

**FIFTH MEETING OF THE KOSOVO SAP TRACKING MECHANISM - STM**  
**Brussels, 17 September 2004**

The fifth meeting of the Kosovo Stabilisation and Association Tracking Mechanism took place in Brussels on 17 September 2004. The agenda was based on the European Partnership. The discussions drew on the findings of preparatory sector group meetings.

**THE EUROPEAN PARTNERSHIP AND THE FOLLOW-UP TO THE THESSALONIKI AGENDA**

As regards the **Action Plan on European Partnership**, the Commission encouraged Kosovo authorities to go ahead with its preparation and to transmit a first draft soon so that the final version of the document could be ready at the latest by the next STM. In this regard, the Commission confirmed its offer to provide advice to Kosovo authorities on how to prepare the implementation plan.

As regards **TAIEX**, the Commission noted that the participation of the Kosovo officials in the TAIEX seminars in Brussels is now proceeding smoothly. The Commission stressed the importance of the participation of operational level officials from both the central and local administration. The commission encouraged the dissemination of the expertise acquired through TAIEX seminars within the Kosovo administration. Moreover, the Commission invited Kosovo authorities to start defining the areas and issues in which TAIEX support may in future be most useful as a complement to other EC assistance tools.

Concerning the **Community programmes**, the Commission encouraged Kosovo authorities to use the EU assistance available to prepare participation in a selected number of programmes and develop the necessary administrative capacity. In addition, based on the experience of the TEMPUS programme, the Commission encouraged Kosovo to continue to look into the possibility to participate in other “international programmes” like YOUTH that are entirely funded by the EU.

The Commission reiterated its full support to the participation of Kosovo in the **regional initiatives**, notably in the areas of Regional Energy Market and SEE Transport Network. In particular, the Commission took note of Kosovo concern about the obstacles to its participation in the electricity Transmission System Operators.

Concerning **Free Trade Agreements**, the Commission recalled that trade liberalisation is an integral part of the SAP policy and that FTAs should be concluded with countries with which there is significant trade. The Commission welcomed the efforts made towards the signature of the FTA between the former Yugoslav Republic of Macedonia and Kosovo. As regards the FTA with Albania which was signed in 2003, the Commission encouraged UNMIK to officially publish the text of the agreement.

## STANDARDS FOR KOSOVO

Kosovo authorities gave an update on the process of implementation of the Kosovo Standards. The PISG reiterated their commitment to the standards implementation and indicated that, in this respect, they are drawing on the methodology used for the STM.

UNMIK announced that STM and Standards teams in UNMIK will be brought closer together with a view [to share assessments of the standards process with the Commission and] to reflect the EU angle; UNMIK suggested STM meetings to take place in mid-term between UNMIK's quarterly assessments of the Standards.

The Commission welcomed UNMIK's proposals as a way to further strengthening the mutually reinforcing nature of the STM and Standard process. The Commission confirmed that through the STM the Commission would fully support the Standards process.

The Commission underlined the excellent co-operation with the services in charge of the STM within the Prime Minister's Office and UNMIK. It stressed the importance that, in both cases, their expertise is not lost and they get resources that are adequate to cope with their increasing tasks.

## DEMOCRACY, RULE OF LAW, MINORITY COMMUNITIES

### - **Steps to overcome the consequences and address the causes of the March 2004 events**

Kosovo authorities stressed that the **reconstruction** programme has picked up pace and appears to be on target for completion of refurbishment/rebuilding of all damaged properties by end November 2004. According to Kosovo authorities, 50% of the March IDPs have come back to their houses.

The Commission took note of the progress made in the reconstruction process and stressed the importance that people are given the effective possibility to come back home. In this regard, it welcomed the Government decision to go ahead with provision of **start-up assistance necessary to furnish reconstructed houses** and with the reconstruction of secondary buildings.

As regards **historic and religious sites**, the Commission stressed its readiness to contribute through EU assistance to the restoration process. Kosovo authorities referred to the work done under the auspices of the Council of Europe.

As regards the commitment to **bring those responsible of the March violence to justice**, UNMIK gave an update on the measures taken so far. In the area of security, UNMIK indicated that KFOR and UNMIK itself are now better equipped and prepared to prevent and repress violence. The Kosovo Police Service has now an anti-riot capacity. A security advisory committee has been established, but Kosovo Serbs have so far not participated despite the fact that this mechanism is in their interest.

- **Minority communities**

PISG recalled the 14 July 2004 Joint Declaration asking UNMIK to consolidate the various structures dealing with returns in a new ministry.

UNMIK confirmed the need for the establishment of a **ministry for returns** in the next government. It indicated that, also as a consequence of the March events, the rate of returns remains at a very unsatisfactory level and it underlined that cooperation varies considerably among municipalities. The SRSG informed that it envisages taking measures against those municipal administrations that obstruct returns. UNMIK stressed that much more needs to be done to facilitate the employment for minority communities' members.

The Commission welcomed PISG investment of substantial Kosovo budget funds in the returns process and stressed the importance of continued engagement by Kosovo leaders at all levels in outreaching minority communities. The Commission stressed that municipalities have a very important role to play and that international assistance to municipalities should be provided according to the performance.

- **Local Self-Government**

Kosovo authorities indicated that good work has been done on the basis of Council of Europe report. The legislation on local self-government will need to be passed by the new Parliament. There is a need to go ahead with pilot projects but the participation of Kosovo Serbs is key for the success of this initiative and to address the issue of parallel structures. Kosovo authorities stressed that, while being open to suggestions coming from various interlocutors notably Belgrade, the decentralisation plan will need to be developed in Pristina and will have to be based on citizens' needs not on territorial issues.

The Commission welcomed the idea of pilot projects and expressed its readiness to provide assistance once the pilot projects are identified.

- **EU compatibility**

PISG updated on the establishment of the European Integration Office within the Prime Minister Office and indicated that this Office should count on 10 staff by the end of 2004.

The Commission welcomed this measure and expressed its confidence that this new Office - in partnership with the European Office in UNMIK, the Commission and the Personal Representative of High Representative Solana - will play a leading role in promoting the integration of the European perspective into all policies. To this end, it encouraged the authorities to ensure the adequate resources and the necessary continued political support for the European Integration Office.

The Commission explained that EU compatibility is a process of gradual approximation which needs to be ensured throughout the entire legal system (including legal acts that are under reserved areas), having in mind the importance of effective and realistic implementation. The Commission stressed that, eventually, the

consistency with EU policies and rules should be checked by local experts. To build this administrative capacity over time, the Commission encouraged Kosovo to take full advantage of EU assistance, including TAIEX. It also recalled the importance that compatibility with EU policies and rules is duly taken into account by international donors.

The Commission drew Kosovo authorities' attention to the issue of the new **public procurement** legislation that has been introduced in Kosovo. It urged the authorities to review this legislation in order to improve the compatibility with the EU acquis while making sure that it can be effectively implemented and enforced by the administration.

## **ENVIRONMENT**

PISG underlined that Kosovo had been unable to give adequate attention to the environment in the post-war period. On the positive side, it pointed to the establishment of the Ministry of Environment and Spatial Planning and the environmental framework law, which was adopted in 2003 on the basis of relevant international conventions. However, it indicated that due to a number of problems, in particular the lack of adequate resources, implementation will take time. Moreover, the Ministry stated that the lack of status determination is an obstacle to access to international conventions. The Ministry of environment underlined that it is now drawing a Kosovo-wide plan so that economic development and environmental protection go hand in hand.

The Commission stressed the need to find the right balance between environmental requirements and economic needs. The level of expenditure on environmental protection and the political priority given to this issue is inadequate. It pointed out that present inaction in the environmental field is costly notably in terms of impact on public health. It indicated that there are ways of increasing environmental protection that are not expensive. This is possible in particular through integration of environmental concerns into other policies. The Commission invited the authorities to strongly link the Kosovo environment plan with the acquis and to insert mid-term benchmarks. It also encouraged use of EU assistance, including TAIEX, to address the lack of expertise. Finally, it recalled the regional dimension of environmental problems and the need for regional co-operation underlining the importance of Kosovo participation in the Regional Environmental Reconstruction Programme.

## **ECONOMY**

The Commission underlined the importance that it attaches to economic issues as Kosovo's economic outlook remains a source of concern. It stressed that there is a strong need for the Provisional Institutions to work together with UNMIK to make concrete progress on key economic reforms.

In this respect, Kosovo authorities presented the recently published policy paper on a Kosovo Development Plan in the context of the Economic Strategy and Project Identification Group (ESPIG). The Commission welcomed this initiative and stressed that achieving the objectives of this initiative would require continued cooperation

amongst the various PISG ministries as well as taking duly into account the needs of minority communities. The Commission expressed its confidence that next government would continue to fully support the work of ESPIG.

PISG underlined its commitment to safeguard macro-economic stability and promote growth. In particular, it presented the measures undertaken to improve the budgetary process and the efforts towards the establishment of a medium-term economic framework.

As regards privatisation of Socially Owned Enterprises, PISG reiterated its concerns about the pace at which this process is proceeding. UNMIK indicated that it would not be possible to have one wave of privatisation per month because of the need to proceed to status determination and to the analyses of the bids. Nevertheless, lessons learnt from previous status determinations are expected to speed up the process, while at the end of the process there may be some cases failing indeed the status determination test. KTA indicated that SOEs representing 90% of the total asset value of SOEs could be privatised by the end of 2005. Therefore, transfer of competence could take place at the end of next year.

As regards Publicly Owned Enterprises, Kosovo Trust Agency expressed the hope that that incorporation process could be completed by the end of 2005 and that the governing structures in the POEs could be established already by the end of 2004. The Commission emphasized the importance of incorporation as a crucial preliminary step in the process on POEs restructuring.

While taking note of the recent developments, the Commission expressed its concern about the sustainability of the public expenditure and stressed the importance of the medium-term economic framework. As regards privatisation, the Commission urged Kosovo authorities to go ahead with this process. It was agreed to table for a next STM meeting a discussion on the energy sector as well as possibly on the scope for public-private partnerships.

## **STATISTICS**

PISG stressed the strong need for reliable statistical data. The Statistical Office of Kosovo (SOK) underlined the efforts accomplished in this sector notably on the established network and trust of data suppliers and statistics users. It recalled, however, the challenges to which SOK is confronted in terms of staff due to its very tight budgetary constraints. Both UNMIK and PISG stressed the need for a census as the last census which was held under Milosevic regime was largely boycotted in Kosovo. PISG continued by stating that the law on census has been adopted by Kosovo Assembly and is expected to be promulgated by the SRSG after the Kosovo Assembly elections. Carrying out the census will require significant financial and technical support.

The Commission took note of the efforts accomplished in this sector under the existing constraints. It stressed the need for significant progress notably by taking into account the importance of statistical data for the development of the ESPIG. To accommodate for this, a census and the daily activities of the office, it is very important that SOK defines its own long-term plan and that all the stakeholders participate in the overall process related to statistical data. In this respect, the commission welcomed SOK's initiative to hold a first inter-ministerial meeting on statistics. As regards the census, the Commission stressed the importance of SOK

getting an overview of its resources and tasks and thereafter develop the necessary capacity.

#### **FOLLOW-UP**

Both sides agreed that the agenda of next STM meeting will continue to be defined on the basis of the European Partnership and by taking into account the needs related to the Standards implementation process.