

**ELEVENTH MEETING OF THE STABILISATION AND ASSOCIATION PROCESS
TRACKING MECHANISM**

CONCLUSIONS

PRISTINA, 24 NOVEMBER 2006

The eleventh meeting of the Stabilisation and Association Process Tracking Mechanism was held in Pristina on 24 November 2006.

The meeting was attended by representatives of the provisional institutions of self-government, of UNMIK and by all EU actors in Pristina.

The European Commission expressed its desire to continue a constructive dialogue with the Kosovo authorities. All sides underlined the importance of the European agenda for Kosovo's future and development.

European Agenda

The 2006 Progress Report

The Commission presented the 2006 Progress Report on Kosovo and its main findings. The Commission encouraged the Kosovan authorities to use the report as a guide for their own reform efforts.

The PISG stressed the importance of the progress report for their future work. The PISG had identified challenges and developed a list of 190 points to be followed up. The government would discuss progress on a monthly basis. As of 2007, the PISG would report to the Commission on a quarterly basis on the implementation of the European Partnership Action Plan. The first report would be presented in early 2007.

In this context, the Commission encouraged Kosovan authorities to agree on and sign a new letter of intent with the International Monetary Fund. The PISG stated that they expected to sign the letter of intent soon.

The Commission also stressed the importance of the tender for the second mobile phone operator closing in mid January 2007. The Commission stressed that it should be handled in an open, clear and transparent manner, adhering to international standards. The PISG confirmed their determination to conclude the tendering process in full transparency and compliance with the law.

European Partnership Action Plan

The PISG presented progress on the European Partnership Action Plan (EPAP) and briefed on the implementation of the 13 Contact Group priority standards.

The Commission noted the progress achieved and stressed the importance of the European Partnership Action Plan. The European Partnership Action Plan should be regularly updated and used as a government tool to keep Kosovo firmly anchored in its European reform agenda.

The Commission noted the progress in relation to the 13 Contact Group priority standards and emphasised that these were also part of the Copenhagen political criteria. It stressed that the enforcement of KPA decisions should be strengthened, including enhancing the KPA standard operational procedures to deal in a quicker way with illegal occupation. Furthermore, the extension of the pilot rental scheme should be pursued. The Commission also stressed that the investigations into the March 2004 riots needed to be intensified and enhanced.

Furthermore, the Commission underlined that the lack of a simple and transparent procurement law in connection with the lack of sufficient capacity in the public service had been reasons for capital under spending. Given the big and urgent capital investment needs, Kosovo should develop an efficient and quick system for public procurement. In order to remedy this situation, the amended public procurement law should be passed by the Assembly as soon as possible.

Progress on the Strengthening of the European Integration Structures

The PISG presented an update on the European Integration Structures. The agency for European integration had developed its organisational chart with four directorates: 1. a directorate for the management of SAP related issues, 2. a directorate for legislation and coordination of translation of legislation, 3. a directorate for the coordination of EU assistance and 4. a directorate for communication, information and training. Procedures for recruitment had started and the agency would be fully staffed in January 2007. The head of the agency would be appointed soon.

European integration offices were still in the process of being established in line ministries. Head of EU integration office reported directly to permanent secretaries to ensure that European integration issues are fully incorporated in the daily agenda of the line ministries.

The implementation of the European Partnership Action Plan was now on the agenda of the regular permanent secretaries meetings.

Nine acquis - related working group had been established (trade, internal market, industry and SME; agriculture; environment; transport, information society and media; energy; customs and taxation; health and social welfare; education; justice, freedom, security and internal affairs) to coordinate the implementation of the European standards priorities of the European Partnership.

The Commission expressed its satisfaction and stressed that the whole government and line ministries should be fully engaged in supporting the European integration structures.

Political Requirements

Kosovo Property Agency

UNMIK presented an update on the Kosovo Property Agency. The objectives were to resolve all disputes over immovable property and complete the Housing and Property Department's mandate. To date, 5,000 claims had been collected.

The Commission stressed that it was a clear priority to establish a body which is reliable, efficient and able to cope with the high number of pending cases with due respect to the rights of the parties involved. At the same time, a judicial review should be guaranteed in a manner that allows judicial power to respond quickly and efficiently to the complaints.

The Commission underlined its commitment to the KPA, as reflected by the financial assistance given. In this context the Commission stressed that it expected the KPA to meet its contractual obligations such as submitting progress reports and establishing the steering group.

The wider rule of law

The PISG reported on developments of the rule of law. The PISG confirmed that the judiciary would be developed in complete independence. The PISG stressed their support for the re-appointment of judges and prosecutors. The Commission stressed the importance of achieving further progress in the establishment of the Kosovo Special Prosecutor's Office.

The Commission confirmed its commitment to provide assistance to develop the rule of law in Kosovo, particularly as regards institution and capacity building in the justice sector. The Commission was preparing a strategy to make future EC assistance as coherent as possible with other EU interventions in the context of the future ESDP mission. The Commission stressed that EC assistance would not be substituting local institutions or imposing any measures or legislative solutions but rather providing advice that would fit into the regional framework.

Economic Requirements

Update on the Kosovo Development Strategy and Plan

The KDSP secretariat presented progress on the Kosovo Development Strategy and Plan. Following a thorough consultation exercise that included discussions with focus groups, various workshops, technical working groups, strategic reports and consultation with over 3,000 inhabitants and several

civil society organizations, the Kosovo Development Strategy and Plan was being finalised and would be presented to the Steering Committee on 18 December 2006.

The Commission emphasised the importance of full consistency between the Kosovo Development Strategy and Plan and the Medium-Term Expenditure Framework. The Commission stressed the need to update the Medium-Term Expenditure Framework to give a lot of attention to the prioritisation of the strategic choices that will be financed, including the cost of the status settlement. This prioritisation would have to take into account the constraints of the Kosovo budget and the limitations on public administration staffing. The Commission asked to be consulted to check the EU compatibility of sectoral strategies.

The Commission stressed that the Kosovo Development Strategy and Plan implementation should be mainstreamed as much as possible into existing ministerial structures and process of government. The process should be finalised by a wider presentation to Kosovan society, in particular to the Assembly and wider civil society.

Furthermore, the Commission – together with the World Bank - would organise a donors' conference to address Kosovo's strategic post-status priorities. However, strong government commitment to responsible fiscal policies would be required.

European Standards

Taxation

The Tax administration of Kosovo (TAK) presented progress achieved. A new management team was in the process of being recruited in order to ensure better quality in leadership and performance. TAK Directors were regularly participating in professional development training, thus engaging the capacity of the organization to change from a reactive to a proactive institution. The tax administration was actively participating in the newly established Blueprint exercise working group jointly with CAFAO and it was also leading the acquis-related working group on taxation and customs in the framework of the EPAP implementation.

The IMF recommendations – arising from the last IMF Mission – were being reviewed by TAK. The 2007 Work Plan's main focus was on strengthening the capacity of Tax Administration to improve tax policies formulation, strategy and planning as well as management of information system.

CAFAO reported that there was a shift in focus in next year's programme for CAFAO from providing assistance to UNMIK Customs to assisting the Tax Administration of Kosovo. CAFAO briefed on a forthcoming strategic planning event that would be addressing the findings of the benchmarking exercise. A Blueprint Working Group within the Tax Administration of Kosovo had been established together with tax experts from CAFAO. Some particular sections of the Blueprint would be priority areas of work for CAFAO/TAK: human resources planning, fraud and tax avoidance, information technology, communications and administrative co-operation. Another blueprint benchmarking exercise could be envisaged some time early 2007. Progress had been achieved as a sound legal base for tax administration had been created. However, implementation problems remained.

The Commission stressed the importance of taxation for the sustainability of Kosovo's public finances. It added that much remained to be done to modernise the tax administration of Kosovo in accordance with European standards. It was important to increase tax administration's capacity and effectiveness.

The Commission stressed the importance for the tax administration, based on the CAFAO benchmarking exercise, to set up a strategy and adopt an action plan with a clear calendar and devoted resources in order to address the identified weaknesses and enhance the capacity and effectiveness of the tax administration.

The Instrument for Pre Accession Assistance

The Commission presented an update on the instrument for pre accession assistance. After wide consultation, including UNMIK/PISG, bilateral donors, international financing institutions and the

wider civil society, the multi annual indicative planning document was now in the process of being prepared and a Commission decision was scheduled to be taken in spring 2007. UNMIK/PISG were handed the latest draft of the multi annual indicative planning document.

In parallel, the programming of IPA annual programme 2007 had started. The European Agency for Reconstruction was responsible for programming of IPA 2007 on the ground and consultations would intensify over the next months.

The Commission reiterated that a close coordination needed to be ensured between the European Partnership Action Plan, the Kosovo Development Strategy and Plan and the MTEF.

Other issues

Donor Coordination

The PISG presented the newly created Donor Coordination Centre. It enjoyed full government support and would fulfil the leading role to coordinate with all donors and international financing institutions in an effort to establish a more efficient coordination of assistance. The centre was operational as of 1 September 2006.

The centre would serve as a focal point for the donor community and inform government and donor community on developments in Kosovo. Its brief was to harmonise development strategies of donors and monitor implementation. An MoU with the agency for European integration had been concluded on IPA related issues. Programming of IPA would be done in close cooperation with the agency.

The Commission welcomed the creation of the Donor Coordination Centre. It stressed that the centre should be appropriately staffed, reinforced and develop its capacity. It should also define its role and establish working relations with Ministries and donors. An inter-ministerial steering committee should convene as soon as possible to provide the necessary strategic and political guidance. This should be done by taking into consideration governmental priorities and multi-sectoral development policies. The Commission stressed that there should be no overlap between the centre and other agencies, in particular the Agency for European Integration. Furthermore the Commission expected that all line ministries would fully support the Donor Coordination Centre by providing relevant information to its data-base.

Future Planning

It was agreed that the next STM meeting would be held in February 2007.

It was agreed that a STM workshop on environmental issues would be held in January 2007.

The PISG suggested 15 sectoral workshops in 2007. The agency for European integration would liaise with the Commission to agree on a proposal of workshops based on the requirements of the European Partnership Action Plan.