

**SEVENTH MEETING OF THE STABILISATION AND ASSOCIATION TRACKING
MECHANISM (STM)
CONCLUSIONS**

PRISTINA, 03 MAY 2005

The seventh STM was held in Pristina, Kosovo on 3 May 2005. It was the first STM with the new prime minister Bajram Kosumi.

The European Commission expressed its hope to continue the constructive and fruitful cooperation with the new prime minister. Participants' attention was drawn to the European Commission's communication on Kosovo: "A European Future for Kosovo".

The meeting is attended by all the EU actors in Pristina and for the first time a representative of the Presidency of the Council of Ministers under the chairmanship of Luxembourg was present.

COMMISSION COMMUNICATION: A EUROPEAN FUTURE FOR KOSOVO

The Commission informed Kosovo representatives about its Communication "A European Future for Kosovo", published on 20 April 2005. Kosovo institutions were advised that it set an important message to the Provisional Institutions of Self Government and the people of Kosovo that the European Union stands ready to support Kosovo achieve the standards for a secure, stable and multiethnic society.

The key message of was that Kosovo's future lied within Europe. The Commission also stressed that it is up to Kosovo to do ensure that all the necessary is done to reach this future.

The SRSG and the prime minister welcomed the Communication as sign of further European commitment to Kosovo.

PROGRESS ON THE IMPLEMENTATION OF THE EUROPEAN PARTNERSHIP

The PISG's European Integration Office presented progress on the implementation of the European Partnership.

The Action plan for the implementation of the European Partnership was adopted by the Government on 25 January 2005. The PISG and UNMIK presented progress and obstacles in the implementation of the main Action Plan areas, including the political and the economic situation and the EU Standards and sector policies.

The Commission strongly welcomed the efforts made by the Office of European Integration in the Office of the Prime Minister in co-operation with its UNMIK counterpart to prepare the first progress report before the seventh STM.

The Commission insisted that the action plan is a benchmark document which guides Kosovo Institutions in their work. It needed to be a living document regularly updated and intensely monitored.

The Commission reiterated that it would be very helpful to receive updates on all actions regardless of the due date, including new priorities that have been identified and narrative to explain the main issues at stake. Furthermore, the Action Plan should be an integral part of the Kosovo Budgetary process and financial implications of actions should thus be taken into account.

The European Integration Office informed the Commission that monitoring was taking place on a six weekly basis and ministries had the possibility to use a database for updating the plan. Updating was then done in three languages.

Meanwhile the Commission had sent technical comments in writing.

The Commission commended Kosovo institutions for having set up an Assembly Committee on International Cooperation and EU Integration, stressing that the committee should have an important role in screening legislation on EU compatibility. The committee was encouraged to speed up the preparation of its work plan and procedures to ensure compatibility screening and to start meeting regularly.

KOSOVO STANDARDS IMPLEMENTATION PLAN

The SRSG and the prime minister agreed that the standards were now widely accepted not only as a specific measure to assess Kosovo's readiness to commence status negotiations but also as the most important tool for democratisation and development.

UNMIK and the PISG gave an update on the implementation of the standards. The Kosovo side reported that all standard working groups had met and reported. Furthermore there was a general awareness that the standards serve the population and that the rule of law is good for the people as well as the government. Some key developments were an open call to all refugees to return to Kosovo and the new RTK legislation.

The Commission reiterated that it would like to see more efforts in the prioritisation of legislation to be adopted per year. The aim should be to send good quality drafts and prioritising the government's efforts, resulting in earlier adoption by Assembly and promulgation by UNMIK.

The Commission voiced its concerns on illegal occupation, use and construction of property where the rule of law was not sufficiently asserted. The Commission was concerned that only the one municipality had shown good will in implementing some measures on behalf of the inhabitants of informal settlements.

POLITICAL SITUATION

Democracy and Rule of law:

The Commission commended the political maturity on the part of the Kosovo government and the Kosovo population following the indictment of former prime minister Haradinaj. The rapid and smooth establishment of the new government was an indicator that progress had been made.

The Kosovo side was encouraged to make the political process more inclusive. The Commission was preoccupied that the rules of conduct of business in the Assembly were not respected. Assembly tensions were also contributing to rising tensions between political parties. Kosovo needed more unity now to prepare itself for big decisions that were ahead.

Returns

The European Commission stated its readiness to support the Ministry for Returns and Communities to effectively fulfil its mandate. However, transparency, accountability as well as the willingness to cooperate was essential to receiving EU support.

The PISG reported that minister for local governance Haziri and the minister for returns and communities Petkovic had visited refugee camps in Montenegro and the former Yugoslav Republic of Macedonia in order to encourage refugees to return.

Decentralisation

The Commission emphasised that it was absolutely essential to make further progress on decentralisation and on the related pilot projects.

The ministry informed about the progress in establishing the new ministry, one of the main challenges being the lack of budgetary planning.

Human rights and protection of minorities

The Commission welcomed the efforts undertaken by the Office of the Prime Minister with the support of UNMIK Pillar III for the implementation of the anti discrimination law.

REGIONAL AND INTERNATIONAL COOPERATION

The Commission stated that it reaffirmed in its Communication that Kosovo's future lies not only in Europe but also in the region. As such it encouraged the Kosovo institutions to participate fully in regional cooperation initiatives. It would furthermore increasingly promote regional events to be held in Kosovo.

The Commission voiced its concerns that there had been delays in setting up cooperation mechanisms for Kosovo participation in the Steering Committee and the Transport observatory.

The Commission expressed its satisfaction about the signature of the EIB/Kosovo framework agreement.

The Commission expressed hope that the Energy Dialogue will continue in good faith to improve the delivery of electricity to all people and businesses in Kosovo and Serbia.

ECONOMIC SITUATION

UNMIK provided an update on the changed KTA regulation. Privatisation was now moving ahead full speed with 32 sales signed and ratified. The objective was to achieve privatisation of 90% (by value) of SOE within a year.

The Commission welcomed the rapid advancement of the privatisation and the amendment of the KTA regulation and encouraged UNMIK Pillar IV and the PISG to continue with the same speed and success.

The Commission welcomed the initiative of the government to draft a Kosovo Development Plan. The plan should become a driving force towards economic development.

The Commission expressed its appreciation for the launch of the budgetary process for 2006 and the preparation of the Medium Term Budget Framework (MTBF) for the period 2006 to 2008. The Commission also stressed the importance to produce a Medium Term Expenditure Framework (MTEF) that would provide the comprehensive framework also for Donors interventions over the next years.

On the issue of management of public finances, the Commission reminded Kosovan authorities that the establishment of a sound and transparent budgetary process that involved the Assembly was priority action.

The Commission encouraged the Kosovo side that, after the signature of the Framework Agreement between the EIB and Kosovo, the priority now was to advance in the identification and preparation of bankable revenue generating projects in close cooperation with other international financial institutions.

The Commission expressed satisfaction for the cooperation between UNMIK and the PISG to improve the efficiency of tax administration, to strengthen the tax collection and to comply with the Kosovo Standards.

The Commission confirmed its intention to continue providing technical assistance through the Customs and Fiscal Assistance Office, in particular to improve compliance with the EC Sixth Directive on VAT and to introduce the new Excise Code.

EU STANDARDS

The Commission enquired about the progress in the reform of the public procurement system. Given the importance of a properly functioning law on public procurement, the Commission encouraged the Kosovo institutions to table and pass the amendment to the law as quickly as possible. The Commission added that a sustainable, practical and clearly understood amended law would lead to an improved delivery of public services through efficient procurement and would lead to considerable savings for the budget.

The Commission raised concerns about the new copyright law which was not entirely compatible with international standards. Kosovo institutions would be well advised to withdraw the law. It should be reworked, preferably with expert input from international experts and in line with international and European standards.

The Commission expressed its hope that the negotiations for an FTA with the former Yugoslav Republic of Macedonia would be successfully concluded and encouraged all parties to approach this matter in a constructive manner.

UNMIK presented the progress on implementation of new Customs Code which was based on EU customs regulation. The UNMIK customs code was 90 – 95% compliant

with the EU blueprint. The future orientations were to maintain the revenue level, to facilitate trade and to protect Kosovan society.

The Commission stated that environmental protection was very important for public health and for the preservation of the natural resources. It encouraged the Kosovo institutions to keep a very pragmatic approach in redressing main environmental challenges and in laying the basis for a sound legislative framework which will keep environmental assessment as an important aspect of future investments.

The Kosovo side informed on its multi modular transport strategy which was gradually being implemented. A new road safety initiative had been launched. There were current plans to develop Pristina airport.

The Commission asked to be sent the multi modular transport strategy so its competent services could study and comment upon it.

The Kosovo side was reminded that the KTA and the airport authorities needed to resolve the last outstanding expropriation issue to enable the opening of the new road to the airport.

The Commission voiced its concern about the division of competencies between the Ministry for Energy and Mining and the Independent Commission for Mines and Minerals (ICMM).

The KTA gave an overview of KEK restructuring and the financial situation of KEK. Bill collection was still a major problem with 30 – 33% of delivered electricity paid.

The Commission expressed its grave concern about the viability of KEK in the short and medium term despite the progress made on the revenue collection rate which is very welcome. There was no other alternative but to implement the medium-term recovery plan developed by the Turn-Around-Management. All UNMIK Pillars and the PISG had to contribute to that and it was imperative that UNMIK and the PISG worked together on this.

Furthermore it was not acceptable anymore that such low levels of bill payment were still tolerated. This situation would have to be remedied as a priority matter.

The Kosovo side was again informed that Eurostat considered advisable that the Census take place in April 2007 in order to allow sufficient time for Statistical Office of Kosovo (SOK) to build its capacity. There were concerns that, despite international assistance, the Statistical Office of Kosovo is understaffed, lacks qualified personnel, and needs to be provided with adequate budgetary means and human resources to properly carry out its competencies. It was crucially important that the newly appointed Central Census Commission started to perform its functions, in line with the Census Law. The government was urged to ensure that the Census was taken seriously otherwise it will not only undermine the credibility of Kosovo institutions but would also be a loss of time and resources for the Kosovo budget as it would need to be repeated again.

COOPERATION IN JUSTICE AND HOME AFFAIRS

The Commission reiterated that the respect for the rule of law was a very important part of the political Copenhagen Criteria for the candidate countries to become

Member state. It furthermore recalled that all forms of crimes and unlawful behaviour must be tackled: corruption, organised crime, economic crime, etc. The correct implementation of the new Criminal and Criminal Procedures code will be very much dependent on an effective judicial training. In this respect the development of the Kosovo Judicial Institute was paramount for this. The Commission reminded Kosovo institutions of the need to ensure the prompt adoption of the law on the Kosovo Judicial Institute and recruitment of key local staff positions.

UNMIK presented an update on the implementation of the new Criminal and Criminal Procedures Code which entered into force in April 2004. There had been difficulties in the first year of implementation of the criminal code. Additional prosecutors had now been appointed and the implementation has improved.

As efficient Integrated Border Management (IBM) requires the close coordination of all agencies dealing working at the borders, the Commission stated that all stakeholders must be committed, and equally engaged, in the development of co-operation mechanisms (e.g. sharing of information, conducting joint controls, joint training).

UNMIK updated the Commission on cooperation between border management agencies, particularly as regards the integrated border management system. In integrated border management the authorities have been using the European Commission's IBM guidelines. Weekly meetings take place between the different bodies at technical levels so as to ensure cooperation. Working cooperation with FYR Macedonian and Albanian authorities have been established. KPS officers receive training on border policing. In the area of customs, Integrated Border Management is part of the senior management plan for 2005.

The Commission welcomed the reflections by UNMIK Pillar I for preparing the local authorities for transfers in the area of police and justice. In both areas the Commission wanted to see particular efforts to ensure the development of Kosovan capacity is matched with confidence-building and concrete and tangible guarantees to all communities in Kosovo that there will not be bias on-ethnic or religious ground when this competences are transferred.

UNMIK Pillar I informed that a transfer calendar would be ready during 2005.

OTHER ISSUES

PISG ministers were invited to visit the Commission in June 2005 in order to get acquainted with the technical aspects of the Commission's work and foster professional contacts between the PISG and Commission staff.

The European Commission expressed its appreciation of the work of the European Integration Office in the Prime Minister's Office and the Europe Office in UNMIK.

It was agreed that the next STM meeting would be held some time in autumn 2005. The exact date would be determined once the timing of the standards review was better known.