citizens resulted as accurate.

In line with the Strategy for Combating the Informal Economy and based on high-priority assessment, the Directors-General of KC and TAK reached an agreement in August to establish joint groups to combat the informal economy. This will be achieved by establishing groups of analysts to target areas and entities at

high risk of tax evasion, and designating joint teams that will carry out controls on targeted areas by the joint group of analysts.

During the reporting period, checks have also increased internally, mainly at high risk places specified by Kosovo Customs' intelligence and also based on information obtained from the public through the National Border Management Centre. The checks were carried out by targeting smuggled goods, import fraud during customs clearance, such as origin, tariff classification, infringement of intellectual property rights, consumer fraud, etc. Special emphasis was given to strengthening cooperation and joint activities with other law enforcement agencies such as Kosovo Police, Food and Veterinary Agency, Pharmaceutical Inspectorate, Market Inspectorate, etc.

In order to enhance international customs cooperation, Kosovo has signed 12 bilateral agreements/memoranda with EU and regional countries, while other agreements are being negotiated. Also, Kosovo aims to be granted with informal status of observer in Joint Transit Convention. Whereas, for the purpose of implementing Protocol 4 of SAA on administrative assistance in customs matters, Customs has exchanged the point of contact with OLAF through which information will be exchanged with a view to preventing, investigating and combating illegal cross-border activities.

Kosovo joined the World Customs Organization on 25 January 2017, becoming its 182<sup>nd</sup> member state. During 3 years as a member of WCO Kosovo Customs is benefiting by adapting all customs areas to further advance in line with the most professional world standards.

Furthermore, in January 2020 Kosovo acceded to two (2) international conventions administered by the World Customs Organization. Kosovo Customs, being fully committed as a WCO member, will become a Contracting Party to key international conventions, with the aim of further developing the customs administration and developing international trade procedures.

Kosovo also aims to obtain the informal observer status in the Joint Transit Convention.

Regarding the protection of Intellectual Property Rights (IPR), the Kosovo Customs applies the Law on Customs Measures for Protection of Intellectual Property Rights (Law No. 03/L-170) as part of State Council on Intellectual Property, which aims enhancement of inter-institutional cooperation and coordination. In general, all of the abovementioned institutions have specific responsibilities which contribute in appropriate development of the IPR area.

All these systems developed are reflected in transparency and eliminate the discretion and decision-making of the customs officer. Customs is also working on a number of new modules, which will further advance and modernize our organisation, including: audit case selection system, case management and archive system, a trade portal that will provide a more transparent access to the entities during the customs clearance procedure.

Kosovo Customs has also advanced with systems and facilitating procedures. In terms of systems, the latest version of the ASYCUDA World 4.3.2 custom system has been applied, which has enabled many modules to add some features that were missing in the previous version. Now with the new version of the transit module it is made possible and has started immediately with the attachment of invoices and other relevant documents that facilitate the risk analysis in transit. Also in the process are many other changes that will directly affect the simplification of customs procedures.

Within the process of digitalization of business processes in Kosovo Customs, the project Enterprise Content Management (ECM) is being developed, which is part of the Law Enforcement Platform which enables departments and sectors within the KC to communicate through the system in developing customs procedures, such as: Generating the requests for authorizations, licenses, reports, case generation and

correlation of cases based on fiscal number, request protocols, mails and official documents electronically, which take electronic protocol numbers, approval of applications, issuance of authorizations, etc., and all of these are done within a single system.

The OPEN Data platform has also been functionalized; this platform enhances the level of transparency and assures everyone that Customs is a transparent and credible institution. The OPEN DATA platform contains several categories as follows:

- Trade balance over the years, where all interested parties can find Kosovo's trade exchange with all countries, both in terms of import as well as export.
- CEFTA, this category clearly shows Kosovo's trade exchanges with all member states that are part of the CEFTA international Agreement.
- SAA reflects the Customs activity, namely all data related to the implementation of the Stabilisation and Association Agreement in the aspect of trade since April 2016.
- Monthly/yearly performance is a category that enables everyone interested in the work of the Customs and our performance.
- Customs clearance time indicates the time needed for customs clearance of goods, both in import and export.

Development of systems facilitates the work of customs officers, as well as provides additional capacities:

- Online system for customs warehouse management - enables electronic online oversight of all authorized customs warehouses. This system enables the Customs, an accurate and up-to-date control of all entry/exit points of warehouses and customs procedures, thus the Customs controls during 24 hours the warehouses without physical presence.
- Games of Chance System - enables the identification and oversight of activities of authorized entities for games of chance activities. The system provides to Customs the flexibility in finding company data and their payments in real time.
- 'Online' declaration of monetary means - it is created the possibility of declaring monetary means, it is expected the connection of this system with CBK and Financial Intelligence Unit. The system enabled the removal of classic forms, which were filled by the officials and now the system enables automatic monetary reporting and calculations.
- System for Identification of customs offenses - the system enables the management of entire process of customs offenses, starting from the initial phase until the completion of the case.
- Online sale (e-auction) - we developed a system that enables online sale of confiscated goods. Its activation is expected during 2017.
- System for Authorizations and Normative - a system has been established which records and manages all authorizations for procedures with economic impact (customs warehouse, internal processing, etc.), in the customs processing procedure.
- System for registering bank guarantees - a system has been created which manages all bank guarantees at the level of the entire institution.
- Excise return management system for manufacturers - the system enables management of authorizations for manufacturing entities.
- System for Decision Review Sector - enables the identification and management of cases (complaints), which are presented in the decision review section.
- International cooperation system - identifies and manages all requests related to international exchanges.
- ASG Selection System - this system enables automatic selection of cases for second checks.
- Cargo Selection System for Simplified Procedures - it is established a system which randomly selects for detailed controls a number of cargoes which are authorized for the simplified procedure.

### *Medium-term Priority Objectives*



In the medium term plan, the main legal priority that is foreseen to be accomplished is:

- Continuous approximation of the legal framework with the EU acquis, including bylaws for implementation of the Customs Code.

In the medium term, the main implementation priorities that are expected to be accomplished are the following:

- Modernization of Kosovo Customs according to the standards of the EU Customs Code (EU Blueprint)
- Implementation of the Economic Operators Authorization (AEO) Programme;
- Implementation of the *EU Customs 2027 Programme*;
- Further strengthening of coordination between Kosovo Customs, law enforcement agencies and other relevant institutions to combat the informal economy and customs fraud;
- Finalizing of the information exchange of border agencies through SEED + at national level of CEFTA countries.

### **3.30. Acquis Chapter 30: External Relations**

Acquis in this area consists mainly of EU acquis, which is directly applicable and does not require transposition into national legislation. This legislation of the EU in essence results from multilateral and bilateral commitments of the EU in the area of trade, as well as from a number of autonomous trade measures. In the area of export credits and dual-use goods, some Directives require amendment of national legislation.

In this context, candidate countries are required to progressively align their policies towards third countries and to align their positions within international organisations (e.g. WTO, OECD) on policies and positions adopted by the EU and the Member States.

In the area of development policy and humanitarian aid, EU Member States shall comply with the EU acquis and international commitments and ensure the capacity to participate in development and EU's humanitarian policies.

#### *SAA Requirements*

The obligation for the approximation of legislation with the EU derives from Article 74 of the SAA, a provision according to which Kosovo has not only the obligation to bring its national legislation in line with EU law, but also to ensure its implementation.

The Stabilisation and Association Agreement (SAA) includes a part of the free trade agreement between Kosovo and the EU. It includes provisions in several areas requiring the parties to act in accordance with international rules or obligations. Moreover, the SAA regulates the economic cooperation with the EU and other countries that have SAA into force, such as customs cooperation (protocol on customs cooperation), implementation of WTO rules on free trade, etc. Kosovo's obligations under the determination contained within the SAA on trade policy and economic cooperation are provided under the following Articles: 20, 23, 24, 27, 31, 33, 38, 39, 45, 60, 64, 74, 75, 76, 94, and 104. The obligations in this Programme are addressed by the relevant chapters for free movement of goods, customs, monetary and economic policies, etc.

#### *State of Play and Perspective*

Within the economic relations and general framework of the EU integration perspective, Kosovo is currently benefiting from the preferential trade measures of the EU for the Kosovo's export. For more about the economic cooperation with the EU, please see Chapter on Economic Criteria and that of economic and monetary policy. Moreover, the Republic of Kosovo already is a member of the World Bank, the

International Monetary Fund and several international financial institutions. Kosovo is also benefiting from the unilateral preferential trade system for export of some products in the USA, Japan, Switzerland and Norway. Whereas, regarding economic cooperation with other countries, Kosovo has signed several bilateral agreements for the elimination of double taxation (AEDT). The Agreement for Elimination of Double Taxation (AEDT) is an agreement/convention between two states for taxation or elimination of double taxation. Thus, it aims to determine the state that has the right of taxation on the same income or capital in the cases when a person is taxable in both states.

Kosovo is implementing 11 agreements on the Elimination of Double Taxation in Incomes and Capital Tax and combating tax evasion and tax avoidance, which are currently in force. 3 of these agreements were signed at the time of former Socialist Federal Republic of Yugoslavia with other countries. The countries with which Republic of Kosovo signed agreements for Elimination of Double taxation in Incomes and Capital Tax and combating tax evasion and tax avoidance are the following: Belgium in effect since 13.04.2012, Great Britain in effect by former SFR Yugoslavia in 01.04.1982, while in force in RKS since 06.09.2010, Finland in force by SFR Yugoslavia 1987 while in force in RKS since 08.09.2011, Germany in force by SFR of Yugoslavia since 26.05.1983, while in force in RKS since 02.04.2010, the Netherlands in force by SFR of Yugoslavia since 06.02.1983, Hungary in force since 12.03.2014, North Macedonia in force since 11.04.2013, Slovenia in force since 18.06.2015, Albania in force since 11.03.2015 and Turkey ratified by Kosovo on 07.11.2012. During 2017, it was managed to be concluded the agreement between Kosovo and Switzerland; Kosovo and Austria; Kosovo and Luxembourg.

During 2018, Agreements with Belgium, Lithuania, Latvia, and Malta were negotiated; whereby approximated the text at the technical level. Meanwhile, negotiations with Qatar and Kuwait have been initiated.

In 2018 Kosovo signed the Joint Declaration on Cooperation with EFTA countries. The cooperation with EFTAs countries is planned to be advanced during 2020.

Kosovo will continue to provide its contribution under the Berlin Process, respectively under MAP/REA. Also, Kosovo will continue to advance trade relations with EFTA countries until the final goal is achieved namely the signing of FTA with EFTA countries.

#### CEFTA Agreement

CEFTA (Central European Free Trade Agreement) agreement is a free trade agreement consisting of eight countries of the Western Balkan region: Kosovo, Albania, North Macedonia, Montenegro, Serbia, Bosnia and Herzegovina and Moldova. UNMIK has signed the CEFTA Agreement on behalf of Kosovo in 2006, which entered into force since 2007.

The first CEFTA Agreement was signed between Poland, Hungary, the Czech Republic and Slovakia in December 1992 and became effective in July 1994. Through CEFTA these participating countries were mobilized to access political, legal and economic institutions of the EU, thus strengthening their democracy and market economies. Since, in 2007 all previous parties to CEFTA entered the EU and left the CEFTA, it was decided to expand CEFTA to the part of the Balkans left outside the EU.

It is noteworthy that the free trade of goods has been negotiated and currently negotiations for services are taking place between CEFTA countries (Albania, Bosnia and Herzegovina, North Macedonia, Moldavia, Serbia, Montenegro and Kosovo).

Negotiations for services with CEFTA countries were concluded in December 2016 and in total were 9 rounds of negotiations.

Also during 2018 and 2019 the light of CEFTA negotiations, were held meetings of the Working Group on Recognition of Professional Qualifications in the Countries of the Region (CEFTA Members) where were defined the stands by the representatives for the respective professions and it was ascertained that it is necessary to begin negotiations as soon as possible in selected sectors, such as: General Practitioners, Dentists, Civil Engineers and Architects. The negotiations were held in 2019 but were suspended until a new decision by WB6 Prime Ministers.

#### Other agreements

Kosovo has implemented 11 bilateral agreements on elimination of double taxation, which are currently in force. Some of these conventions were also concluded by the former Socialist Federal Republic of Yugoslavia with other countries. The countries with which the Republic of Kosovo has signed Agreement on the Elimination of Double Taxation are the following: the Convention between the Republic of Kosovo and the Grand Duke of Luxembourg on the elimination of double taxation in income and capital taxes and prevention of fiscal evasion and fiscal avoidance. Date of publication: 18.01.2018.

- Agreement between the Government of the Republic of Kosovo and the Swiss Confederation on the avoidance of double taxation on income taxes and the prevention of fiscal evasion and tax avoidance. Date of publication: 17.08.2017.
- Agreement between the Government of the Republic of Kosovo and the Government of the Republic of Croatia for the avoidance of double taxation and the prevention of tax evasion with respect to taxes on income and on capital. Date of publication: 08.06.2017.
- Agreement between the Government of the Republic of Kosovo and the Government of the United Arab Emirates for the avoidance of double taxation and the prevention of tax evasion with respect to taxes on income and on capital. Date of publication: 21.10.2016.
- Agreement between the Government of the Republic of Kosovo and the Government of the United Kingdom, of Great Britain and Northern Ireland for the avoidance of double taxation. Date of publication: 09.07.2015.
- Agreement between the Government of the Republic of Kosovo and the Council of Ministers of the Republic of Albania for the avoidance of double taxation with respect to taxes on income and on capital and the prevention of fiscal evasion. Date of publication: 25.04.2014.
- Agreement between the Government of the Republic of Kosovo and the Republic of Slovenia for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital. Date of publication: 14.04.2014.
- Agreement between the Government of the Republic of Kosovo and the Czech Republic on avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income. Date of publication: 27.03.2014.
- Agreement between the Republic of Kosovo and Republic of Hungary on the avoidance of double taxation and the prevention of tax evasion with respect to taxes on income and on capital. Date of publication: 13.01.2014.
- Agreement between the Republic of Kosovo and the Republic of Turkey on the avoidance of double taxation and prevention of fiscal evasion with respect to income tax. Date of publication: 08.11.2012.
- Ratification of the International Agreement between Kosovo Republic of North Macedonia and Republic of North Macedonia on avoidance of double taxation and prevention of fiscal evasion with respect to income and capital tax. Publication Date: 06.06.2011.

The Republic of Kosovo has signed a number of economic cooperation agreements with EU countries and other countries. Below you will find a list of only those signed in 2018-2019, whereas the full list of agreements can be found in the Official Gazette:

- Agreement on Economic Cooperation between the Ministry of Trade and Industry of the Republic of Kosovo and the Ministry of Industry and Trade of the Czech Republic (July 2019);
- Bilateral agreement on economic and political cooperation with the United Kingdom has been negotiated and is expected to be approved. This agreement aims to cover the vacuum created by

Britain's exit from the EU and as a result of the Stabilisation and Association Agreement with the Republic of Kosovo;

- Agreement between the Republic of Kosovo and Albania on cooperation, promoting business and informing the diaspora;
- Agreement between the Republic of Kosovo and Canada on Investment Promotion and Protection (May 2018);
- Cooperation Agreement between the Republic of Kosovo and Japan (February 2018).

With regard to international trade relations, the President has decreed a free trade agreement between the Republic of Kosovo and the Republic of Turkey in June 2019. Kosovo has also signed a series of bilateral and multi-lateral agreements on financial cooperation and grants aimed at financing various projects in Kosovo from state donations and international financial institutions.

### **3.31. Acquis Chapter 31: Foreign, Security and Defence Policy**

The Common Foreign and Security Policy and the European Security and Defence Policy are based on legal acts, including legally binding international agreements, and on political documents. The acquis consists of political declarations, decisions and agreements. Member States must be able to conduct political dialogue in the framework of Common Foreign and Security Policy (CFSP), to align with EU statements, to take part in EU actions and to apply agreed sanctions and restrictive measures. Applicant countries are required to progressively align with EU statements, and to apply sanctions and restrictive measures when and where required.

The political dialogue is conducted intensively on several levels between the institutions of the Republic of Kosovo and EU for fulfilment of the criteria set forth on the integration process, initially by signing, ratifying and implementing the SAA.

The political and policy dialogue, as needed, will contribute to the process of normalization of relations between Kosovo and Serbia. Kosovo pledges for continual commitment towards significant and sustainable relations with Serbia. This process will ensure that both countries can continue their respective European paths, avoiding the possibility of blocking either party on their efforts and gradually leading towards overall normalization of the relations between Kosovo and Serbia, on a form of a legally binding agreement, where both countries will be able to fully practice their rights and fulfil their responsibilities. Consequently, Kosovo has to continuously implement in good faith all the agreements reached in the dialogue with Serbia and respect entirely the principles of inclusive regional cooperation.

Moreover, the obligations deriving from provisions of SAA provide that Kosovo resolves through constructive dialogue on other unsolved issues, based on practical and sustainable solutions and will cooperate with Serbia on issues of common interest; to effectively cooperate with the Common Foreign and Security Policy mission during its mandate and actively contribute on full and unobstructed fulfilment of its mandate in the entire Kosovo.

The Stabilisation and Association Council will review regularly the progress in this process and will take decisions and issue recommendations on this matter. SAC can help this process in accordance with article 129.

The Republic of Kosovo, has taken seriously the responsibility to offer safety for its citizens territory. Kosovo is aware of the importance to continue increasing the capability of its institutions in offering security to all Kosovo citizens. Therefore, as a part of the process of gradually taking more responsibility about its security since the beginning of Strategic Review of the Security Sector (SRSS) in 2012, and afterwards from the recommendations of 2014, deriving from Strategic Review of the Security Sector (SRSS), the architecture of the security sector in Kosovo was defined, and it also clearly determined the role

and mission of each institution of the safety sector, to maximise institutional capacities; has identified the necessary capacities to provide protection and safety to citizens of Kosovo, which have been proceeded with the adoption of legislative package by the Assembly of Kosovo.

The Republic of Kosovo aspires to become a constitutive part of the regional and global security structures, in particular to become a member of EU, NATO, OSCE and UN. In this context, the national security of Kosovo is closely related with regional and broad Euro-Atlantic security.

#### *SAA Requirements*

Within the criteria in the area of public administration that must be fulfilled by the Government and relevant institutions of the Republic of Kosovo pursuant to Articles 5, 11 and 13 of the SAA, Kosovo will continue to align with certain measures deriving from Foreign Policy, Security and Defence. Part of the SAA's obligation is also normalization of relations with Serbia, including implementation of signed agreements, compliance with the principles of regional cooperation and effective cooperation with the mission of Foreign Policy, Security and Defence.

#### *State of Play*

The European Integration of Kosovo is a national strategic goal, a guarantee for peace, stability and prosperity of the region. In this aspect, the Government of the Republic of Kosovo is fully willing to undertake all the reforms needed within the European Integration process. Furthermore, Kosovo strongly supports the EU foreign policy of security and defence, which aims at strengthening of the role of EU as an entity with an increasing political influence on international politics.

The Legislative Framework on foreign policy, security and defence is determined as still consolidating with the necessary laws aiming to treat all the issues deriving from this area. The legislative framework concerned, is in compliance with the EU principles and goals and it consists of the Law on Prevention of Money Laundering and Prevention of Terrorism Financing; The Law on Prohibition of Joining the Armed Conflicts Outside State Territory; National Strategy of Preventing and Fighting Informal Economy, Money Laundering, Terrorist Financing and Financial Crime 2014-18, Strategy Against Terrorism and the Acting Plan 2014-2018, AI for prevention and detection of money laundering and the AI for prevention and detection of terrorism financing.

The institutional structure in charge of Foreign Policy, Security and Defence consists of Ministry of Foreign Affairs and Diaspora, Ministry of Defence, the Ministry of Internal Affairs, and diplomatic missions.

Among the top priorities of Kosovo foreign affairs remains the advancement of strategic partnership with EU and NATO, including establishment of contractual relations with these organisations, towards the Euro-Atlantic integration.

Kosovo aims the development on regional cooperation, especially good relations with the neighbouring states, and providing assistance in implementing the Brussels agenda for a sustainable, democratic region and integrated in the EU and NATO. The Republic of Kosovo considers that regional cooperation is not only a precondition for the European integration but also a necessity for the regional stability.

This orientation of our foreign affairs is also reflected on our proactive participation in multilateral initiatives and organisations operating in South-Eastern European area and broader. Kosovo is a member of 40 regional initiatives; inter alia, a member of cooperation in the area of trade, security, education, technology and environment.

Regarding the current security situation, it is important to note that on 14 December 2018 the Assembly of the Republic of Kosovo approved the draft-law on the Ministry of Defence, the draft-law on the Kosovo Security Force and the draft-law on Service in the Kosovo Security Force, which laws came into force on 18 January 2019 thereby granting military mission to the KSF. Article 126 of the Constitution, inter alia, clearly defines the KSF as a national security force that reflects the multi-ethnic character of the country, which is under civilian control of democratic institutions and has a duty to protect the citizens and communities of Kosovo. Since changes in the KSF mission do not affect the vital interests of minority communities, as defined by the Constitution of the Republic of Kosovo, there are no requirements for constitutional amendment.

#### *Political dialogue with Serbia*

Concerning the dialogue between Kosovo and Serbia, Kosovo remains committed in participating in the dialogue of the technical level, to achieve progress on the implementation of the agreements between the both parties involved.

Kosovo pays serious attention to the Brussels dialogue, not only on improving the wellbeing of citizens and the bilateral relations between two states, but also because this dialogue is currently the most important contributor for peace and stability in the region.

On this matter, the Government of the Republic of Kosovo, as a constructive and serious party in the Brussels dialogue, pays particular importance to the implementation of all Agreements of Brussels and the potential agreements expected to be reached in the following period.

There has been some progress in reaching an agreement between Kosovo and Serbia, however the findings of the recent Government of the Republic of Kosovo (2019) report indicate a low progress in the implementation of the agreements in general by Serbia. Looking at the agreements separately, the report identifies different levels of progress in some areas and lack of progress in most areas, and therefore dialogue is expected to enter a new phase.

#### *Medium-term Priority Objectives:*

- Adoption of the Foreign Affairs Strategy;
- Training of civil servants in the area of foreign policy and security will continue. Priority will be given to those in charge of implementing restrictive measures and arms control. Also, through visits to member states, experiences on the most effective implementation of restrictive measures will be exchanged.
- The MFAD will draft an action plan for the most efficient development of the Political Dialogue between RKS and the EU. This action plan will include concrete short-term and medium-term activities for inter-institutional coordination within RKS and coordination of EU/EEAS institutions for the implementation of this dialogue.
- The Republic of Kosovo aspires to be an integral part of multilateral organizations at the regional and global level, in particular the EU, NATO, OSCE and the UN. In this regard, MFAD will intensify lobbying as well as cooperation with ministries and institutions of the Republic of Kosovo for the implementation of memberships that are considered necessary for good governance and for the improvement of living standard of its citizens.
- The Republic of Kosovo will continue to implement the restrictive measures agreed upon by the Council. In this regard, Kosovo will further functionalize the mechanism for the implementation of restrictive measures.

### **3.32. Acquis Chapter 32: Financial Control**

This chapter covers two main policy areas: (a) the Public Internal Financial Control (PIFC) and external auditing (EA) and (b) protection of financial interests of EU and protection of Euro from counterfeiting.

Concerning the PIFC and external audit, there is no specific EU acquis that would be used in approximation with national laws. Instead, the states commit in adopting the international standards of control and external audit defined by the International Organisation of Supreme Audit Institutions (INTOSAI), as well as EU good practices.

Public Internal Financial Control is an integrated part of the management of public finances and includes the entire public budget. Particularly, the principles of Financial Control require the existence of i) effective and transparent systems of control and management of finances (including inspections and appropriate ex-ante and ex-post financial controls and inspections); ii) Functional and independent systems of internal auditing; iii) respective organisational structures (including central coordination); and iv) functional external and financially independent auditing, among others, evaluating the quality of the created systems of PIFC.

In the area of External Auditing, the candidate states are expected to apply INTOSAI standards, especially the Declarations of Lima and Mexico for functional independence of finances and institutions and implementation of financial auditing (correctness) and performance.

As far as the protection of EU financial interests is concerned, the Treaty on the Functioning of EU (Article 325) requires that Member States take actions against fraud that affect the financial interests of EU. Member States are obliged to coordinate their actions and cooperate with the European Commission. Protecting the financial interests of EU includes approximation of local criminal legislation with the Convention on the Protection of European Communities' Financial Interests (PFI Convention) and its three protocols for cooperation among national authorities and the Commission. Candidate states are required to nominate a national service against the fraud as a contact point to facilitate the coordination with the Commission and Member States.

Concerning the protection of euro from counterfeiting, this chapter addresses non-criminal aspects whereas the criminal aspects are addressed in Chapter 24. The main principles against counterfeiting of currency are defined in the Geneva Convention and further detailed in relevant acquis. Relevant legislation includes procedures of collecting, saving and exchanging information on counterfeited banknotes, stopping of metals similar to euro coins, the obligation for financial institutions to check the authenticity, withdrawal of counterfeited banknotes from circulation and cooperation on the national and international level.

#### *SAA Requirements*

Obligations of the Republic of Kosovo under the Financial Control chapter derive from the SAA Article 97.

Article 97 requires that the cooperation between the parties focuses on priority domains related to EU acquis on the area of public internal financial control. In particular, requires the Parties to cooperate aiming further development in applying effective internal control and the functionally independent system of internal auditing in public sector in Kosovo, compatible with the internationally accepted framework and EU good practices. Also, the cooperation should focus on creating and strengthening the central alignment units for financial management and control.

On the area of External Audit, Article 97 requires the parties to cooperate especially with the aim of further development of independent functional external audit in Kosovo, in compliance with the INTOSAI Framework of Professional Standards and EU best practice. Cooperation also focuses on building the capacities of Office of the Auditor General.

#### *Requirements from other EU accession mechanisms*

EC's Kosovo 2019 Report finds that Kosovo has some level of preparation in the area of financial control. Good progress was made with the adoption of the public internal financial control (PIFC) law and some of

its bylaws, further piloting of the internal control quality reviews by the Central Harmonisation Unit, the adoption of the 2018-2021 strategic development plan of the National Audit Office, and increased performance audit work. However, further efforts are needed to implement managerial accountability and to strengthen functioning of internal control and audit in public institutions and advancing external audit vis-à-vis new developments. High level political support will remain instrumental for implementation of PIFC at all levels of administration. The timely implementation of internal and external audit recommendations should be improved.

The conclusions drawn from the 2019 Subcommittee require the adoption of the Kosovo Customs and Excise Code to further approximate it with EU acquis and practices. Further it requires strengthening coordination between Kosovo Customs, law enforcement agencies and other relevant institutions to combat the informal economy and customs fraud. The principles of good human resources management and merit in recruitment and promotion policies in Kosovo Customs shall apply. The report also underlines that Customs should consider applying for the Customs 2020 programme aimed at further improving customs capacity in the EU.

The conclusions drawn from the 2019 Subcommittee require the preparation of a new document on internal control of public finances as soon as possible. The design of this document should include the SIGMA Study on Managerial Accountability and the Study on Quality Assessment and consultation with the European Commission. In parallel, an action plan for implementation needs to be developed. Also, the effectiveness of the annual report on PIFC implementation needs to be evaluated to ensure improving the functioning of PIFC and developing evidence-based recommendations. On external audit, all budget organisations should prepare action plans to implement recommendations of the Auditor General, as requested by the Law and Regulation on Implementation of Audit and Action Plans. The Commission encourages an increase in the number of performance audits with resources appropriate to the NAO.

## *State of Play*

### *Legislative Framework*

In Kosovo, there is a comprehensive legislative framework that regulates the Public Internal Financial Control, including: laws, instructions, regulations, other international standards, policies of Government of Kosovo.

The legal basis for **Internal Audit of Public Finances** is defined by the Law No. 06/L-021 on Public Internal Financial Control published in the Official Gazette on 19 April 2018. All sublegal acts for the implementation of this Law have been prepared and adopted during 2019. This Law regulates the system of internal control of public finances, which includes financial management and control, internal audit, and their alignment, in accordance with international standards on internal control and internal audit.

Following the entry into force of the Law on PIFC, the CHU supported by SIGMA prepared the following sublegal acts:

- Regulation No. 01/2019 on Financial Management and Control (approved);
- Regulation of the Government of Kosovo on the Establishment and Implementation of the Internal Audit Function in Public Sector Entities (adopted);
- AI on the Establishment and Functioning of Audit Committees (approved);
- Methodology for monitoring the quality of internal control in PSE (prepared);
- Methodology for monitoring the internal audit qualities of IAU (prepared);
- Public Procurement Audit Manual (prepared);
- Performance Audit Manual (prepared);



The existing Legislative Framework for Public Internal Financial Control contains general principles and refers to the standards of INTOSAI, COSO Framework and Standards of the Institute of Internal Audit (IIA).

While the bylaws includes the following:

- Manual on IA;
- AI No. 22/2009 on setting out criteria and procedures for the temporary licensing of internal auditors in the public sector, that sets conditions for licensing the auditors with temporary licenses;
- AI No. 23/2009 on establishment and operation of Internal Audit Units (IAUs) in Public Sector, which sets out the criteria for establishing the function of internal audit;
- AI No. 11/2010 on establishment and functioning of the audit committees in public sector entities, it defines the manner of founding and functioning of audit committees;
- AI No. 05/2012 on Procedure for professional license issuance of internal auditors of the public sector, it defines the criteria for licensing the internal auditors with professional licenses which would be provided after certification;
- AI MoF-No. 04/2016 on the national training programme and certification of internal auditors in the public sector.

Bylaws in the area of *Financial Management and Control* includes:

- Financial Rule of the Treasury No. 01/2010 Public Internal Financial Control dated 30.07.2010, presents COSO framework and principles of accountability in the context of chain of responsibilities in Kosovo public sector. Most of the provisions in this regulation are determined by the Law. For instance the accountability of deputies of the Assembly and executive chairs of central and local government, the entire terminology of FMC and its interpretation in the context of public sector in Kosovo.
- Financial Rule No. 01/2013/MF - Public funds expenditure addresses the expenses and internal control and decentralization of management of expenses in budget organisations.
- The FMC Procedures Manual that is in force since 2011 consists of 14 procedures that aim covering all the areas of budget cycle. The FMC Manual could be used by budget organisations if they had adequate information and management systems, where controls are part of processes with a few instructions offered from CHU/FMC and if there were strict accountability and report mechanisms. These conditions were not applicable when FMC Manual entered into force.
- Draft Regulation on Financial Management and Control, Draft Regulation laying down the Criteria for Establishment of CHU and Draft Regulation on Audit Committees according to the Law of PIFC.
- Book of Processes for Management of Public Expenditures signed by the Minister of Finance and piloting of this book at the local level.
- Monitoring of three entities of public sector as to PIFC based on the indicator for sectorial support.

The Ministry of Finance has also issued other AIs (AIs) on accounting, financial reporting, determining the costs of new policies and management of non-financial property:

- AI No. 01/2013/MF on setting out the Form, Content and Procedures for Costing of New Policy Initiatives;
- Financial Rule No. 02/2013/MF on Reporting of Arrears by Budget Organisations;
- Regulation No. 03/2013 on Annual Financial Statements of Budget Organisations;
- Regulation of MF - No. 02/2013 on Management of Non-Financial Assets by Budget Organisations.

In addition to the abovementioned legislation, there are also other laws related to PIFC, including:

- Law on Local Government Finance (Law No. 03/L- 049);
- Annual laws for approval of Kosovo budget;
- Law on Public Procurement (Law No. 04-L-042);

- Law on Organisation and Functioning of the State Administration and Independent Agencies (Law No. 03/L-189);
- Law on the Office of the Auditor General (Law No. 03/L-075);
- Law on Suppression of Corruption (Law No. 2004/34);
- Law on Civil Service (Law No. 2010/03-L-149);
- Law on Salaries of Civil Servants (Law No. 03-L-147) and
- Law on Access to Public Documents (Law No. 06/L-081).

Regarding the External Audit, the Declaration of Lima and the Declaration of Mexico emphasize that preserving of objectivity and independence are a priority for well-functioning of Auditor General. These two principles are crucial for our institution. The objectivity and independence must be ensured by proper implementation of a broad, sustainable and legal mandate; in pursuance with accepted international standards of audit of public sector and an internal code for professional courtesy. Mandate and functionality is regulated by means of prior legislation:

- Constitution of Kosovo Articles 136, 137, 138;
- Law No. 05/L-55 on the Auditor General and the National Audit Office of the Republic of Kosovo.

Other relevant legislation in the area of audit includes:

- Law on Public Financial Management and Accountability;
- Law on Public Internal Financial Control;
- Law on Public Procurement;
- Law on Publicly Owned Enterprises;
- Law on Suppression of Corruption;
- Law on Business Organisations.

#### *Policy Framework*

Public Internal Financial Control Strategy 2015-2019 - the purpose of the strategy is to improve the system of FMC and IA, enabling effective public fund expenditure, better services, ensuring transparency, appropriate expenditure of the budget of the Republic of Kosovo, grants, donors and borrowed funds. The PIFC Strategy provides a modern approach of management, which is characterized with risk-based management, intensive use of information system and integrated controls to decrease risk through a higher level of automation.

This modern approach requires additional professional knowledge, managerial accountability and advanced internal auditing to help organisations achieve their objectives. The strategy action plan is being implemented. Preparation for the revision of the 2015-2019 PIFC strategy action plan has been made with the aim of aligning it with the public finance management strategy 2016-2020. In collaboration with SIGMA experts, the CHU is working on developing a draft PIFC strategy for the implementation of Financial Management and Control.

The Office of the Auditor General constantly takes care of professional development of auditors to ensure proper qualifications to perform our work as auditors.

Regarding the issue of protecting euro against counterfeit, the Central Bank of Kosovo, within its competencies, on 14 March 2007 issued the AI on Retaining Counterfeit Euro Banknotes and Coins from Circulation, an instruction that applies to all financial institutions operating in Kosovo and licensed by the CBK. The purpose of this Instruction is to lay down measures necessary with a view to retain counterfeit euro banknotes and coins from circulation.

Financial institutions, specifically crediting institutions and any other institutions involved in sharing and distributing banknotes and coins to public as a professional activity, including institutions, whose activity consists exchanging banknotes and coins of different currencies as, e.g. exchange offices, will be forced to withdraw from market all the euro banknotes and coins they have accepted, they know or have a reason to believe that they are counterfeited. Banknotes and coins suspected to be counterfeited must immediately be handed to competent authorities (in this case the Police and the Police presents it to the Kosovo Agency of Forensics). CBK has also released a document “Valuable advice for cash operators” that determines step-by-step actions about how to treat money suspected as counterfeited.

### *Institutional Framework*

The Government has developed the institutional framework consisting of public sector organisations working under the lead of Central Alignment Unit, respectively the Financial Management and Control (FMC) and Internal Audit (IA) and under the surveillance of external auditor to form an accountability chain.

The concept of “Public Internal Financial Control” became first official in 1999 from the European Commission. It refers to “systems of internal control of government aiming the protection of financial interests of government in total”. PIFC was formed as a good strategy to help the reform process in developing public systems of internal control in states willing to become candidates for EU members. The system of PIFC is defined as a system that consists of functional elements of Financial Management and Control (FMC) and Internal Audit (IA) together with the responsible institutions for alignment of these functions through government (CHU=FMC + IA).

### Public sector entities (budget organisations)

Accountability consists of a chain of participants where each is responsible in achieving the set goals and each is accountable to an authority of the higher rank regarding achievement of these goals. The highest rank of authorities in this chain is the citizens who are represented by deputies elected in the Parliament and the local governments. Subjects in public sector carriers of PIFC are the following:

- Assembly - Committee for Oversight of Public Finances has been established within the Assembly of Kosovo and has the authority to monitor public money expenditure through reports from OAG, CHU, etc.;
- Government of Kosovo – determines competences and responsibilities for its Ministers to apply Government policies through regulations, policies and administrative arrangements with senior management of budget organisations.
- Ministry of Finance – is in charge of development of rules and detailed procedures for PIFC (FMC and IA), as well as for training and offering technical support for all the parties related to application of FMC and IA rules;
- Senior management of public sector subject – holds full responsibility in applying PIFC and is in charge of their performance in using public resources to achieve organisational objectives.

### Training scheme for the area of financial management and control

The CHU has established a training scheme for financial management and control. This scheme foresees the training of those in charge of the area of financial management and control and is focused on these areas: risk management, self-assessment, process description, strategic and budget planning.

### Certification Scheme for Internal Auditors

The National Training Programme and Certification of Internal Auditors has been developed. This programme has been accredited by the Ministry of Education and Science. The implementation of the programme started in September 2016 and still continues. This scheme consists of theoretical and practical part.

#### Continuing vocational education for internal auditors

In addition to the certification scheme for internal auditors, the CHU has also established a training scheme for continuing vocational education, which is focused on the strategic and annual plan, and quality assurance.

In the area of **external audit**, the National Office of Audit plays an important role in monitoring public expenses and improvements in financial management and good governance. Preserving functional and financial independence remains a priority in the domain of external audit. In the short-term period, NAO aims to implement its Strategic Plan 2018 -2021, as well as to develop and further increase its professional and human capacities to conduct more performance audits of public-owned enterprises. In midterm period a stable institutional development, preserving the quality and development of procedures and administrative capacities to ensure effective protection of financial interests of the EU will be key priorities.

Article 136 of the Kosovo Constitution defines Audit General as the highest institution for economic and financial control. Auditor General is appointed by the Parliament through a majority vote based on President's proposal. The Parliament decides on discharging the Audit General with (2/3) of majority of all deputies from the President's proposal or on the basis of (1/3) of all deputies. The mandate of AG is five (5) years with the possibility of extension or re-election for another mandate.

Article 137 of Constitution can be updated in compliance with present definitions of ISSAI concerning the role and mandate of Supreme Audit Institutions. It stresses that General Auditor controls: (1) economic activities of public institutions and other state legal persons; (2) use and protection of public funds from public and local government bodies; (3) economic activities of public enterprises and other legal persons, on whom the State has stocks, or where loans, credits and their obligations are guaranteed from the State.

The present definition in the Constitution is not an obstacle in the further development of external public audit. But it could be considered for amendment when appropriate.

With the entry into force of the new Law No. 05/L-055 on the Auditor General and the National Audit Office of the Republic of Kosovo, the functional, financial and operational independence has been consolidated since June 2016. The Auditor General and the National Audit Office shall have full discretion in the performance and exercise of the functions and powers to carry out their mandate in accordance with the internationally recognized Constitution, Law, and International Standards of Supreme Audit Institutions in the Public Sector. Under the legislation in force, the Auditor General is independent in the organisation and management of the National Audit Office.

Working instruments:

- INTOSAI Professional Auditing Standards Framework;
- Regularity Audit Manual;
- Regularity Audit Quality Control Guideline;
- Performance Audit Manual;
- Information Technology Audit Manual;
- Guideline on following up on performance recommendations;
- Fraud Audit Guideline;
- Code of Ethics;
- NAO Strategic Plan 2018 - 2021;
- Other secondary policies and strategies.

#### Professional development of staff

NAO supports the audit staff to attend certification schemes for accountants and auditors offered by local professional associations. During 2019 a series of activities for professional development and training were held. The annual training plan has been realized and it is worth mentioning that in addition to internal

trainings NAO employees have also benefited from trainings provided by other local and international institutions, among which 18 auditors have completed professional performance audit training, 18 auditors have conducted training in the field of information technology, 8 auditors were trained on procurement audit and fraud detection system in the area of public procurement, and 25 auditors were trained on auditing projects financed by the World Bank public procurement rules according to the World Bank.

Upon NAO's membership in the International Organization of Supreme Audit Institutions (INTOSAI), its audit staff will benefit from the professional programs and activities organized within this organisation.

#### Certification Scheme for Audit of Regularity

A certification programme for Audit of Regularity is set and being implemented based on the standards internationally recognized for auditing in public sector (ISSAI). The programme is divided into four parts: Introduction, Preparations, Technical part and Continuous Professional Development. The technical part is conducted by a local association<sup>19</sup> certified by IFAC. The programme is financed from the Kosovo budget. Duration usually is of 3.5 years and this certification decision is based on the results of exams, experience and staff evaluation results.

#### Certification Scheme for Performance Audits

A certification programme for audits of performance is elaborated based on ISSAI and this programme is under implementation.

Concerning protection from counterfeiting in the Republic of Kosovo, in the light of mutual cooperation between Kosovo Police (KP) and Central Bank of Republic of Kosovo (CBK) aiming the protection of banknotes against counterfeiting in the Republic of Kosovo, on 11 September 2009, KP and CBK signed an agreement on establishment of the Central Committee of Analysing the counterfeited money (Committee).

The committee consists of three high representatives of KP and three high representatives of CBK. The representatives of committee meet on regular basis to discuss issues deriving from the role of this committee. The committee has no decision-making power.

The main role of the committee is as follows:

- Enforcement of necessary measures to prevent circulation of counterfeited banknotes and coins;
- Collecting, analysing and publishing technical and statistical data related to counterfeited banknotes and coins; and
- Ensuring information and instructions and training for the financial institutions, and other relevant institutions and wide opinion about the counterfeited banknotes and coins.

The Committee has competences to establish working groups, as necessary, to further study specific issues and to make recommendations to the Committee on such issues. Working groups will have ad hoc status with a clear mandate and time frame.

In the Republic of Kosovo, the competent body to analyse the money suspected to be counterfeited is the Kosovo Agency for Forensics – The lab for documents and scripts, which operates within the Ministry of Internal Affairs (earlier used to operate under KP).

#### ***Donor Support***

MoF is being supported by the Norwegian Government project. The purpose of this project is to support the Kosovo public administration in the implementation of the SAA and increase the readiness for EU membership in several chapters including statistics. This project will strengthen the institutional capacities

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<sup>19</sup> Association of Certified Accountants and Auditors of Kosovo.

of the public administration of Kosovo, in particular the Financial Control chapter by providing specialized training on the content of EU requirements, transposition of the *acquis* into national legislation as well as relevant policy reforms. For the first part of 2020, three activities are planned in this area such as area summary training in Chapter 32 Financial Control, Internal Audit of Public Finance, training on the provision and quality of information by BO through self-assessment questionnaires or direct monitoring as well as training on the key principles and requirements of Chapter 32 Financial Control.

### *Medium-term Priority Objectives*

In the mid-term plan, the main implementing priorities foreseen to be realized are the following:

#### Internal Control of Public Finances

- Implementation of the Legislative Framework on Public Internal Financial Control (PIFC);
- Alignment and implementation of the new Law on Public Internal Financial Control;
- Advancement and integration of information technology systems used in the Ministry of Finance in order to improve the quality of financial information;
- Improvement of budgeting in accordance with the programme and reporting with objectives and performance indicators (strategic planning is related to budgetary resources);
- Training of all managers of institutions in charge of implementation of managerial accountability and training of internal auditors;
- Monitoring of Internal Control at BO;
- Implementation of Book of Processes;

#### External Audit

In the mid-term plan, the main implementing priorities foreseen to be realized are the following:

- Further development of relevance of audit by gradually conducting more performance audits;
- Ensure a more systematic follow-up for timely implementation of external audit recommendations;
- Initiate the implementation of leadership in accordance with the budget management system;
- Continue with timely and qualitative Annual Audit Report, including effective recommendations based on higher relevance of audit;
- Further development of IT audits;
- Higher focus on interest areas for decentralized management of IPA funds;
- Improvement of the quality of Mandatory Regularity Audits and Non-Statutory Performance Audits through increased quality control for planning, execution and reporting phases;
- Fulfill the constitutional and legal mission by conducting relevant audits, in line with the INTOSAI Professional Auditing Standards Framework;
- Develop and strengthen institutional capacity to support auditing and corporate governance; and
- Develop and maintain good relations with external entities, promote auditing, enhance influence, and integrate into global and regional ISA organisations.

### **3.33. Acquis Chapter 33: Financial and Budgetary Provisions**

This chapter covers rules regarding the necessary financial resources in order to finance the EU budget (own resources). These sources are mainly composed of contributions from the member states, based on their own traditional sources from the customs and agricultural and sugar taxes; sources based on added value tax and sources based on the level of national gross income. The Member States need to have appropriate administrative capacities to adequately coordinate and ensure correct calculations, summing, payment and control of their resources. The *acquis* in this area is directly applicable and does not require transposing into national legislation.

#### *SAA Requirements*

Article 74 of the SAA requires approximation of Kosovo legislation with the EU acquis, including this chapter.

### ***State of Play***

#### *Legislative Framework*

The main legal acts related to this Chapter include the following:

- Law No. 03/L-048 on Public Financial Management and Accountability;
- Law No. 06/L-020 on the Budget of the Republic of Kosovo for year 2018;
- Law No. 05/L-037 on Value Added Tax;
- AI MF-No. 03/2015 on implementing the Law No. 05/L-037 on Value Added Tax;
- Law No. 04/L-099 amending the Code No. 03/L-109 on Customs and Excise of Kosovo;
- AI MF - No. 05/2014 amending AI No. 11/2009 on implementation of customs and excise code, amended by AI No. 05/2010 and AI No. 06/2013.

The Value Added Tax system in the territory of the Republic of Kosovo is regulated by Law No. 05/L-037 on Value Added Tax. The Value Added Tax includes application of the general consumption tax on goods and services, which is exactly proportional with the price of the goods and services, and which is calculated on this price in accordance with the applicable norms, is charged in various production stages, distribution and life cycle of goods and services trade, which in the end is carried by the end customer.

VAT is charged with the standard norm of eighteen per cent (18%), while the deducted VAT norm is calculated and paid by eight per cent (8%) for some basic goods and services, including their import.

The collection and control procedures for customs obligations and import taxes are conducted by Kosovo Customs. Kosovo Customs is under the authority of the Ministry of Finance, in line with the Law No. 03/L-109, dated 10 November 2008, and amended by Law No. 04/L-099, dated 3 May 2012, Customs and Excise Code of Kosovo. This law is partially in line with the EU Customs Code, specifically with Council Regulation EEC 2913/92/ – “On Establishment of Community Customs Code” .

Regarding the budget, pursuant to Article 5 of the Law No. 03/L-048 on Public Financial Management and Accountability, the Budget Department is authorized and in charge of:

- Preparation of Budget Proposal for the Republic of Kosovo,
- Preparation of *Midterm* Expenditures Framework,
- Implementation of the Budget of Republic of Kosovo,
- Assessment of requests for diversion of budgetary allocations,
- Assessment of financial impact of government policies, and
- Exercise of all other responsibilities granted to the Budget Department in accordance with the law.

#### *Institutional Framework*

The main institution for this chapter is the Ministry of Finance. Within the Ministry of Finance other contributing structures include Kosovo Tax Administration, Kosovo Customs, also within the Ministry the Department of Budget, the Department of Municipal Budget and the Department for Economic Policies, Public and International Financial Cooperation.

#### ***Medium-term Priority Objectives:***

- Preparation of the Medium Term Expenditure Framework as a basis for the development of annual budget projections.

**3.34. Acquis Chapter 34: Institutions**

This acquis chapter is not covered by this Programme at this stage of EU accession.

**3.35. Acquis Chapter 35: Other Issues**

This acquis chapter is not covered by this Programme at this stage of EU accession.



## MATRIX OF SHORT-TERM MEASURES

### LEGISLATIVE MEASURES

No.	SAA Provisions	National acts to be aligned	EU acquis acts to be transposed	Responsible institutions	Supporting institutions	Timeframe	Level of alignment	Budget		
								BRK	Donors	Total
<b>1. BLOCK I: POLITICAL CRITERIA</b>										
<b>1.1. Democracy and Rule of Law</b>										
<b>1.1.1. Constitution, Parliament and Electoral System</b>										
1.1.1.	<u>Framework legislation</u>									
1.1.1.	No measures are foreseen in this section.									
1.1.1.	<u>Bylaws and other regulatory acts</u>									
1.1.1.1	Article 120	Rules of Procedure of the Assembly of the Republic of Kosovo (new regulation) adopted	N/A	Assembly		Q4 2020	N/A	10,000	0	10,000
<b>1.1.2. Public Administration</b>										
1.1.2.	<u>Framework legislation</u>									
1.1.2.1	Article120	Draft-law on the first Wave of Rationalization of Agencies and Independent Institutions (new law) adopted	N/A	MIA		Q3 2020	N/A	5,000	0	5,000
1.1.2.2	Article120	Draft-law on Administrative Disputes adopted	N/A	MoJ		Q4 2020	N/A	5,000	0	5,000
1.1.2.	<u>Bylaws and other regulatory acts</u>									
1.1.2.3	Article120	Amending AI No. 01/2015 for the Transparency in Municipalities adopted	N/A	MLG		Q3 2020	N/A	9,450	3,500	12,950
1.1.2.4	Article120	Draft Regulation on the Determination of Procedures on the Allocation for Use and Exchange of the Immovable Property of Municipality adopted	N/A	MLG	OPM AKM MoF	Q3 2020	N/A	9,450	3,500	12,950
1.1.2.5	Article 120	Regulation on Performance (amendment) adopted	N/A	MLG	OPM AKM MoF	Q3 2020	N/A	9,450	3,500	12,950
<b>1.1.3. Ombudsperson</b>										
1.1.3.	<u>Framework legislation</u>									
1.1.3.	No measures are foreseen in this section.									
1.1.3.	<u>Bylaws and other regulatory acts</u>									
1.1.3.	No measures are foreseen in this section.									
<b>1.1.4. Civilian Oversight of Security Forces</b>										
1.1.4.	<u>Framework legislation</u>									
1.1.4.	No measures are foreseen in this section.									
1.1.4.	<u>Bylaws and other regulatory acts</u>									

1.1.4.	No measures are foreseen in this section.									
<b>1.2. Regional Cooperation and International Obligations</b>										
1.2.	<u>Framework legislation</u>									
1.2.	No measures are foreseen in this section.									
1.2.	<u>Bylaws and other regulatory acts</u>									
1.2.1	Articles 3, 4, 5, 6, 7, 8, 10, 11, 12, 13, 14, 16, 17, 19	Regulation on Internal Organization of the Institute of Forensic Medicine adopted	N/A	MoJ		Q4 2020	N/A	0	0	0
<b>2. BLOCK II: ECONOMIC CRITERIA</b>										
<b>2.1. Existence of a Functional Market Economy</b>										
2.1.	<u>Framework legislation</u>									
2.1.	No measures are foreseen in this section.									
2.1.	<u>Bylaws and other regulatory acts</u>									
2.1.	No measures are foreseen in this section.									
<b>2.2. Capacity to Cope with Competitive Pressure and Market Forces within the Union</b>										
2.2.	<u>Framework legislation</u>									
2.2.	No measures are foreseen in this section.									
2.2.	<u>Bylaws and other regulatory acts</u>									
2.2.	No measures are foreseen in this section.									
<b>3. BLOCK III: EUROPEAN STANDARDS - APPROXIMATION OF KOSOVO'S LEGISLATION WITH THE EU ACQUIS</b>										
<b>3.0. Legal Framework on Approximation of Kosovo's Legislation with the EU Acquis</b>										
3.0.	<u>Framework legislation</u>									
3.0.	No measures are foreseen in this section.									
3.0.	<u>Bylaws and other regulatory acts</u>									
3.0.	No measures are foreseen in this section.									
<b>3.1. Acquis Chapter 1: Free Movement of Goods</b>										
3.1.	<u>Framework legislation</u>									
3.1.1	Articles 20, 80 and 74, point 3	Draft-law on Inspections adopted	N/A	MTI	OPM MEE MIA MoF	Q3 2020	N/A	3,300	4,250	7,550
3.1.	<u>Bylaws and other regulatory acts</u>									
3.1.2	Articles 20, 80 and 74, par. 3	Regulation on Machinery Safety (amendment) adopted	Directive 2006/42/EU and amendment 2009/127/EU	MTI		Q4 2020	P	2,250	8,650	10,900
3.1.3	Articles 20, 80 and 74, par. 3	Regulation on Personal Protective Equipment (PPE) adopted	Regulation 2016/425/EU	MTI		Q3 2020	P	2,250	4,650	6,900
3.1.4	Articles 20, 80 and 74, par. 3	Regulation on Pre-packages adopted	Directive 76/211/EC	MTI		Q3 2020	P	4,500	8,650	13,150

3.1.5	Articles 20, 80 and 74, par.3	Regulation on Legal Measurement Units adopted	Directive 2014/32/EU	MTI		Q3 2020	P	4,500	8,650	13,150
<b>3.2. Acquis Chapter 2: Freedom of Movement for Workers</b>										
3.2.	<u>Framework legislation</u>									
3.2.	No measures are foreseen in this section.									
3.2.	<u>Bylaws and other regulatory acts</u>									
3.2.	No measures are foreseen in this section.									
<b>3.3. Acquis Chapter 3: Right of Establishment and Freedom to Provide Services</b>										
3.3.	<u>Framework legislation</u>									
3.3.1	Articles 51, 56, 57 and 58	Draft-law on Internal Market adopted	N/A	MTI		Q4 2020	N/A	5,954	0	5,954
3.3.	<u>Bylaws and other regulatory acts</u>									
3.3.2	Articles 51, 56, 58	AI on Criteria Foreseen on Obtaining the Right to Practice a Regulated Profession adopted	Directive 2005/36/EC, and amendments Directive 2013/55/EU	MES		Q3 2020	P	5,954	0	5,954
<b>3.4. Acquis Chapter 4: Free Movement of Capital</b>										
3.4.	<u>Framework legislation</u>									
3.4.1	Articles 65	Adoption of the Draft-law on the Foreigners' Property Rights	Directive 88/361/EEC for the implementation of Article 67 of the Treaty establishing the European Economic Community	MoJ		Q4 2020	P	5,400	7,000	12,400
3.4.	<u>Bylaws and other regulatory acts</u>									
3.4.	No measures are foreseen in this section.									
<b>3.5. Acquis Chapter 5: Public Procurement</b>										
3.5.	<u>Framework legislation</u>									
3.5.1	Article 79	Draft-law on Public -Private Partnership adopted	EU Directive 2014/23 on the award of concession contracts (consolidated version CELEX:02014L0023 - 20180101)	MoF		Q3 2020	P	2,300	0	2,300
3.5.	<u>Bylaws and other regulatory acts</u>									
3.5.	No measures are foreseen in this section.									
<b>3.6. Acquis Chapter 6: Company Law</b>										
3.6.	<u>Framework legislation</u>									
3.6.	No measures are foreseen in this section.									
3.6.	<u>Bylaws and other regulatory acts</u>									
3.6.1	Article 51, par.1, 2, 4	AI on Foreign Representatives adopted	Eleventh Directive of the Council 89/666/EU	MTI		Q3 2020	P	6,000	0	6,000
3.6.2	Article 51, par.1, 2, 3	AI on determining quality control criteria of professional organizations adopted	Directive 2006/43/EU	KFRC		Q4 2020	P	4,900	0	4,900
3.6.3	Article 51, par.1, 2, 3	AI on micro- enterprises adopted	Directive 2014/56/EU	KFRC		Q4 2020	P	4,900	0	4,900
<b>3.7. Acquis Chapter 7: Intellectual Property Law</b>										
3.7.	<u>Framework legislation</u>									

3.7.	No measures are foreseen in this section.									
3.7.	<u>Bylaws and other regulatory acts</u>									
3.7.1	Articles 77 and 78	Regulation on the Rules of Procedure of the Expert Commission on Agricultural Products and Foodstuffs adopted	Regulation EC/510/2006	MTI		Q4 2020	P	0	0	0
3.7.2	Articles 77 and 78	Regulation on Supervision of Activities of Collective Associations adopted	Directive 2014/26/EU	MCYS		Q4 2020	P	1,660	0	1,660
<b>3.8. Acquis Chapter 8: Competition Policy</b>										
3.8.	<u>Framework legislation</u>									
3.8.	<b>Competition</b>									
3.8.1	Articles 74 and 75	Law on Competition (amendment) adopted	Directive 2014/104/EU	MTI		Q4 2020	P	2,650	1,300	3,950
3.8.	<b>State Aid</b>									
3.8.	No measures are foreseen in this section.									
3.8.	<u>Bylaws and other regulatory acts</u>									
3.8.	<b>Competition</b>									
3.8.	No measures are foreseen in this section.									
3.8.	<b>State Aid</b>									
3.8.2	Article 75, par. 1a and 1b	Regulation on Horizontal State Aid adopted	Council Regulation No. 2018/1911	MoF	DSA	Q4 2020	P	1,450	12,000	13,450
3.8.3	Article 75, par. 1a and 1b	Regulation on Services of General Economic Interest adopted	Regulation 360/2012/EU	MoF	DSA	Q4 2020	P	2,875	15,000	17,875
3.8.4	Article 75, par. 1a and 1b	Regional Map prepared	Regulation 651/2014 /EU	MoF	DSA	Q4 2020		0	0	0
<b>3.9. Acquis Chapter 9: Financial Services</b>										
3.9.	<u>Framework legislation</u>									
3.9.1	Articles 50, 96 and Annex 6	Draft-law on Microfinance and Non-Bank Financial Institutions (amendment) adopted	N/A	MoF	Assembly	Q4 2020	N/A	5,600	0	5,600
3.9.	<u>Bylaws and other regulatory acts</u>									
3.9.2	Articles 50, 96 and Annex 6	Adoption of the Rules in the Area of Pensions and Insurers	Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the Activities and Supervision of Institutions for Occupational Retirement Provision	CBK		Q4 2020	P	23,800	0	23,800
3.9.3	Articles 50, 96 and Annex 7	Regulation on Liquidity Risk Management with the aim of aligning our requirements with	Commission Delegated Regulation (EU) 2015/61	CBK		Q4 2020	P	4,200	0	4,200

		the Basel Standards on LCR and NSFR reviewed								
<b>3.10. Acquis Chapter 10: Information Society and Media</b>										
3.10.	<u>Framework legislation</u>									
3.10.1	Articles 109, 110 and 111	Draft-law on Electronic Identification and Trust Services for Electronic Transactions (new Law) adopted	EU Regulation on Electronic Identification and Trust Services for Electronic Transactions	MEE	CBK MIA MoF	Q3 2020	F	1,500	0	1,500
3.10.2	Articles 109, 110 and 111	Draft-law on measures to reduce the cost of deploying high-speed electronic communications networks (new Law) adopted	EU Directive No. 2014/61/EU	MEE	RAEPC KCA MLG	Q3 2020	F	3,500	0	3,500
3.10.	<u>Bylaws and other regulatory acts</u>									
3.10.3	Articles 109, 110 and 111	Regulation on media ownership and prevention of media concentration (new bylaw) adopted	Audiovisual Media Services Directive - AVMSD	IMC	MEE RAEPC	Q4 2020	P	2,700	0	2,700
3.10.4	Articles 109, 110 and 111	Code of Ethics for Audio and Audiovisual Media Service Providers (amendment) adopted	Audiovisual Media Services Directive - AVMSD	IMC		Q4 2020	P	3,150	0	3,150
3.10.5	Articles 109, 110 and 111	Regulation on Audiovisual Commercial Communications (amendment) adopted	Audiovisual Media Services Directive - AVMSD	IMC		Q4 2020	P	2,700	0	2,700
3.10.6	Articles 109, 110 and 111	Regulation on Distribution of Audio and Audiovisual Media Service Providers (amendment) adopted	Audiovisual Media Services Directive - AVMSD	IMC		Q4 2020	P	3,150	0	3,150
3.10.7	Articles 109, 110 and 111	Regulation on Access to Local Loop Unbundling or part of it adopted	Directive 2002/19/EC of the European Parliament and of the Council of 7 March 2002 on Access to, and Interconnection of, Electronic Communications Networks and Associated Facilities (Access Directive), amended by Directive 2009/140/EC of 25 November 2009	RAEPC		Q3 2020	P	3,308	0	3,308
3.10.8	Articles 109, 110 and 111	Regulation on Reference Local Loop Unbundling and Bit stream Access adopted	Directive 2002/19/EC of the European Parliament and of the Council of 7 March 2002 on Access to, and Interconnection of, Electronic Communications Networks and Associated Facilities (Access Directive), amended by Directive 2009/140/EC of 25 November 2009	RAEPC		Q3 2020	P	3,308	0	3,308

3.10.9	Articles 109, 110 and 111	Regulation on Interconnection (amended) adopted	Directive No. 2009/140/EC on Better Regulation	RAEPC		Q3 2020	P	3,308	0	3,308
<b>3.11. Acquis Chapter 11: Agriculture and Rural Development</b>										
3.11.	<u>Framework legislation</u>									
3.11.1	Article102	Draft-law on Agriculture and Rural Development (new Law) adopted	Regulation (EU) No. 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005; Regulation (EU) No. 1306/2013 of the European Parliament and of the Council of 17December 2013, on the Financing, Management and Monitoring of the Common Agricultural Policy and repealing Council Regulation (EEC) nr. No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No. 1290/2005 and (EC) No 485/2008; Regulation (EU) No. 1307/2013 of the European Parliament and of the Council of 17December 2013, establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009; Regulation (EU) No. 1308/2013 of the European Parliament and of the Council of 17 December 2013, establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007; Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre - accession assistance (IPA II); Council Regulation (EC) No 21/2004 of 17 December 2003 establishing a system for the identification and registration of ovine and caprine animals and amending Regulation	MAFRD	MoF OPM	Q3 2020	P	150	0	150

			(EC) No 1782/2003 and Directives 92/102/EEC and 64/432/EEC; Regulation (EU) No 1144/2014 of the European Parliament and of the Council of 22 October 2014 on information provision and promotion measures concerning agricultural products implemented in the internal market and in third countries and repealing Council Regulation (EC) No 3/2008; Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91; Regulation (EU) No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs; Council Regulation (EC) No 1217/2009 of 30 November 2009 setting up a network for the collection of accountancy data on the incomes and business operation of agricultural holdings in the European Community							
3.11.	<u>Bylaws and other regulatory acts</u>									
3.11.2	Article 102	AI on Direct payments in Agriculture for 2020 adopted	Regulation (EC) No. 236/2014 of the European Parliament and of the Council laying down common <b>rules</b> and procedures for the implementation of the <b>Union's</b> instruments for financing external action; Regulation (EC) No. 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance Council Implementing Regulation (EU) No. 447/2014 2 May 2014 on specific rules for implementing Regulation (EU) No. 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-Accession Assistance (IPA II).	MAFRD		Q4 2020	P	5,400	0	5,400

3.11.3	Article 102	AI on the measures and criteria of support for agriculture and rural development for 2020, adopted	Regulation (EC) No. 236/2014 of the European Parliament and of the Council laying down common rules and procedures for the implementation of the Union's instruments for financing external action; Regulation (EC) No. 231/2014 of the European Parliament and of the Council establishing the Pre - Accession Assistance instrument Implementing Council Regulation (EU) No. 447/2014 2 May 2014 on specific rules for the implementation of Regulation (EU) No. 231/2014 of the European Parliament and of the Council establishing the Pre - Accession Assistance instrument (IPA II).	MAFRD		Q4 2020	P	5,400	0	5,400
<b>3.12. Acquis Chapter 12: Food Safety, Veterinary and Phytosanitary Policy</b>										
3.12.	<u>Framework legislation</u>									
3.12.1	Article 102	Draft-law on Food (amendment) adopted	Regulation (EC) No. 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety; Directive 2001/83/EC of the European Parliament and of the Council of 6 November 2001 on the Community code relating to medicinal products for human use; Regulation (EC) No 1223/2009 of the European Parliament and of the Council of 30 November 2009 on cosmetic products; Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products and repealing Directive 2001/37/EC; Single Convention on Narcotic Drugs of 1961; Convention on Psychotropic Substances of 1971;	MAFRD	MoF MTI MEE OPM	Q4 2020	P	150	0	150



			Council Directive 98/83/EC of 3 November 1998 on the quality of water intended for human consumption;							
3.12.2	Article 102	Draft-law on Strong Alcoholic Beverages (new law) adopted	<p>Regulation (EU) 2019/787 of the European Parliament and of the Council of 17 April 2019 on the definition, description, presentation and labelling of spirit drinks, the use of the names of spirit drinks in the presentation and labelling of other foodstuffs, the protection of geographical indications for spirit drinks, the use of ethyl alcohol and distillates of agricultural origin in alcoholic beverages, and repealing Regulation (EC) No 110/2008;</p> <p>Commission Implementing Regulation (EU) No 716/2013 of 25 July 2013 laying down rules for the application of Regulation (EC) No 110/2008 of the European Parliament and of the Council on the definition, description, presentation, labelling and the protection of geographical indications of spirit drinks;</p> <p>Regulation (EC) No 1334/2008 of the European Parliament and of the Council of 16 December 2008 on flavourings and certain food ingredients with flavouring properties for use in and on foods and amending Council Regulation (EEC) No 1601/91, Regulations (EC) No 2232/96 and (EC) No 110/2008 and Directive 2000/13/EC (Official Journal L 354, 31.12.2008);</p> <p>Regulation (EC) No 1333/2008 of the European Parliament and of the Council of 16 December 2008 on food additives;</p> <p>Commission Regulation (EU) 2015/210 of 10 February 2015 amending Annexes II and III to Regulation (EC) No 110/2008 of the European Parliament and of the Council on the definition, description, presentation, labelling and the protection of geographical indications of spirit drinks;</p> <p>Council Directive 98/83/EC of 3 November 1998 on the quality of water intended for human consumption (Official Journal L 330, 5.12.1998);</p> <p>Council Directive 2001/110/EC of 20</p>	MAFRD	MoF MEE OPM	Q4 2020	P	150	0	150

			December 2001 relating to honey (Official Journal L 010, 12/01/2002); Council Directive 2001/111/EC of 20 December 2001 relating to certain sugars intended for human consumption (Official Journal L 10, 12.1.2002)							
3.12.	<u>Bylaws and other regulatory acts</u>									
3.12.3	Article 102	AI on the determination of health rules for animal by-products and their derivatives which are not intended for human consumption (new bylaw) adopted	Regulation (EC) No 1069/2009 of the European Parliament and of the Council of 21 October 2009 laying down health rules as regards animal by-products and derived products not intended for human consumption and repealing Regulation (EC) No 1774/2002 (Animal by-products Regulation);	KFVA	MAFRD OPM MEE MLG	Q4 2020	P	600	0	600
3.12.4	Article 102	AI on the implementation of the AI on the determination of health rules for animal by-products and their derivatives which are not intended for human consumption (new bylaw) adopted	Commission Regulation (EU) No 142/2011 of 25 February 2011 implementing Regulation (EC) No 1069/2009 of the European Parliament and of the Council laying down health rules as regards animal by-products and derived products not intended for human consumption and implementing Council Directive 97/78/EC as regards certain samples and items exempt from veterinary checks at the border under that Directive	KFVA	MAFRD OPM MEE MLG	Q4 2020	P	16,500	0	16,500
<b>3.13. Acquis Chapter 13: Fisheries</b>										
3.13.	<u>Framework legislation</u>									
3.13.	No measures are planned in this section.									
3.13.	<u>Bylaws and other regulatory acts</u>									
3.13.1	Article 102	AI on Fish Protection in Fishing Waters adopted	N/A	MAFRD		Q4 2020	N/A	3,750	0	3,750
<b>3.14. Acquis Chapter 14: Transport Policy</b>										
3.14.	<u>Framework legislation</u>									
3.14.	No measures are planned in this section.									
3.14.	<u>Bylaws and other regulatory acts</u>									
3.14.1	Article 113	AI on vehicle homologation (amendment) adopted	Directive 2007/46/EC of the European Parliament and of the Council of 5 September 2007 establishing a framework for the approval of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles;	MI	MIA	Q4 2020	P	3,375	0	3,375
3.14.2	Article 113	AI on vehicle technical inspection (amendment) adopted	Directive 2014/45/EU of the European Parliament and of the Council of 3 April 2014 on periodic roadworthiness tests;	MI		Q4 2020	P	3,375	0	3,375

3.14.3	Article 113	AI on technical conditions for road vehicle participation, adopted	<p>Directive 2014/45/EU of the European Parliament and of the Council of 3 April 2014 on periodic roadworthiness tests for motor vehicles and their trailers and repealing Directive 2009/40/EC (OJ 127. 29. 4. 2014);</p> <p>Directive 2007/38/EC of the European Parliament and of the Council of 11 July 2007 on the retrofitting of mirrors to heavy goods vehicles registered in the Community (OJ 184, 14. 7. 2007);</p> <p>Council Directive 92/6/EEC of 10 February 1992 on the installation and use of speed limitation devices for certain categories of motor vehicles in the Community (OJ 57,2.3.1992);</p> <p>Directive 2002/85/EC of the European Parliament and of the Council of 5 November 2002 amending Council Directive 92/6/EEC on the installation and use of speed limitation devices for certain categories of motor vehicles in the Community (OJ 327,4. 12. 2002);</p> <p>Council Directive 91/671/EEC of 16 December 1991 on the approximation of the laws of the Member States relating to compulsory use of safety belts in vehicles of less than 3,5 tonnes (OJ 59,28.2. 2014);</p> <p>Commission Implementing Directive 2014/37/EU of 27 February 2014 amending Council Directive 91/671/EEC relating to the compulsory use of safety belts and child restraint systems in vehicles (OJ 59,28.2. 2014);</p> <p>Regulation (EU) No 167/2013 of the European Parliament and of the Council of 5 February 2013 on the approval and market surveillance of agricultural and forestry vehicles (OJ 60, 2.3.2013);</p> <p>Regulation (EU) No 168/2013 of the European Parliament and of the Council of 15 January 2013 on the approval and market surveillance of two- or three-wheel vehicles and quadricycles (OJ 60, 2.3.2013);</p> <p>Commission Regulation (EU) No 458/2011 of 12 May 2011 concerning type-approval requirements for motor vehicles and their</p>	MI		Q4 2020	P	3,375	0	3,375
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			trailers with regard to the installation of their tyres and implementing Regulation (EC) No 661/2009 of the European Parliament and of the Council concerning type-approval requirements for the general safety of motor vehicles, their trailers and systems, components and separate technical units intended therefore (OJ 124, 13. 5. 2011);							
3.14.4	Article 113	AI on mobile technical control adopted	Directive 2014/47/EU of the European Parliament and of the Council of 3 April 2014 on the technical roadside inspection of the roadworthiness of commercial vehicles circulating in the Union	MI		Q3 2020	P	1,125	0	1,125
3.14.5	Article 113	Regulation on common rules in the area of civil aviation and the establishment of a European Aviation Safety Agency (new bylaw) adopted	Regulation (EU) 2018/1139 of the European Parliament and of the Council of 4 July 2018 on common rules in the area of civil aviation and establishing a EU Aviation Safety Agency, and amending Regulations (EC) No 2111/2005, (EC) No 1008/2008, (EU) No 996/2010, (EU) No 376/2014 and Directives 2014/30/EU and 2014/53/EU of the European Parliament and of the Council, and repealing Regulations (EC) No 552/2004 and (EC) No 216/2008 of the European Parliament and of the Council and Council Regulation (EEC) No 3922/91;	CAA		Q4 2020	P	14,400	0	14,400
3.14.6	Article 113	Regulation amending the Regulation (CAA) 12/2015 as regards the list of air carriers prohibited from operating or subject to operational restrictions within the EU (amendment) adopted	Commission Implementing Regulation (EU) 2018/1866 of 28 November 2018 amending Regulation (EC) No 474/2006 as regards the list of air carriers which are banned from operating or are subject to operational restrictions within the Union;	CAA		Q3 2020	F	1,200	0	1,200
3.14.7	Article 113	Regulation laying down detailed rules for the operation of gliders in accordance with Regulation (CAA) xx/2020 (new bylaw) adopted	Commission Implementing Regulation (EU) 2018/1976 of 14 December 2018 laying down detailed rules for the operation of sailplanes pursuant to Regulation (EU) 2018/1139 of the European Parliament and of the Council;	CAA		Q4 2020	F	2,400	0	2,400

3.14.8	Article 113	Regulation on determining common requirements for air traffic management/air navigation service providers and other functions of the air traffic management network and their oversight (new bylaw) adopted	Commission Implementing Regulation (EU) 2017/373 of 1 March 2017 laying down common requirements for providers of air traffic management/air navigation services and other air traffic management network functions and their oversight, repealing Regulation (EC) No 482/2008, Implementing Regulations (EU) No 1034/2011, (EU) No 1035/2011 and (EU) 2016/1377 and amending Regulation (EU) No 677/2011	CAA		Q4 2020	F	7,200	0	7,200
3.14.9	Article 113	Regulation amending Regulation (CAA) No. 1/2019 on air operations requirements for gliders and electronic flight bags (amendment) adopted	Commission Implementing Regulation (EU) 2018/1975 of 14 December 2018 amending Regulation (EU) No 965/2012 as regards air operations requirements for sailplanes and electronic flight bags	CAA		Q4 2020	F	2,400	0	2,400
3.14.10	Article 113	Regulation setting requirements on the use of airspace and operational procedures related to performance-based navigation (new bylaw) adopted	Commission Implementing Regulation (EU) 2018/1048 of 18 July 2018 setting airspace usage requirements and operating procedures related to performance-based navigation	CAA		Q3 2020	F	2,360	0	2,360
3.14.11	Article 113	Regulation on introduction of new additional airworthiness specifications (amendment) adopted	Commission Implementing Regulation (EU) 2019/133 of 28 January 2019 amending the Regulation (EU) No. 2015/640 on introduction of new additional specifics of airworthiness	CAA		Q4 2020	F	2,360	0	2,360
3.14.12	Article 113	Regulation on interoperability technical specifications for the control, command and signalling subsystem (new bylaw) adopted	Commission Regulation (EU) 2016/919 of 27 May 2016;	RRA	MI	Q4 2020	F	2,360	0	2,360
<b>3.15. Acquis Chapter 15: Energy</b>										
3.15.	<u>Framework legislation</u>									
3.15.	No measures are planned in this section.									
3.15.	<u>Bylaws and other regulatory acts</u>									
3.15.1	Article 114	AI on energy efficiency requirements for purchasing products, services and buildings from central level institutions adopted	Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC	MEE	MIA MoF MES	Q4 2020	P	1,500	0	1,500
3.15.2	Article 114	Regulation on energy consumption equipment labels adopted	Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU	MEE	MIA	Q4 2020	P	1,500	0	1,500

			and repealing Directives 2004/8/EC and 2006/32/EC							
3.15.3	Article 114	Regulation on minimum criteria for energy audits including those performed as part of energy management systems adopted	Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC	MEE	MIA MoF	Q4 2020	P	1,875	0	1,875
3.15.4	Article 114	Guidelines on report manner of annual reports and on the progress of the National Energy Efficiency Action Plan adopted	Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC	MEE	MI MIA MoF	Q4 2020	P	1,500	0	1,500
<b>3.16. Acquis Chapter 16: Taxation</b>										
3.16.	<u>Framework legislation</u>									
3.16.1	Articles 39, 40, 70 and 105	Draft-law on VAT adopted	Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax; and 1 Implementing Regulation and 5 Directives	MoF	TAK	Q3 2020	P	15,782	0	15,782
3.16.	<u>Bylaws and other regulatory acts</u>									
3.16.	No measures are planned in this section.									
<b>3.17. Acquis Chapter 17: Economic and Monetary Policy</b>										
3.17.	<u>Framework legislation</u>									
3.17.	No measures are planned in this section.									
3.17.	<u>Bylaws and other regulatory acts</u>									
3.17.	No measures are planned in this section.									
<b>3.18. Acquis Chapter 18: Statistics</b>										
3.18.	<u>Framework legislation</u>									
3.18.	No measures are planned in this section.									
3.18.	<u>Bylaws and other regulatory acts</u>									
3.18.	No measures are planned in this section.									
<b>3.19. Acquis Chapter 19: Social Policy and Employment</b>										
3.19.	<u>Framework legislation</u>									
3.19.1	Articles 82 and 106	Draft-law on Labour adopted	1. Council Directive 91/533/EEC of 14 October 1991 on an employer's obligation to inform employees of the conditions applicable to the contract or employment relationship (OJ L 288, 18.10.1991); 2. Council Directive 92/85/EEC of 19 October 1992 on the introduction of measures to encourage improvements in the safety and health at work of pregnant	MLSW	OPM MoF MoH MES MEE	Q3 2020	P	3,200	28,000	31,200

			<p>workers and workers who have recently given birth or are breastfeeding (tenth individual Directive within the meaning of Article 16 (1) of Directive 89/391/EEC) (OJ L 348,28.11.1992);</p> <p>3. Council Directive 94/33/EC of 22 June 1994 on the protection of young people at work (OJ L 216, 20.8.1994);</p> <p>4. Directive 96/71/EC of the European Parliament and of the Council of 16 December 1996 concerning the posting of workers in the framework of the provision of services (8 OJ L 18, 21.1.1997);</p> <p>5. Directive 2014/67/EU of the European Parliament and of the Council of 15 May 2014 on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services and amending Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System (‘the IMI Regulation’);</p> <p>6. Council Directive 97/81/EC of 15 December 1997 concerning the Framework Agreement on part-time work concluded by UNICE, CEEP and the ETUC (OJ L 14, 20.1.1998) as amended by Council Directive 98/23 / EC of 7 April 1998 (OJ L 131, 5.5.1998);</p> <p>7. Council Directive 98/59/EC of 20 July 1998 on the approximation of the laws of the Member States relating to collective redundancies (OJ L 225, 12.8.98);</p> <p>8. Council Directive 1999/70/EC of 28 June 1999 concerning the framework agreement on fixed-term work concluded by ETUC, UNICE and CEEP (OJ L 14, 20.01.1998);</p> <p>9. Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin (OJ L 180, 19.07.2000);</p> <p>10. Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation (OJ L 303, 2.12.2000);</p>						
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			<p>11. Council Directive 2001/23/EC of 12 March 2001 on the approximation of the Law of the Member States relating to the protection of workers' rights in the event of transfer of undertakings, businesses or parts of undertakings or businesses (3 OJ L 82, 0.6.2001);</p> <p>12. Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community (OJ L 80, 23.3.2002);</p> <p>13. Directive 2003/88/EC of the European Parliament and of the Council of 4 November 2003 concerning certain aspects of the organisation of working time (OJ L 299,18.11.2003);</p> <p>14. Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast) (OJ L204, 26.7 .2006, fq.23);</p> <p>15. Directive 2008/94/EC of the European Parliament and of the Council of 22 October 2008 on the protection of employees in the event of the insolvency of their employer (Codified version) (OJ L 283, 28. 10. 2008);</p> <p>16. Directive 2008/104/EC of the European Parliament and of the Council of 19 November 2008 on temporary agency work (OJ L 327, 5. 12. 2008);</p> <p>17. Council Directive 2010/18/EU of 8 March 2010 implementing the revised Framework Agreement on parental leave concluded by BUSINESSEUROPE, UEAPME, CEEP and ETUC and repealing Directive 96/34/EC (OJ L BE 68,18 mars 2010)</p>							
3.19.2	Articles 82 and 106	Draft-law on maternity and paternity leave approved	<p>1. Council Directive 2010/18 / EC of 8 March 2010 implementing the revised Framework Agreement on parental leave signed by BUSINESSEUROPE, UEAPME, CEEP and ETUC and repealing Directive 96/34 /EC;</p> <p>2. Council Directive 92/85/EEC of 19 October 1992 introducing measures to</p>	MLSW	OPM MoH MES MoF MEE	Q3 2020	P	0	0	0



			encourage improvements in the safety and health at work of pregnant and lactating workers (Tenth Individual Directive in within the meaning of Article 16 (1) of Directive 89/391/EEC). 3. Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (resumption) (OJ L204, 26.7. 2006, p. 23).							
3.19.3	Articles 82 and 106	Draft-law on Social Economic Council adopted	N/A	MLSW	OPM MoH MES MoF	Q4 2020	N/A	4,800	9,000	13,800
3.19.	<u>Bylaws and other regulatory acts</u>									
3.19.	No measures are foreseen in this section.									
<b>3.20. Acquis Chapter 20: Enterprise and Industrial Policy</b>										
3.20.	<u>Framework legislation</u>									
3.20.	No measures are planned in this section									
3.20.	<u>Bylaws and other regulatory acts</u>									
3.20.	No measures are planned in this section									
<b>3.21. Acquis Chapter 21: Trans-European Networks</b>										
3.21.	<u>Framework legislation</u>									
3.21.	No measures are foreseen in this section									
3.21.	<u>Bylaws and other regulatory acts</u>									
3.21.	No measures are foreseen in this section.									
<b>3.22. Acquis Chapter 22: Regional Policy and Coordination of Structural Instruments</b>										
3.22.	<u>Framework legislation</u>									
3.22.1	Articles 121, 122, 123, 124 and 125	Draft-law on ratification of the Financing Agreement for IPA 2019, Part II, between Kosovo and EU adopted	N/A	Assembly	OPM	Q4 2020	N/A	3,000	0	3,000
3.22.	<u>Bylaws and other regulatory acts</u>									
3.22.	No measures are foreseen in this section.									
<b>3.23. Acquis Chapter 23: Judiciary and Fundamental Rights</b>										
3.23.	<u>Framework legislation</u>									
3.23.	<b>Judicial System</b>									
3.23.1	Articles 83 and 91	Draft Criminal Procedure Code (Amendment) adopted	N/A	MoJ		Q3 2020	N/A	5,400	0	5,400
3.23.2	Articles 83 and 91	Draft-law on the Central Criminal Evidence System	N/A	MoJ	KJC KPC MIA	Q4 2020	N/A	3,000	0	3,000
3.23.	<b>Anti-corruption policies</b>									

3.23.3	Articles 83 and 91	Draft-law on Declaration, Origin and Control of Property for Public Officials (Amendment) adopted	European Convention on Human Rights (Article 8) Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data Criminal Law Convention on Corruption (ets 173) Civil Rights Convention on Corruption (ets 174) Resolution (97) 24 on the twenty Guiding Principles for the fight against corruption	MoJ	KACA OPM KPC KJC	Q3 2020	P	18,000	2,000	20,000
3.23.4	Articles 83 and 91	Draft-law on Anti-Corruption Agency (amendment) adopted	European Convention on Human Rights (Article 8) Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data Criminal Law Convention on Corruption (ets 173) Civil Rights Convention on Corruption (ets 174) Resolution (97) 24 on the twenty Guiding Principles for the fight against corruption	MoJ	KACA OPM KPC KJC	Q3 2020	P	18,000	2,000	20,000
3.23.5	Articles 83 and 91	Draft-law on Financing of Political Parties (amendment) adopted	N/A	OPM	Assembly CEC KACA	Q4 2020	N/A	0	0	0
<b>3.23.</b>	<b>Fundamental rights</b>									
3.23.6	Articles 3 and 4	Draft-law on KPCVA adopted	N/A	OPM	KPCVA	Q4 2020	N/A	0	0	0
3.23.7	Articles 3 and 4	The Draft-law on Amendment of the Law No. 02/L-31 on Religious Freedom in Kosovo adopted	European Convention on Human Rights - Article 9: Freedom of thought, conscience and religion	OPM		Q4 2020	P	0	0	0
3.23.8	Articles 3 and 4	Draft-law on treatment and categorization of persons with disabilities approved	N/A	MLSW	MoF OPM	Q4 2020	N/A	0	10,000	10,000
<b>3.23.</b>	<b>Protection of minorities and cultural heritage</b>									
3.23.	No measures are planned in this section.									
<b>3.23.</b>	<b>Protection of personal data</b>									
3.23.	No measures are foreseen in this section.									
3.23.	<u>Bylaws and other regulatory acts</u>									
<b>3.23.</b>	<b>Judicial System</b>									
3.23.9	Article 83	AI on Mediators Fee adopted	N/A	MoJ	KJC MoF	Q4 2020	N/A	2,700	0	2,700
3.23.10	Article 83	Regulation on the Organization and Activity of the Kosovo Judicial Council adopted	N/A	KJC		Q4 2020	N/A	2,544	0	2,544

3.23.11	Article 83	Regulation on the performance evaluation of judges adopted	N/A	KJC		Q4 2020	N/A	2,544	0	2,544
3.23.12	Article 83	Regulation on Professional Associates adopted	N/A	KJC		Q4 2020	N/A	2,984	0	2,984
3.23.13	Article 83	Regulation on the Kosovo Prosecutorial Council adopted	N/A	KPC		Q4 2020	N/A	12,996	0	12,996
3.23.14	Article 83	Regulation on the State Prosecutor adopted	N/A	KPC		Q4 2020	N/A	12,996	0	12,996
3.23.15	Article 83	Regulation on the performance evaluation of prosecutors adopted	N/A	KPC		Q4 2020	N/A	31,376	0	31,376
<b>3.23.</b>	<b>Anti-corruption policies</b>									
3.23.16	Articles 83 and 91	AI on Determination and procedure for receiving and handling whistleblowing cases adopted	N/A	MoJ	KACA OPM KPC MoF	Q3 2020	N/A	8,100	0	8,100
<b>3.23.</b>	<b>Fundamental rights</b>									
3.23.	No measures are foreseen in this section.									
<b>3.23</b>	<b>Protection of minorities and cultural heritage</b>									
3.23.	No measures are foreseen in this section.									
<b>3.23</b>	<b>Protection of personal data</b>									
3.23.	No measures are foreseen in this section.									
<b>3.24. Acquis Chapter 24: Justice, freedom and security</b>										
3.24.	<u>Framework legislation</u>									
<b>3.24.</b>	<b>Border management</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>Visas</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>Document Security</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>Asylum</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>Migration</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>Fight Against Money Laundering and the Financing of Terrorism</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>Fight Against Narcotics</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>Fight against organized crime and police cooperation</b>									
3.24.	No measures are foreseen in this section.									
3.24.1	Article 91	Draft-law on Cyber-security adopted	Directive 2013/40/EU of the European Parliament and of the Council of 12 August 2013 on attacks against information systems and replacing Council Framework Decision 2005/222/JHA.	MIA		Q3 2020	P	5,000	10,800	15,800

3.24.	<b>Fight Against Terrorism</b>											
3.24.	No measures are foreseen in this section.											
3.24.	<b>International Judicial cooperation in Criminal and Civil Matters</b>											
3.24.2	Article 83	Draft-law on International Judicial cooperation in Criminal Matters (Amendment) adopted	Directive 2014/41/EU of the European Parliament and of the Council of 3 April 2014 regarding the European Investigation Order in criminal matters.	MoJ	KJC KPC MIA MoF	Q4 2020	P	3,600	500	4,100		
3.24.3	Article 83	Law on Judicial cooperation in Civil and Criminal Matters adopted	Hague Choice of Court Convention ; Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (amendment); Regulation (EU) No 606/2013 of the European Parliament and of the Council of 12 June 2013 on mutual recognition of protection measures in civil matters; Council Regulation (EC) No 4/2009 of 18 December 2008 on jurisdiction, applicable law, recognition and enforcement of decisions and cooperation in matters relating to maintenance obligations; Regulation (EU) No 650/2012 of the European Parliament and of the Council of 4 July 2012 on jurisdiction, applicable law, recognition and enforcement of decisions and acceptance and enforcement of authentic instruments in matters of succession and on the creation of a European Certificate of Succession; Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings; Regulation (EC) No 1896/2006 of the European Parliament and of the Council of 12 December 2006 creating a European order for payment procedure; Regulation (EC) No 861/2007 of the European Parliament and of the Council of 11 July 2007 establishing a European Small Claims Procedure; Regulation (EC) No 805/2004 of the European Parliament and of the Council of 21 April 2004 creating a European Enforcement Order for uncontested claims; Regulation (EU) No 655/2014 of the	MoJ	KJC KPC MIA MoF	Q4 2020	P	3,600	1,000	4,600		

			European Parliament and of the Council of 15 May 2014 establishing a European Account Preservation Order procedure to facilitate cross-border debt recovery in civil and commercial matters; Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters; Regulation (EC) No 1393/2007 of the European Parliament and of the Council of 13 November 2007 on the service in the Member States of judicial and extrajudicial documents in civil or commercial matters (service of documents), and repealing Council Regulation (EC) No 1348/2000							
3.24.	<u>Bylaws and other regulatory acts</u>									
3.24.	<b>Border Management</b>									
3.24.4	Article 85	AI on measures and procedures for API and PNR data reception and use adopted	Directive (EU) 2016/681 of the European Parliament and of the Council of 27 April 2016 on the use of passenger name record (PNR) data for the prevention, detection, investigation and prosecution of terrorist offences and serious crime; and Directive 2004/82/EC of 29 April 2004 on the obligation of carriers to communicate passenger data	MIA		Q4 2020	P	5,200	0	5,200
3.24.	<b>Visas</b>									
3.24.5	Article 85	AI on Issuance of the Visas at the Border Crossing Points adopted	Regulation (EC) No. 810/2009 of the European Parliament and of the Council of 13 July 2009 establishing a Community Code on Visas	MIA		Q4 2020	P	5,200	0	5,200
3.24.	<b>Document Security</b>									
3.24.	No measures are foreseen in this section.									
3.24.	<b>Asylum</b>									
3.24.	No measures are foreseen in this section									
3.24.	<b>Migration</b>									
3.24.6	Articles 85, 86, 87 and 88	Regulation on the Reintegration of Repatriated Persons (Amendment) adopted	N/A	MIA		Q3 2020	N/A	5,000	0	5,000
3.24.7	Articles 85, 86, 87 and 88	AI amending AI No. 22/2013 on Visa Extension Terms and Procedures adopted	Regulation (EC) No. 810/2009 of the European Parliament and of the Council of 13 July 2009 establishing a Community Code on Visas	MIA		Q3 2020	P	5,000	0	5,000

3.24.8	Articles 85, 86, 87 and 88	AI on Refusal of Entry into the Republic of Kosovo adopted	Regulation (EC) No. 2016/399 of the European Parliament and of the Council of 15 March 2006 on the establishing a Community Code on the rules governing the movement of persons across borders (Schengen Borders Code) and Regulation (EC) No. 1987/2006 on the establishment, operation and use of the second generation Schengen Information System (SIS II)	MIA		Q3 2020	P	5,000	0	5,000
<b>3.24. Combating Money Laundering and Financing of Terrorism</b>										
3.24.	No measures are foreseen in this section.									
<b>3.24. Fight Against Narcotics</b>										
3.24.	No measures are foreseen in this section.									
<b>3.24. Fight Against Organized Crime and Police Cooperation</b>										
3.24.	No measures are foreseen in this section.									
<b>3.24. Fight Against Terrorism</b>										
3.24.	No measures are foreseen in this section.									
<b>3.24. International Judicial cooperation in Criminal and Civil Matters</b>										
3.24.	No measures are foreseen in this section.									
<b>3.25. Acquis Chapter 25: Science and Research</b>										
3.25.	<u>Framework legislation</u>									
3.25.	No measures are foreseen in this section.									
3.25.	<u>Bylaws and other regulatory acts</u>									
3.25.1	Article 107	AI on technology and knowledge transfer, and forms of technology transfer adopted	N/A	MES		Q3 2020	N/A	12,054	0	12,054
<b>3.26. Acquis Chapter 26: Education and Culture</b>										
3.26.	<u>Framework legislation</u>									
3.26.1	Article 118	Draft-law on Higher Education adopted	N/A	MES		Q4 2020	N/A	0	0	0
3.26.2	Article 118	Draft-law on Early Childhood Education 0-6 years old in the Republic of Kosovo (new draft-law) adopted	N/A	MES		Q4 2020	N/A	12,872	0	12,872
3.26.	<u>Bylaws and other regulatory acts</u>									
3.26.	No measures are foreseen in this section.									
<b>3.27. Acquis Chapter 27: Environment</b>										
3.27.	<u>Framework legislation</u>									
3.27.1	Articles 115, 116 and 117	Draft-law on Air Protection from Pollution (amendment) approved	Directive 2004/70/EC relating to arsenic, cadmium, mercury, nickel and polycyclic aromatic hydrocarbons in ambient air Directive 2001/81/EC on national emission ceilings for certain atmospheric pollutants Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance	MEE	MI MoH MoF	Q3 2020	P	5,940	0	5,940

			<p>trading within the Community and amending Council Directive 96/61/EC concerning integrated pollution prevention and control</p> <p>Directive 2004/101/EC amending Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community, in respect of the Kyoto Protocol's project mechanisms</p> <p>Directive 2008/101/EC amending Directive 2003/87/EC, establishing the scheme for greenhouse gas emission allowance trading within the Community</p> <p>Directive 2009/29/EC amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community</p> <p>Directive 2009/30/EC amending Directive 98/70/EC as regards the specification of petrol, diesel and gas-oil and introducing a mechanism to monitor and reduce greenhouse gas emissions and amending Council Directive 1999/32/EC as regards the specification of fuel used by inland waterway vessels and repealing Directive 93/12/EEC relating to the sulphur content of certain liquid fuels;</p> <p>Decision 406/2009/EC on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020</p> <p>Commission Decision No. 2011/278/EU determining transitional Union-wide rules for harmonised free allocation of emission allowances pursuant to Article 10 of Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community</p> <p>Regulation No. 1005/2009 on substances that deplete the ozone layer</p> <p>Regulation No 842/2006 of the European Parliament and of the Council on certain fluorinated greenhouse gases</p> <p>Council Decision No. 97/101/EU establishing a reciprocal exchange of</p>							
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			<p>information and data from networks and individual stations measuring ambient air pollution within the Member States  Council Decision No. 2001/752/EU amending the Annexes to Council Decision 97/101/EC exchanging information on the data on air pollution  Commission Decision No. 2004/224/EU laying down arrangements for the submission of information on plans or programmes required under Council Directive 96/62/EC in relation to limit values for certain pollutants in ambient air  Council Decision No. 2004/461/EU laying down a questionnaire to be used for annual reporting on ambient air quality assessment under Council Directives 96/62/EC and 1999/30/EC and under Directives 2000/69/EC and 2002/3/EC of the European Parliament and of the Council (has replaced Decision 2001/839/EU)  Decision No. 280/2004/EU of the European Parliament and of the Council concerning a mechanism for monitoring Community greenhouse gas emissions and for implementing the Kyoto Protocol  Commission Regulation (EU) No. 031/2010 on the determination, management and setting of greenhouse gas emission quotas under Directive 2003/87/EU establishing a scheme for greenhouse gas emission allowance trading within the Community.  Commission Decision No. 2007/589/EU through which decisions on monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC as amended by Commission Decision 2011/540/EU</p>							
3.27.2	Articles 115, 116 and 117	Draft-law on Integrated Prevention Pollution Control (amendment) approved	Directive No. 2010/75/EU (IED) on Industrial Emissions	MEE	MI MoF	Q3 2020	P	8,910	0	8,910
3.27.3	Articles 115, 116 and 117	Draft-law on Waters of Kosovo (amendment) approved	Framework Directive 2000/60/EC on waters; Directive 2007/60/EC of 23 October 2007 on the assessment and management of flood risks (Text with EEA relevance);	MEE	OPM MAFRD MI MoF	Q3 2020	P	8,910	0	8,910



			<p>Council Directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment as amended by Directive No. 98/15/EC and Regulations EC/1882/2003 and EC/1137/2008;</p> <p>Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources, as amended by Regulations EC/1882/2003 and EC/1137/2008;</p> <p>Directive 2006/118/EC of the European Parliament and of the Council of 12 December 2006 on the protection of groundwater against pollution and deterioration</p>							
3.27.4	Articles 115, 116 and 117	Draft-law on Forests (amendment) approved	<p>Regulation (EU) No 691/2011 of the European Parliament and of the Council of 6 July 2011 on European environmental economic accounts;</p> <p>Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market</p>	MAFRD	MEE MoF	Q4 2020	P	2,025	0	2,025
3.27.	<u>Bylaws and other regulatory acts</u>									
3.27.5	Articles 115, 116 and 117	AI on the Rules and Standards of the Discharges on Air by the Stationary Sources of Pollution (amendment) approved	Directive 2010/75/EU on industrial emissions	MEE	MTI MoH MoF MI	Q3 2020	P	8,910	0	8,910
3.27.6	Articles 115, 116 and 117	AI on Classification, Labelling and Packing of Hazardous Chemicals (amendment) approved	CLP Reach	MEE	MTI MoH MoF	Q4 2020	P	5,670	0	5,670
3.27.7	Articles 115, 116 and 117	AI on Waste Management Containing Asbestos (amendment) approved	Directive No. 87/217/EEC of the Council of Europe on the reduction of environmental pollution by asbestos	MEE	MTI MoH MoF	Q3 2020	P	3,780	0	3,780
3.27.8	Articles 115, 116 and 117	AI on manners, parameters and limit values of wastewater discharge into public sewage network and in the water body(amendment) approved	Directive No. 91/271/EEC concerning urban waste-water treatment	MEE	MTI MoH	Q3 2020	P	3,780	0	3,780
3.27.9	Articles 115, 116 and 117	AI on protected wild species and strictly protected fauna, adopted	Directive No.92/43/EEC	MEE	MAFRD	Q3 2020	P	3,780	0	3,780
<b>3.28. Acquis Chapter 28: Consumer and Health Protection</b>										

3.28.	<u>Framework Legislation</u>									
<b>3.28.</b>	<b>Consumer protection</b>									
3.28.	No measures are foreseen in this section.									
<b>3.28.</b>	<b>Public health protection</b>									
3.28.	No measures are foreseen in this section.									
<b>3.28.</b>	<u>Bylaws and other regulatory acts</u>									
<b>3.28.1</b>	<b>Consumer health</b>									
3.28.	No measures are foreseen in this section.									
<b>3.28.</b>	<b>Public health protection</b>									
3.28.1	Article 106	AI on combined remarks in packaging unit, adopted	Decision 2003/641/EC Decision C (2005) 1452 Decision C (2005) 1502 EU;	MoH	OPM	Q4 2020	P	20,000	0	20,000
3.28.2	Article 106	AI on good distribution practices approved	Directive 2001/83/EC on the Community Code relating to medicinal products for human use; Directive 2011/62 EC amending the Directive 2001/83/EC on the Community Code relating to medicinal products for human use to prevent the introduction into the legal supply network of counterfeit medicinal products / EEA relevant text	MoH	OPM	Q4 2020	P	20,000	0	20,000
<b>3.29. Acquis Chapter 29: Customs Union</b>										
3.29.	<u>Framework legislation</u>									
3.29.1	Articles 77 and 104	Kosovo Draft Customs and Excise Code (amendment) approved	Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 December 2013 laying down the Union Customs Code	MoF	KC TAK	Q4 2020	P	5,600	0	5,600
3.29.	<u>Bylaws and other regulatory acts</u>									
3.29.	No measures are foreseen in this section.									
<b>3.30. Acquis Chapter 30: External Relations</b>										
3.30.	<u>Framework legislation</u>									
3.30.1	Articles 11 - 15	Draft-law on External Trade, adopted	N/A	MTI	N/A	Q4 2020	N/A	0	0	0
3.30.2	Articles 11- 15	Draft-law on Ratification for Additional Protocol 5 to the Agreement on Amendment and Accession to the Central European Free Trade Agreement (CEFTA), approved	N/A	MTI	N/A	Q3 2020	N/A	0	0	0
3.30.	<u>Bylaws and other regulatory acts</u>									
3.30.	No measures are foreseen in this section.									
<b>3.31. Acquis Chapter 31: Foreign, Security and Defence Policy</b>										
3.31.	<u>Framework legislation</u>									
3.31.	No measures are foreseen in this section.									
3.31.	<u>Bylaws and other regulatory acts</u>									

3.31.	No measures are foreseen in this section.									
<b>3.32. Acquis Chapter 32: Financial Control</b>										
3.32.	<u>Framework legislation</u>									
3.32.	No measures are foreseen in this section.									
3.32.	<u>Bylaws and other regulatory acts</u>									
3.32.1	Article 97	AI on certification of IA (amendment) approved	Standards of the Institute of Internal Auditors and Code of Ethics	MoF	CHU	Q4 2020	P	5,358	0	5,358
<b>3.33. Acquis Chapter 33: Financial and Budgetary Provisions</b>										
3.33.	<u>Framework legislation</u>									
3.33.	No measures are foreseen in this section.									
3.33.	<u>Bylaws and other regulatory acts</u>									
3.33.	No measures are foreseen in this section.									
<b>3.34. Acquis Chapter 34: Institutions</b>										
3.34.	The Programme does not cover this chapter at this stage of EU accession.									
<b>3.35. Acquis Chapter 35: Other Issues</b>										
3.35.	The Programme does not cover this chapter at this stage of EU accession.									

**IMPLEMENTING MEASURES**

No.	SAA Provisions	Objectives	Indicators	Responsible Institutions	Supporting Institutions	Timeframe	Reference documents	Budget		
								BRK	Donors	Total
<b>1. BLOCK I: POLITICAL CRITERIA</b>										
<b>1.1. Democracy and Rule of Law</b>										
<b>1.1.1. Constitution, Parliament and Electoral System</b>										
1.1.1.	<u>Policy framework</u>									
1.1.1.	No measures are foreseen in this section.									
1.1.1.	<u>Institutional reforms and capacity-building</u>									
1.1.1.	No measures are foreseen in this section.									
1.1.1.	<u>Enforcement</u>									
1.1.1.	No measures are foreseen in this section.									
<b>1.1.2. Public Administration</b>										
1.1.2.	<u>Policy framework</u>									
1.1.2.6	Article 120	Continuation of institutional reforms and institutional capacity building in the area of public administration, with the aim of implementing the EU standards and principles for the PA	Concept-document on the Second and Third Wave of Rationalization of Independent Agencies and Institutions, adopted	MIA		Q3 2020		5,000	0	5,000
1.1.2.	No measures are foreseen in this section.									
1.1.2.	<u>Institutional reforms and capacity-building</u>									
1.1.2.7	Article 120	Continuation of institutional reforms and institutional capacity building in the area of public administration, with the aim of implementing the EU	SMPA Action Plan for the 2021 annual period drafted	MIA		Q4 2020		10,000	0	10,000

		standards and principles for the PA								
1.1.2.8	Article 120	Transparent, merit-based and non-political selection for all independent institutions, agencies, regulatory bodies and public companies	MoU between the Assembly, Government and United Kingdom implemented	OPM	MIA MEE Assembly MLG	Q4 2020		3,000	0	3,000
1.1.2.	<u>Enforcement</u>									
1.1.2.	No measures are foreseen in this section.									
<b>1.1.3. Ombudsperson</b>										
1.1.3.	<u>Policy framework</u>									
1.1.3.	No measures are foreseen in this section.									
1.1.3.	<u>Institutional reforms and capacity-building</u>									
1.1.3.	No measures are foreseen in this section.									
1.1.3.	<u>Enforcement</u>									
1.1.3.1	Articles 3, 4 and 7	Monitoring the implementation of Ombudsperson recommendations	Number of OI recommendations implemented by the responsible authorities, based on indicator 7.3.2 of the Sector Budget Contract for PAR	OPM		Q4 2020		30,000	20,000	50,000
1.1.3.2	Articles 3, 4 and 7	Monitoring the implementation of Ombudsperson recommendations	Number of responses received by the responsible authorities, based on indicator 7.3.2 of the Sector Budget Contract for PAR	OPM		Q4 2020		80,000	20,000	100,000
<b>1.1.4. Civilian Oversight of Security Forces</b>										
1.1.4.	<u>Policy framework</u>									
1.1.4.	No measures are foreseen in this section.									
1.1.4.	<u>Institutional reforms and capacity-building</u>									
1.1.4.	No measures are foreseen in this section.									
1.1.4.	<u>Enforcement</u>									
1.1.4.	No measures are foreseen in this section.									
<b>1.2. Regional Cooperation and International Obligations</b>										
1.2.	<u>Policy framework</u>									
1.2.	No measures are foreseen in this section.									
1.2.	<u>Institutional reforms and capacity-building</u>									
1.2.	No measures are foreseen in this section.									
1.2.	<u>Enforcement</u>									
1.2.	No measures are foreseen in this section.									
<b>2. BLOCK II: ECONOMIC CRITERIA</b>										
<b>2.1. Existence of a Functional Market Economy</b>										
2.1.	<u>Policy framework</u>									
2.1.1	Articles 25, 43, 75, 93, 94, 96, 98, 106, 107, 121, 123	Revision of the 2021 Action Plan of the PFMRS 2016-2020	Revised 2021 AP drafted	MoF	OPM MIA ZKA PPRC	Q4 2020	Economic Reform Programme	49,500	0	49,500
2.1.	<u>Institutional reforms and capacity-building</u>									
2.1.	No measures are foreseen in this section.									

2.1.	<b>Enforcement</b>									
2.1.2	Articles 1, 75, 93, 121,	Measures for economic recovery after Covid-19	Recovery Fund established as a separate budget line in the Law on Budget Appropriations for the Budget of the Republic of Kosovo	MoF		Q3 2020	Government Programme 2020-2023	0	0	0
2.1.3	Articles 39, 40, 70 and 105	Reduction of informal economy	Reduce cash transaction from EUR 500 to EUR 300 for businesses	MoF		Q4 2020	Economic Reform Programme	49,500	0	49,500
2.1.4	Articles 39, 40, 70 and 105	Reduction of informal economy	Introduce mandatory electronic payment for all salaries and wages of employees in all sectors, and employment, unemployment and social/health security payments for all Kosovo residents	MoF		Q4 2020	Economic Reform Programme	66,000	0	66,000
2.1.5	Articles 39, 40, 70 and 105	Reduction of informal economy	Inspection activities in the sector of construction, accommodation and stock control of goods in the trade sector, as a result of the implementation of Specific Compliance Plans for sectors with high level risk	MoF	TAK	Q4 2020	TAK Strategic Plan 2015-2020 TAK Annual Work Plan Conclusions of the SC on Trade, Industry, Customs and Taxation	114,986	0	114,986
<b>2.2. Capacity to Cope with Competitive Pressure and Market Forces within the Union</b>										
2.2.	<u>Policy framework</u>									
2.2.	No measures are foreseen in this section.									
2.2.	<u>Institutional reforms and capacity-building</u>									
2.2.	No measures are foreseen in this section.									
2.2.	<u>Enforcement</u>									
2.2.	No measures are foreseen in this section.									
<b>3. BLOCK III: EUROPEAN STANDARDS – APPROXIMATION OF KOSOVO’S LEGISLATION WITH THE EU ACQUIS</b>										
<b>3.0. Legal Framework on Approximation of Kosovo’s Legislation with the EU Acquis</b>										
3.0.	<u>Policy framework</u>									
3.0.1	Article 74	Coordinating the translation of EU acquis into official languages of Kosovo	Annual calendar of translation, drafted	OPM		Q3 2020		0	0	0
3.1.	<u>Institutional reforms and capacity-building</u>									
3.0.2	Article 74	Capacity building for approximation of the draft normative acts of Kosovo legislation with EU acquis for SAA implementation	At least 4 trainings cycles on legislation approximation, conducted	OPM	MIA	Q4 2020		5,000	0	5,000
3.0.3	Article 74	Digitalization of the process for approximation of draft normative acts of Kosovo legislation with the EU acquis for SAA implementation	Functionalization of the platform for approximation of the national legislation with the EU acquis	OPM		Q4 2020		20,000	30,000	50,000

3.0.	<u>Enforcement</u>									
3.0.4	Article 74	Control the approximation of draft normative acts of Kosovo legislation with the EU acquis for SAA implementation	At least 120 Opinions on Legal Compatibility (OLC) with the EU acquis issued.	OPM		Q4 2020		0	0	0
3.0.5	Article 74	Coordinating the translation of EU acquis into official languages of Kosovo	Translation, review, and certification of EU legal acts translated into official languages, adopted	OPM		Q4 2020		100,000	0	100,000
<b>3.1. Acquis Chapter 1: Free Movement of Goods</b>										
3.1.	<u>Policy framework</u>									
3.1.6	Article 80	Establishing policies on nonaligned area	Action Plan for the Non-Aligned Area (3436 TFEU), adopted	MTI	MEE MoH MIA MAFRD KFVA RAEPC	Q4 2020	Conclusions of the SC on Trade, Industry, Customs and Taxation	6,400	14,840	21,240
3.1.	<u>Institutional reforms and capacity-building</u>									
3.1.7	Articles 20, 80 and 74 point 3	Increasing administrative capacities of Metrology Agency of Kosovo	At least 1 officer recruited at the Metrology Agency of Kosovo	MTI		Q3 2020		10,800	0	10,800
3.1.8	Articles 20, 80 and 74 point 3	Implementation of adopted standards	Online system for the sale of standards, functionalised	MTI		Q4 2020		900	4,650	5,550
3.1.	<u>Enforcement</u>									
<b>3.2. Acquis Chapter 2: Freedom of Movement for Workers</b>										
3.2.	<u>Policy framework</u>									
3.2.1	Articles 79, paragraph 9	Initiation/negotiation of Bilateral Agreement on social insurance	Initiation of Bilateral Agreement with EU countries	MLSW	MPJD MoF OPM	Q4 2020		10,000	0	10,000
3.2.	<u>Institutional reforms and capacity-building</u>									
3.2.	No measures are foreseen in this section.									
3.2.	<u>Enforcement</u>									
3.2.	No measures are foreseen in this section.									
<b>3.3. Acquis Chapter 3: Right of Establishment and Freedom to Provide Services</b>										
3.3.	<u>Policy framework</u>									
3.3.	No measures are foreseen in this section									
3.3.	<u>Institutional reforms and institutional capacity building</u>									
3.3.	No measures are foreseen in this section									
3.3.	<u>Enforcement</u>									
3.3.	No measures are foreseen in this section									
<b>3.4. Acquis Chapter 4: Free Movement of Capital</b>										
3.4.	<u>Policy Framework</u>									
3.4.2	Article 89	Development of legislation in the area of combating money	Concept-document on amending the Law No. 05/LO96 on Prevention of Money	MoF		Q4 2020	Government Programme 2020-2023	5,840	0	5,840

		laundrying and financing of terrorism	Laundering and Combating Terrorist Financing							
3.4.	<u>Institutional reforms and institutional capacity building</u>									
3.4.	No measures are foreseen in this section									
3.4.	<u>Enforcement</u>									
3.4.	No measures are foreseen in this section									
<b>3.5. Acquis Chapter 5: Public Procurement</b>										
3.5.	<u>Policy Framework</u>									
3.5.2	Article 79	Concept-document on Law on Public Procurement with a view to improving public procurement policies adopted	Approval of the Concept-document on Law on Public Procurement	PPRC	PRB MoF	Q3 2020	Twinning Project Gap Analysis SC on Internal Market	1,300	0	1,300
3.5.	<u>Institutional reforms and institutional capacity building</u>									
3.5.3	Article 79	Completion of the PRB Board	Two members of the PRB Board appointed	PRB	Assembly	Q4 2020	SC on Internal Market	0	0	0
3.5.	<u>Enforcement</u>									
3.5.4	Article 79	Application of contract management module through e-procurement system	Implementation of up to 50% management of large value contracts signed through e-procurement system	PPRC	MoF	Q4 2020		25,000	0	25,000
<b>3.6. Acquis Chapter 6: Company Law</b>										
3.6.	<u>Policy Framework</u>									
3.6.4	Articles 51, points 1, 2 and 3	Corporate Governance Policy Development	Corporate Governance Code adopted	MTI		Q4 2020		3,500	6,150	9,650
3.6.	<u>Institutional reforms and institutional capacity building</u>									
3.6.	No measures are foreseen in this section									
3.6.	<u>Enforcement</u>									
3.6.	No measures are foreseen in this section									
<b>3.7. Acquis Chapter 7: Intellectual Property Law</b>										
3.7.	<u>Policy framework</u>									
3.7.6	Articles 77 and 78	Advancing the legislation in the area of copyright	Concept-document on copyright legislation adopted	MCYS		Q4 2020		0	0	0
3.7.7	Articles 77 and 78	Advancing the legislation in the area of copyright	Concept-document on the area of industrial property drafted	MTI	API	Q4 2020		33,850	0	33,850
3.7.	<u>Institutional reforms and institutional capacity building</u>									
3.7.	No measures are foreseen in this section									
3.7.	<u>Enforcement</u>									
3.7.8	Articles 77 and 78	Tariffs for cable operators for using the subject matter protected with the Law on Copyright	Determining tariff schemes for cable operators through mediation or intervention of the Government of Kosovo	MCYS		Q3 2020		6,800	0	6,800
<b>3.8. Acquis Chapter 8: Competition Policy</b>										
3.8.	<u>Policy framework</u>									
3.8.	<u>Competition</u>									

3.8.5	Articles 74 and 75	Drafting a Competition Policy Advocacy Action Plan	Action Plan adopted	KCA		Q3 2020		21,600	0	21,600
3.8.6	Articles 74 and 75	Developing advocacy activities	Conference on competition policy	KCA		Q4 2020		1,000	0	1,000
<b>3.8.</b>	<b>State Aid</b>									
3.8.	No measures are foreseen in this section									
3.8.	<u>Institutional reforms and institutional capacity building</u>									
<b>3.8.</b>	<b>Competition</b>									
3.8.	No measures are foreseen in this section									
<b>3.8.</b>	<b>State Aid</b>									
3.8.	No measures are foreseen in this section									
3.8.	<u>Enforcement</u>									
<b>3.8.</b>	<b>Competition</b>									
3.8.	No measures are foreseen in this section									
<b>3.8.</b>	<b>State Aid</b>									
3.8.	No measures are foreseen in this section									
<b>3.9. Acquis Chapter 9: Financial Services</b>										
3.9.	<u>Policy framework</u>									
3.9.	No measures are foreseen in this section									
3.9.	<u>Institutional reforms and institutional capacity building</u>									
3.9.	No measures are foreseen in this section									
3.9.	<u>Enforcement</u>									
3.9.	No measures are foreseen in this section									
<b>3.10. Acquis Chapter 10: Information Society and Media</b>										
3.10.	<u>Policy framework</u>									
3.10.	No measures are foreseen in this section									
3.10.	<u>Institutional reforms and institutional capacity building</u>									
3.10.	No measures are foreseen in this section									
3.10.	<u>Enforcement</u>									
3.10.10	Articles 109, 110 and 111	Extension of the broadband telecommunication infrastructure in uncovered areas through the KODE programme	High-Speed Broadband Infrastructure (in ten lots/rural areas defined), established	MEE	RAEPC	Q4 2020	Law on Electronic Communications Digital Agenda 2013-2020 Law on Ratification of the Financing Agreement between the Republic of Kosovo and the International Development Association for	2,700,000	0	2,700,000



the Digital Economy Project of Kosovo

							the Digital Economy Project of Kosovo			
<b>3.11. Acquis Chapter 11: Agriculture and Rural Development</b>										
3.11.	<u>Policy framework</u>									
3.11.4	Article 102	Improvement of agricultural land policies	Concept-document on agricultural land adopted	MAFRD	MEE AKM	Q3 2020	Strategy for the Consolidation of Agricultural Lands	150	0	150
3.11.5	Article 102	Improvement of land regulation policies	Concept-document on land regulation adopted	MAFRD	MEE AKM	Q4 2020	Strategy for the Consolidation of Agricultural Lands	4,500	0	4,500
3.11.6	Article 102	Improving policies for the organization of the Single Market	Concept-document on Organizing the Single Market adopted	MAFRD	MTI Dogana KFVA	Q4 2020	MAFRD 2020 Work Plan	4,500	0	4,500
3.11.	<u>Institutional reforms and institutional capacity building</u>									
3.11.	No measures are foreseen in this section									
3.11.	<u>Enforcement</u>									
3.11.	No measures are foreseen in this section									
<b>3.12. Acquis Chapter 12: Food Safety, Veterinary, and Phytosanitary Policy</b>										
3.12.	<u>Policy framework</u>									
3.12.5	Article 102	Improvement of public health and animal health protection	Strategy for the promotion of agri-food enterprises adopted	MAFRD	KFVA MoF	Q4 2020	Law on veterinary	6,600	0	6,600
3.12.	<u>Institutional reforms and institutional capacity building</u>									
3.12.	No measures are foreseen in this section									
3.12.	<u>Enforcement</u>									
3.12.	No measures are foreseen in this section									
<b>3.13. Acquis Chapter 13: Fisheries</b>										
3.13.	<u>Policy framework</u>									
3.13.	No measures are foreseen in this section.									
3.13.	<u>Institutional reforms and institutional capacity building</u>									
3.13.	No measures are foreseen in this section.									
3.13.	<u>Enforcement</u>									
3.13.	No measures are foreseen in this section.									
<b>3.14. Acquis Chapter 14: Transport Policy</b>										
3.14.	<u>Policy framework</u>									
3.14.13	Article 113	Drafting of strategic development policies in the transport sector	Multimodal Transport and Sector Strategy 20152025 and revised and approved action plan	MI		Q4 2020		10,300	0	10,300
3.14.	<u>Institutional reforms and institutional capacity building</u>									
3.14.	No measures are foreseen in this section.									
3.14.	<u>Enforcement</u>									
3.14.	No measures are foreseen in this section.									

<b>3.15. Acquis Chapter 15: Energy</b>										
3.15.	<u>Policy framework</u>									
3.15.5	Article 114	Further development of the energy policy aimed at implementation of SAA provision and transposed acquis	National Energy Efficiency Action Plan 2019-2021 adopted	MEE	MEE MoF ZrRE KOSTT	Q3 2020	Republic of Kosovo Energy Strategy 2017-2026	750	900	1,650
3.15.	<u>Institutional reforms and institutional capacity building</u>									
3.15.	No measures are foreseen in this section.									
3.15.	<u>Enforcement</u>									
3.15.6	Article 114	Implementation of energy efficiency measures by KEEF	The first Energy Efficiency investments, disbursed	FKEE	MEE MoF	Q4 2020	Law on Energy Efficiency	0	500,000	500,000
3.15.7	Article 114	Creation of preconditions for the functioning of the joint energy market with Albania	KOSTT as a selected shareholder of the single energy market,	KOSTT	MEE	Q3 2020	Republic of Kosovo Energy Strategy 2017-2026	413,741	0	413,741
<b>3.16. Acquis Chapter 16: Taxation</b>										
3.16.	<u>Policy framework</u>									
3.16.2	Articles 39, 40, 70 and 105	Initiating agreements on the elimination of double taxation on income and capital, fighting tax evasion and avoidance	Number of agreements initiated to eliminate double taxation on Income and Capital, Fighting Tax Evasion and avoidance, increased	MoF	TAK	Q4 2020	TAK Strategic Plan 2015-2020;	18,000	0	18,000
3.16.	<u>Institutional reforms and institutional capacity building</u>									
3.16.	No measures are foreseen in this section.									
3.16.	<u>Enforcement</u>									
3.16.3	Articles 39, 40, 70 and 105	Reduction of tax debt	Debt Collection Ratio to Total Debt Collected by end of 2019, increased	MoF	TAK	Q4 2020	TAK Strategic Plan 20152020; TAK Annual Work Plan; Conclusions of SC on Trade, Industry, Customs and Taxation	543,654	0	543,654
<b>3.17. Acquis Chapter 17: Economic and monetary Policy (refer to Block 2: Economic Criteria)</b>										
3.17.	<u>Policy framework</u>									
3.17.	No measures are foreseen in this section.									
3.17.	<u>Institutional reforms and institutional capacity building</u>									
3.17.	No measures are foreseen in this section.									
3.17.	<u>Enforcement</u>									
3.17.	No measures are foreseen in this section.									
<b>3.18. Acquis Chapter 18: Statistics</b>										
3.18.	<u>Policy framework</u>									
3.18.1	Article 95	Preparations for 2021 population and housing census	Concept-document on Population and Housing Census adopted	KAS	OPM	Q3 2020	Conclusions of SC on	17,500	0	17,500

							Economics, Finance and Statistics 2019			
3.18.2	Article 95	Monitoring the Action Plan from the Peer Review report for 2019	Report on implementation of recommendations from the "peer review" process, finalized	KAS	OPM	Q4 2020	Peer Review Report 2017	500	0	500
3.18.	<u>Institutional reforms and institutional capacity building</u>									
3.18.	No measures are foreseen in this section.									
3.18.	<u>Enforcement</u>									
3.18.	No measures are foreseen in this section.									
<b>3.19. Acquis Chapter 19: Social Policy and Employment</b>										
3.19.	<u>Policy framework</u>									
3.19.4	Articles 82 and 106	Advancement of employment policies	Concept-document on improvement of legislation in the area of occupational safety and health adopted	MLSW	OPM MoH MES MoF	Q3 2020		59,600	0	59,600
3.19.5	Articles 82 and 106	Taking measures to increase women's participation in the labour market	Increased number of women involved in active labour market measures compared to the previous year	EARK		Q4 2020	EARK Work Plan	3,600	0	3,600
3.19.6	Articles 82 and 106	Taking measures to increase youth participation in the labour market	Increased number of young people involved in active labour market measures compared to the previous year	EARK		Q4 2020	EARK Work Plan	900,000	0	900,000
3.19.	<u>Institutional reforms and institutional capacity building</u>									
3.19.7	Articles 82 and 106	Strengthening institutional capacity in the Labour Inspectorate	Number of inspectors increased	MLSW		Q4 2020	MoF Sector Strategy 2018-2022	90,000	0	90,000
3.19.	<u>Enforcement</u>									
3.19.	No measures are foreseen in this section.									
<b>3.20. Acquis Chapter 20: Enterprise and Industrial Policy</b>										
3.20.	<u>Policy framework</u>									
3.20.	No measures are foreseen in this section.									
3.20.	<u>Institutional reforms and institutional capacity building</u>									
3.20.	No measures are foreseen in this section.									
3.20.	<u>Enforcement</u>									
3.20.1	Articles 99 and 100	Functioning of SBA groups	At least 1 meeting held for each of the 12 working groups, and drawing conclusions from these meetings	MTI	MES	Q4 2020		7,500	0	7,500
<b>3.21. Acquis Chapter 21: Trans-European Networks</b>										
3.21.	<u>Policy framework</u>									
3.21.	No measures are foreseen in this section.									
3.21.	<u>Institutional reforms and institutional capacity building</u>									
3.21.	No measures are foreseen in this section.									
3.21.	<u>Enforcement</u>									
3.21.	No measures are foreseen in this section.									
<b>3.22. Acquis Chapter 22: Regional Policy and Coordination of Structural Instruments</b>										

3.22.	<b>Policy framework</b>									
3.22.2	Articles 121, 122, 123, 124 and 125	Programming and implementation of EU financial instruments	Trilateral Financial Agreement between the EU, Kosovo and North Macedonia for 2019 on the IPA II Cross-border Cooperation Programme between Kosovo and North Macedonia, approved	OPM	MFAD	Q4 2020		1,000	0	1,000
3.22.3	Articles 121, 122, 123, 124 and 125	Programming and implementation of EU financial instruments	Trilateral Financial Agreement between the EU, Kosovo and Montenegro for 2018 on the IPA II Cross-border Cooperation Programme between Kosovo and Montenegro, approved	OPM	MFAD	Q4 2020		1,000	0	1,000
3.22.4	Articles 121, 122, 123, 124 and 125	Programming and implementation of EU financial instruments	Trilateral Financial Agreement between the EU, Kosovo and Albania for 2018 on the IPA II Cross-Border Cooperation Programme between Kosovo and Albania, approved	OPM	MFAD	Q4 2020		1,000	0	1,000
3.22.	<b>Institutional reforms and institutional capacity building</b>									
3.22.	No measures are foreseen in this section.									
3.22.	<b>Enforcement</b>									
3.22.5	Articles 121, 122, 123, 124 and 125	Fulfilment of Kosovo's obligations regarding the Young Cell Scheme	Number of scholarship beneficiaries employed	OPM		Q4 2020	Government Programme 2020-2023	500,000	1,500,000	2,000,000
<b>3.23. Acquis Chapter 23: Judiciary and Fundamental Rights</b>										
3.23.	<b>Policy framework</b>									
3.23.	<b>Judicial System</b>									
3.23.17	Article 83	Functional Review of the Rule of Law Sector in order to identify and define strategic and development objectives for the rule of law increasing the effectiveness of law enforcement institutions	Rule of Law Sector Strategy adopted	MoJ	KJC KPC MIA OPM MoF KACA Assembly Office of the President	Q4 2020		281,000	0	281,000
3.23.	<b>Anticorruption Policy</b>									
3.23.18	Articles 83 and 91	Advancing the fight against corruption, as well as implementing key justice reforms	Anticorruption Strategy and Action Plan 2020-2025 adopted	KACA	Assembly OPM MoJ MoF MIA KJC KPC	Q3 2020		3,000	0	3,000
3.23.	<b>Fundamental Rights</b>									
3.23.19	Articles 3 and 4	Advancing the policy framework for protection and enforcement of human rights	Strategy and Action Plan for Human Rights in the Republic of Kosovo adopted	OPM	IAP MLG	Q4 2020	Law on Protection from Discrimination, LGE, Law on	13,000	6,000	19,000

							the Ombudsperson			
3.23.20	Articles 3 and 4	Improving the position of Roma and Ashkali communities through implementation of the Strategy and Action Plan for the Inclusion of Roma and Ashkali Communities in Kosovo's Society 2017-2021	Monitoring framework on the Strategy and Action Plan for the Inclusion of Roma and Ashkali Communities in Kosovo's Society 2017-2021 developed, and report on medium-term evaluation of implementation of the strategy drafted	OPM		Q4 2020	Strategy and Action Plan for the Inclusion of Roma and Ashkali Communities in Kosovo's Society 2017-2021	1,000	0	1,000
3.23.21	Articles 3 and 4	Review of the National Strategy for Protection against Domestic Violence and Action Plan	National Strategy for Protection against Domestic Violence and Action Plan adopted	MoJ	KPC MIA MES	Q4 2020	Law on Protection Against Domestic Violence	9,000	4,000	13,000
<b>3.23.</b>	<b>Protection of Minorities and Cultural Heritage</b>									
3.23.22	Articles 3 and 4	Advancing the legal framework and strategic documents for communities, returns and integration	Concept-document for support of community projects	MCR	OPM	Q3 2020	GWP 2020-2022	10,109	0	10,109
3.23.23	Articles 3 and 4	Advancing the legal framework and strategic documents for communities, returns and integration	Concept-document on the Law on Displaced Persons	MCR	OPM	Q3 2020	GWP 2020-2022	0	0	0
<b>3.23.</b>	<b>Protection of Personal Data</b>									
3.23.	No measures are foreseen in this section.									
3.23.	<u>Institutional reforms and institutional capacity building</u>									
<b>3.23.</b>	<b>Judicial system</b>									
3.23.24	Article 83	Further enhance the performance of the judicial and prosecutorial system	8 prosecutors recruited	IQC		Q4 2020		10,560	0	10,560
3.23.25	Article 83	Further enhance the performance of the judicial and prosecutorial system	3 judges in the Special Department of the Basic Court in Prishtina, and 6 judges in the Special Department of the Court of Appeals, recruited	KJC		Q4 2020		406,228	0	406,228
3.23.26	Article 83	Further strengthen the performance of the division for overseeing the legal profession	3 officers recruited in the Division for Supervision of Free Professions	MoJ		Q4 2020		21,600	0	21,600
<b>3.23.</b>	<b>Anti-corruption Policy</b>									
3.23.27	Article 83 and 91	Further enhancing the professional capacity of the SPRK, in particular increasing the number of Special Prosecutors investigating and	2 prosecutors promoted to the SPRK	KPC	KJC	Q4 2020		5,392	0	5,392

		prosecuting high-profile corruption cases								
<b>3.23.</b>	<b>Fundamental Rights</b>									
3.23.	No measures are foreseen in this section.									
<b>3.23.</b>	<b>Protection of Minorities and Cultural Heritage</b>									
3.23.	No measures are foreseen in this section.									
<b>3.23.</b>	<b>Protection of Personal Data</b>									
3.23.	<u>Enforcement</u>									
<b>3.23.</b>	<b>Judicial system</b>									
3.23.28	Article 83	A more efficient administration of the prosecutorial system and strengthening of the administration	1/3 of prosecutors and prosecution offices assessed	KPC		Q4 2020		39,539	0	39,539
3.23.29	Article 83	A more efficient administration of the judicial system and strengthening of the administration	1/3 of judges assessed	KJC		Q4 2020		23,840	0	23,840
3.23.30	Article 83	Further upgrade of the case management electronic system	Expanding the implementation of the System (CMIS) in all regions of the courts, including civil and criminal matters	KJC		Q4 2020		204,800	0	204,800
<b>3.23.</b>	<b>Anticorruption Policies</b>									
3.23.	No measures are foreseen in this section.									
<b>3.23.</b>	<b>Fundamental Rights</b>									
3.23.	No measures are foreseen in this section.									
<b>3.23.</b>	<b>Protection of Minorities and Cultural Heritage</b>									
3.23.31	Articles 3 and 4	Provide return opportunities to displaced persons	Database for the number and location of returnees and displaced, created	MCR	Municipalities	Q4 2020	Regulation No. 01/2018 on the Return of Displaced Persons and Durable Solutions	53,699	0	53,699
3.23.32	Articles 3 and 4	Closure of collective centres	5 collective centres in the municipality of Shterpce, closed	MCR	Municipality of Leposavic Municipality of Zvecan Municipality of Gracanica	Q4 2020	Regulation No. 01/2018 on the Return of Displaced Persons and Durable Solutions	240,438	1,400,000	1,640,438
<b>3.23.</b>	<b>Protection of Personal Data</b>									
3.23.	No measures are foreseen in this section.									
<b>3.24. Acquis Chapter 24: Justice, Freedom and Security</b>										
3.24.	<u>Policy framework</u>									
<b>3.24.</b>	<b>Border Management</b>									

3.24.9	Article 85	Further improvement of the policy framework in the area of border management with the purpose of implementing the SAA provisions and approximated legislation	NBMC development plan revised	MIA	MoF OPM	Q3 2020	GWP 2020-2022, Conclusions of the SC JFS	5,000	0	5,000
<b>3.24.</b>	<b>Visas</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>Document Security</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>Asylum</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>Migration</b>									
3.24.10	Articles 85, 86, 87 and 88	Further improvement of the policy framework in the area of migration with the purpose of implementing the SAA provisions and approximated legislation	Response plan in case of influx of migrants and refugees updated and approved.	MIA		Q4 2020	GWP 2020-2022	12,500	13,600	26,100
<b>3.24.</b>	<b>Combating Money Laundering and Financing of Terrorism</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>Fight Against Narcotics</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>Fight Against Organized Crime and Police Cooperation</b>									
3.24.11	Article 91	Further improvement of the policy framework in the area of Fight Against Organized Crime, with the purpose of implementing the SAA provisions and approximated legislation	Concept-document on establishment of the confiscation fund, drafted	MoJ	MoF MIA KJC KPC	Q4 2020	PPQ 2020-2022	5,000	1,000	6,000
3.24.12	Article 91	Further improvement of the policy framework in the area of Fight Against Organized Crime, with the purpose of implementing the SAA provisions and approximated legislation	Concept-document on crime victim compensation adopted	MoJ	MIA KJC KPC MLSW	Q3 2020	GWP 2020-2022, Law on Crime Victim Compensation	10,800	1,000	11,800
3.24.13	Article 91	Improving policy framework in the area of cyber security	National Cyber Security Strategy 2020-2024 adopted by the Government	MIA		Q4 2020	GWP 2020-2022	15,000	10,800	25,800
<b>3.24.</b>	<b>Fight Against Terrorism</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>International Judicial cooperation in Criminal and Civil Matters</b>									
3.24.	No measures are foreseen in this section.									
<b>3.24.</b>	<b>Institutional reforms and institutional capacity building</b>									

<b>3.24.</b>	<b>Border Management</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Visas</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Document Security</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Asylum</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Migration</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Fight Against Money Laundering and Terrorist Financing</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Fight Against Narcotics</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Fight Against Organized Crime and Police Cooperation</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Fight Against Terrorism</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>International Judicial cooperation in Criminal and Civil Matter</b>			
3.24.	No measures are foreseen in this section.			
3.24.	<u>Enforcement</u>			
<b>3.24.</b>	<b>Border Management</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Visas</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Document Security</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Asylum</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Migration</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Combating Money Laundering and Terrorist Financing</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Fight Against Narcotics</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Fight Against Organized Crime and Police Cooperation</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>Fight Against Terrorism</b>			
3.24.	No measures are foreseen in this section.			
<b>3.24.</b>	<b>International Judicial cooperation in Criminal and Civil Matters</b>			
3.24.	No measures are foreseen in this section.			
<b>3.25. Acquis Chapter 25: Science and Research</b>				
3.25.	<u>Policy framework</u>			
3.25.	No measures are foreseen in this section.			



3.25.	<u>Institutional reforms and capacity-building</u>									
3.25.	No measures are foreseen in this section.									
3.25.	<u>Enforcement</u>									
3.25.	No measures are foreseen in this section.									
<b>3.26. Acquis Chapter 26: Education and Culture</b>										
3.26.	<u>Policy framework</u>									
3.26.	No measures are foreseen in this section.									
3.26.	<u>Institutional reforms and capacity-building</u>									
3.26.	No measures are foreseen in this section.									
3.26.	<u>Enforcement</u>									
3.26.	No measures are foreseen in this section.									
<b>3.27. Acquis Chapter 27: Environment</b>										
3.27.	<u>Policy framework</u>									
3.27.10	Articles 115, 116 and 117	Improving waste management system in Kosovo	Strategy and Action Plan on Climate Change 2020-2028 adopted	MEE	OPM MI MoF	Q3 2020	Strategy of the Republic of Kosovo for Waste Management 2013-2022	1,080	0	1,080
3.27.11	Articles 115, 116 and 117	Improving water policies	Action Plan 2020 2022 on the Implementation of Kosovo National Water Strategy 2017-2036 adopted	MEE	OPM MI MoF MoH MLG MAFRD MIA	Q4 2020	Kosovo National Water Strategy 2017-2036	14,850	0	14,850
3.27.12	Articles 115, 116 and 117	Improving policies in the area of climate change	Concept-document on climate change adopted	MEE	OPM MI MoF MAFRD	Q3 2020	Law on Environmental Protection, Climate Change Strategy 2014-2024	4,455	0	4,455
3.27.	<u>Institutional reforms and capacity-building</u>									
3.27.	No measures are foreseen in this section.									
3.27.	<u>Enforcement</u>									
3.27.13	Articles 115, 116 and 117	Improving and maintaining the national air quality monitoring network	12 stations for monitoring of air quality, serviced	MEE		Q4 2020	Law on Air Protection from Pollution	152,160	0	152,160
3.27.14	Articles 115, 116 and 117	Launching of the national air quality portal in Kosovo	National air quality portal prepared and accessible to the public	MEE	MIA	Q4 2020	Law on Air Protection from Pollution	2,160	15,000	17,160
3.27.15	Articles 115, 116 and 117	Improving urban wastewater management	Agglomerations in the "Drini i Bardhë" River Basin identified	MEE	MI MAFRD	Q4 2020	Kosovo National Water Strategy 2017-2036	2,700	25,000	27,700

					MoF MoH MLG					
3.27.16	Articles 115, 116 and 117	Improving urban wastewater management	Sensitive areas as defined in the Urban Wastewater Treatment Directive	MEE	MI MAFRD MoF MoH MLG	Q4 2020	Kosovo National Water Strategy 2017-2036	2,700	25,000	27,700
3.27.17	Articles 115, 116 and 117	Improving urban wastewater management	Twelve (12) new groundwater monitoring wells, functionalized	MEE	MI MAFRD MoF MoH	Q4 2020	Kosovo National Water Strategy 2017-2037	540	65,000	65,540
3.27.18	Articles 115, 116 and 117	Monitoring of the status of hazardous waste inventoried in former industrial facilities	Re-packaging of hazardous waste, inventoried	MEE		Q4 2020	Law on Waste	1,080	0	1,080
3.27.19	Articles 115, 116 and 117	Banning illegal use of water resources	Number of bans for illegal users and measures taken	MEE		Q4 2020		4,860	0	4,860
3.27.20	Articles 115, 116 and 117	Monitoring illegal constructions in protected areas in National Parks	Number of bans on illegal construction in Prevala, Brezovica and Dragash	MEE	MLG	Q4 2020		4,860	0	4,860
<b>3.28. Acquis Chapter 28: Public Health and Consumer Protection</b>										
3.28.	<u>Policy framework</u>									
3.28.	<b>Consumer Protection</b>									
3.28.3	Article 81	Enhancing policies in the area of consumer protection	Concept-document on Alternative Dispute Settlement adopted	MTI		Q4 2020	Government Programme 2020-2023	5,400	4,650	10,050
3.28.	<b>Public Health Protection</b>									
3.28.4	Article 106	Policy development in the area of public health	Concept-document on communicable diseases adopted	MoH	OPM MoF	Q4 2020	Government Programme 2020-2023 Health Sector Strategy 2017-2021	10,000	0	10,000
3.28.	<u>Institutional reforms and capacity-building</u>									
3.28.	<b>Consumer Protection</b>									
3.28.5	Article 81	Improving policy framework in the area of consumer protection	Consumer Protection Programme 2021-2025 adopted	MTI		Q4 2020		13,500	6,650	20,150
3.28.	<b>Public Health Protection</b>									
3.28.	No measures are foreseen in this section.									
3.28.	<u>Enforcement</u>									
3.28.	<b>Consumer Protection</b>									
3.28.	No measures are foreseen in this section.									
3.28.	<b>Public Health Protection</b>									
3.28.	No measures are foreseen in this section.									

<b>3.29. Acquis Chapter 29: Customs Union</b>										
3.29.	<u>Policy framework</u>									
3.29.	No measures are foreseen in this section.									
3.29.	<u>Institutional reforms and capacity-building</u>									
3.29.	No measures are foreseen in this section.									
3.29.	<u>Enforcement</u>									
3.29.	No measures are foreseen in this section.									
<b>3.30. Acquis Chapter 30: External Relations</b>										
3.30.	<u>Policy framework</u>									
3.30.	No measures are foreseen in this section.									
3.30.	<u>Institutional reforms and capacity-building</u>									
3.30.	No measures are foreseen in this section.									
3.30.	<u>Enforcement</u>									
3.30.	No measures are foreseen in this section.									
<b>3.31. Acquis Chapter 31: Foreign, Security and Defence Policy</b>										
3.31.	<u>Policy framework</u>									
3.31.	No measures are foreseen in this section.									
3.31.	<u>Institutional reforms and capacity-building</u>									
3.31.	No measures are foreseen in this section.									
3.31.	<u>Enforcement</u>									
3.31.	No measures are foreseen in this section.									
<b>3.32. Acquis Chapter 32: Financial Control</b>										
3.32.	<u>Policy framework</u>									
3.32.	No measures are foreseen in this section.									
3.32.	<u>Institutional reforms and capacity-building</u>									
3.32.	No measures are foreseen in this section.									
3.32.	<u>Enforcement</u>									
3.32.2	Article 97	Monitoring implementation of external audit recommendations	Budget Organizations' Action Plans, required by law, on implementation of External Audit Recommendations monitored	NAO	Assembly	Q4 2020	Conclusions of the SC on Economy, Financial Issues and Statistics 2019	81,000	0	81,000
<b>3.33. Acquis Chapter 33: Financial and Budgetary Provisions</b>										
3.33.	<u>Policy framework</u>									
3.33.	No measures are foreseen in this section.									
3.33.	<u>Institutional reforms and capacity-building</u>									
3.33.	No measures are foreseen in this section.									
3.33.	<u>Enforcement</u>									
3.33.	No measures are foreseen in this section.									
<b>3.34. Acquis Chapter 34: Institutions</b>										
3.34.	The Programme does not cover this chapter at this stage of EU accession.									
<b>3.35. Acquis Chapter 35: Other Issues</b>										
3.35.	The Programme does not cover this chapter at this stage of EU accession.									
<b>Total (budget)</b>								<b>08,183,154</b>	<b>3,812,640</b>	<b>11,995,794</b>

