

SIXTH MEETING OF THE KOSOVO SAP TRACKING MECHANISM - STM
Pristina, Kosovo, 16 February 2005

The sixth STM meeting was held in Pristina, Kosovo, on the 16th February 2006. It was the first meeting with the newly elected government. The Commission expressed the wish that the constructive and fruitful cooperation established with the previous government continues also with the new one. It recalled that the visit of the Commissioner for Enlargement Olli Rehn to Pristina in January 2005 reconfirmed the commitment of the Commission to Kosovo's progress towards the European Union. The importance that the EU attaches to Kosovo is also expressed by the fact that the meeting was attended by all EU actors in Pristina.

For the first time specific sector workshops on energy and economy were organised on the margin of the STM main meeting. The practice proved successful and will be adopted in the future.

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

The Action Plan on the European Partnership

The Commission thanked the SRSG and Kosovo authorities for having adopted an Action Plan, as a response to the recommendations issued in the EU Partnership for Kosovo. This demonstrates Kosovo's engagement to the implementation of the Thessaloniki agenda as a means to progress towards EU approximation. As the experience of new EU Member States shows, the Action Plan can be a successful tool to forge governmental consensus and reinforce inter-ministerial coordination across the entire administration.

The Action Plan is a living document which will need to be continuously improved. The Commission stressed the need that the financial and budgetary aspects for the implementation of the Plan are duly taken into account in future revisions and that the Plan is integrated in the domestic budget process. The realistic assessment of the financial needs will help the Commission and other international donors to further target their assistance. The Commission will provide technical comments in writing.

EU compatibility of legislation

EU compatibility of legislation should be ensured in all cases in both reserved and transferred areas of competence. Nevertheless, adopted legislation and reforms should be practical and workable. Kosovo should take advantage of the assistance provided by the European Agency for Reconstruction (EAR), the EU Member States and the EU experts of UNMIK Pillar IV.

The Assembly Presidency and Secretariat will need to provide greater support and involvement to ensure the implementation of reforms proposed by the EC-funded consortium (comprising the French *Assemblée Nationale*, the German *Bundestag*, the Belgian *Chambre des Représentants* and the *Institut International de Paris la Défense*). The Assembly should make quicker progress for the adoption of the consortium's proposals on the rules of procedure and the establishment of a Council for Legislation.

The Commission will seek to address the administrative difficulties Kosovo officials are experiencing to participate in TAIEX seminars.

The Government need to address the compatibility check of legislation with EU standards. Consideration should be given to restarting the standardisation cell within the Office for Legal Support Services (OLSS) of the Prime Minister's Office (PMO).

Public Procurement Law

The Commission expressed satisfaction that the new government has committed itself to amend the law in priority since the new public procurement legislation is not fully EU compatible and it is very complicated and difficult to apply. The EAR is ready to help, but the PISG need first to reach consensus on a new simplified and EU compatible institutional framework for this law taking into account best international practice.

Media Law

The Commission expressed concern about the government's intentions to commission an overarching draft law on Media, as this could be interpreted as an intervention in freedom of expression and therefore as a step away from best European practises. The Commission encourages the Kosovo institutions to concentrate on the achievement of the priority Standards. In particular:

- The draft law to establish an Independent Media Commission (IMC) - currently with the Assembly - which still requires revisions to make it accord with best European practices.
- The drafting of the law on Public Broadcasting to make sure that the law is in agreement with European standards from the outset.

Census Law

The Commission welcomed the publication of the census law and the PISG and UNMIK engagement in the preparation of a population census in Kosovo. It is important that this exercise be carried out in full respect of European and international standards. The Commission expressed concern that the date initially fixed for the census is too tight. The calendar and preparatory steps for the census should be reviewed to ensure that they are realistic and achievable.

The human and financial capacity of the Statistical Office of Kosovo (SOK) will need to be vastly reinforced in preparation for the census. It is expected that the action plan to implement the *draft census project document* that will be presented in March takes into account the SOK shortcomings.

The PISG needs to ensure that the on-going EC and EU Member States assistance to SOK - including the development of sustainable national accounts, which is part of the Kosovo Standards and crucial for improving economic planning - is not eroded by increased focus on the census. At the end of February, EUROSTAT will visit Pristina to review our possible assistance in this area.

Regional Initiatives

Regional Energy Market

Kosovo is expected to sign the Energy Community Treaty as adhering party. It is expected that the Treaty will be signed in July and will enter into force in the beginning of 2006 depending on the pace of ratification by the signatories. The importance of the Energy Community Treaty is enormous. It will create a big energy

market in South East Europe where European rules and standards will apply. It is expected to facilitate and encourage IFIs and private investors' investment. It will also contribute to the rationalisation of the market through enhanced exchanges, trust and solidarity.

UNMIK will continue its efforts to ensure appropriate Kosovo participation in the South East Europe Transmission System Operators. The Commission will support these efforts with the European Transmission Systems Operators and other Balkan countries.

SEE Transport Network

Kosovo participates in the development of the SEE Core Transport network and its interconnection to the Trans European network. After the establishment of the Steering Committee - the "Board" of the initiative - and the South East Europe Transport Observatory (SEETO) and the appointment of the members of the Committee, the Commission will convene an inaugural meeting very soon, probably in March.

Free Trade Agreements (FTA)

The Commission encouraged Kosovo to continue working constructively towards the signature of a FTA with the Former Yugoslav Republic of Macedonia (FYROM) in order to replace the existing one between FYROM and ex-FRY. The new FTA should update, clarify and improve trade relations between the two regional partners and send one more signal for the need to promote regional cooperation. The Commission will pass the same message to the FYROM authorities requesting their constructive involvement.

UNMIK promised to publish the text of the FTA between Kosovo and Albania as soon as possible.

European Charter for Small Enterprises

The Commission proposed that the next spring annual meeting of the national coordinators of the European Charter for Small Enterprises is organised in Pristina in April. The autumn wrap up meeting of the same process should be held in November in Belgrade. The PISG in cooperation with UNMIK agreed to ensure the successful organisation of this regional meeting and the trouble-free participation of all Charter representatives. The Commission will write to Mr Naser Grajeveci, co-ordinator for the European Charter for Small Enterprises in Kosovo and Director of Department for Private Sector Development Policy in the Ministry of Industry and Trade, to confirm the above.

STANDARDS FOR KOSOVO

UNMIK and PISG gave an update of the process for the implementation of the Kosovo Standards as well as of the established mechanisms, which are based on the principles that the Standards exercise and the STM are complementary and mutually reinforcing. The PISG reiterated their commitment to the Standards implementation and indicated that they are drawing on the methodology used for the STM. UNMIK reported on the progress made in the implementation indicating that more effort was necessary in particular in areas related to minority interests.

The Commission would like to receive detailed information on concrete progress in compliance on the following areas at the next STM meeting:

1. Operationalisation of the rules for the conduct of business in the Assembly and in the Government and civil service.
2. Ensuring effective representation of minority interests throughout the legislation process.
3. Increase minority communities' employment and participation in the public sector, in the central and Municipal Government, in the Assembly and in the publicly-owned enterprises and official economic institutions - particularly at decision-making levels.
4. A systematic campaign by political and senior official leaders to reach out to minority communities and returnees and internally displaced persons, including speaking out against any acts of aggression, intimidation and vandalism against minority communities. Intensification of public awareness campaigns regarding the rights of minority communities.
5. A cross-institutional approach to Property Rights is needed, including inter-Ministerial coordination, better exchanges with the Municipalities and more efficient use of the criminal and civil courts and the police for property-related decisions and their implementation. Illegal occupation and use of property must be prevented and sanctioned.
6. Language policies need to be respected. Signage needs to comply with language requirements. More effective and consistent translation and interpretation provision is needed.

DEMOCRACY, RULE OF LAW, MINORITY COMMUNITIES

Progress addressing the causes of the March 2004 events

The Commission welcomed the progress made for the reconstruction of private and public property following the March 2004 violent events and stressed the importance that displaced people are given the effective possibility to return and stay. Pillar I of UNMIK made a presentation of the state of play regarding the prosecution of the perpetrators.

The Commission congratulated the PM for his letter to the Presidents of the municipal councils of 23 January, asking for concrete action on the areas related to the implementation of the multi-ethnic standards and requested a close follow-up of non-compliant municipalities and the establishment of mechanism to address non-performance.

As regards restoration of religious sites, the Commission informed the meeting that it has earmarked €2 million for this purpose and underlined the need for the Serbian Orthodox Church to be constructively involved unblocking thus the restoration process.

Ministry of Returns and Communities

The Commission welcomed the establishment of this new Ministry and stressed the need for a strong leadership by the Kosovo central government as a whole to municipalities in order to achieve sustainable returns. Cooperation with UNMIK (i.e. Office of Returns and Communities and Office of Local Communities) and other donors is necessary. This Ministry will need to work closely with the PM and all Kosovo institutions. Transparency in the establishment of the new Ministry will be a key factor for EU support.

The existing UNMIK coordination and implementation framework and policy for return and community sustainability programmes should serve as a starting point for revision and improvement of the process. As one of the key donors in this field, the Commission expressed the wish to be associated in the policy dialogue.

Ministry for Local Self-Government

The Commission welcomed the establishment of this new Ministry. It reminded that the EU attaches great importance to the issue of self-government reform as reflected in the conclusions of the General Affairs and External Relations Council of 26 July 2004 and the statement of the last Contact Group in Pristina. For this Ministry too, transparency in its establishment will be a key factor to receive EU support.

ECONOMY

The Commission welcomed the decision of the PISG to draft a Kosovo Development Plan for the period 2007/2010. The Kosovo Development Plan should be realistic and build on existing exercises such as the ESPIG and the Medium Term Expenditure Framework (MTEF). The Commission assured the PISG that they could count on its support through advice and assistance.

The Commission expressed its concern on the short and medium term sustainability of the Kosovo public finances, in particular in view of high increases in expenditure in 2004 which led to a sizeable public deficit and a rapid depletion of cash reserves. The Commission stressed the need for the PISG to pursue fiscal consolidation and to strengthen their efforts, together with UNMIK, to prepare an MTEF which is key to any reliable financial planning but also to renewed donors support.

All participants expressed their satisfaction about the restart of privatisation, and highlighted the need for the process to advance further in 2005. It is encouraging that incorporation of Publicly Owned Enterprises (POEs) has started but much remains to be done, and indeed swiftly, in this crucial area. The Kosovo Trust Agency will submit to the Commission a report on the progress of implementation of the audit recommendations in POEs.

After some delays, discussions on European Investment Bank (EIB) lending to Kosovo advanced and the signature of a framework agreement between the EIB and UNMIK is expected to take place shortly. While EIB lending alone cannot address Kosovo's huge investment needs, it is expected that it could also give a positive signal to other potential investors. Efforts towards the identification of bankable projects should continue in close cooperation with other donors.

Missing statistics, in particular in the economy area, is a major weakness of Kosovo. Efforts to enhance the capacity of the Statistical Office of Kosovo, including national accounts and the preparation and implementation of the population census should be a priority. There are numerous microeconomic and/or practical matters that Kosovo can and should address immediately without waiting for the status question to be resolved.

ENERGY

The Commission expressed concern about the precarious electricity situation. For the short and medium term (i.e. until 2010) KEK's viability should be ensured, taking into account the considerable EU's past investment in the electricity sector. This will necessitate important and urgent interventions to (1) incorporate and restructure KEK

and improve its management, (2) radically increase billing and revenue collection and (3) find the necessary funds for KEK to maintain and upgrade the electricity system, among others, from the Kosovo budget. Active participation and support from PISG are indispensable as well as from all UNMIK Pillars. UNMIK and PISG should support the Turn-Around-Management for the implementation of their 2005-2010 Plan for the recovery of KEK. For the longer run Kosovo will need high investments to extend and modernise its electricity system. Investments should be made in the framework of the Energy Community Treaty, which is expected to enter into force in the beginning of 2006 with the objective of creating a large energy market in South East Europe, where solidarity and trust will preside and the EC *acquis* will apply. The conclusions and recommendations of the EC-funded Generation Investments Study, expected in the end of April, should be taken into account.

The Commission welcomed the recent establishment of the Ministry for Energy and Mining and stated its readiness to provide technical assistance for capacity building. Prerequisite for such support is the transparency in the establishment and staffing of the new institution. It is expected that this Ministry will play a fundamental role in the closer and more active involvement of the PISG in the crucial sectors of electricity and mining. Constructive cooperation among the Ministry, the Energy Regulatory Office and the Commission for Mines and Minerals should be ensured and the independence of the Commission for Mines and Minerals guaranteed.

EU ASSISTANCE TO KOSOVO

The Agency made a summary presentation of EC CARDS implemented to date in Kosovo. This financial assistance should be used to support the implementation of the EU Partnership recommendations helping thus Kosovo to make progress in its European approximation. UNMIK and PISG are expected to take ownership of this assistance to take full advantage of it as well as take more leadership in coordinating that the assistance provided by the EU and other donors respond to their needs.

FOLLOW-UP

The beginning of May was proposed for the next STM meeting, mid-way before the next quarterly technical assessment of the Kosovo Standards to ensure close focus on them, which is also the core of the EU Partnership recommendations.

It was proposed that the next STM meeting should focus on the progress in the implementation of the EU Partnership short and medium-term priorities.