

An ERA of Stagnation

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An ERA of Stagnation

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AN ERA OF STAGNATION

Introduction

The government of Kosovo and the European Commission have started a high-level dialogue which culminated with the drafting of the European Reform Agenda (ERA) in order to support and accelerate the implementation of the Stabilization and Association Agreement (SAA). The latter is a contractual relationship between the European Union (EU) and countries that pursue EU membership, in the framework of the Stabilization and Association Process. With the signing of the SAA, Kosovo has agreed to implement a series of reforms, starting from political dialogue, enhancing regional cooperation, the approximation of national legislation with the *Acquis communautaire*, as well as the free movement of goods, services and capital.¹ The experiences of other Balkan countries showed that SAA implementation is always very challenging. Therefore, the ERA was drafted with the aim to prioritize key reforms to implement before the end of 2017. Moreover, the government also drafted an Economic Reform Programme (ERP) intended to be implemented in parallel. Both actions (ERA and ERP) would serve as a roadmap for European integration.

ERA focuses on three main areas, Good Governance and the Rule of Law, Competitiveness and Investment Climate, and Employment and Education. These contain specific measures and objectives to be fulfilled within 2017, introduced in the Action Plan for the Implementation of Key Priorities.²

The aim of this policy note is to assess the efficiency and effectiveness of the institutions during the implementation process by providing specific percentages for each of the pillars specified on the Action Plan for the Implementation of Key Priorities. In order to have a clear depiction of their achievements by the end of 2017, we have carefully monitored the work of each institution. All the data gathered and analysed is reflected in a matrix (Annex 1) which portrays the priorities and objectives, and the timeframe and institutions responsible for implementing them.

Methodology

Kosovo was committed to fulfil all obligations deriving from the ERA's Action Plan by the end of 2017. We have monitored the implementation of these priorities, so as to provide an overview and assessment of the institutional progress towards adequately achieving the set goals. In order to do so, we have drafted a matrix based on the Action Plan that portrays which measures and actions were achieved, not achieved, or partially achieved. We have approached the institutions by email, phone or face to face meetings to receive information regarding the implementation of measures in the respective sectors and to identify the main challenges, failures, and achievements.

More precisely, the institutions monitored within the Good Governance and Rule of Law sector include the Assembly, Ministry of Justice, Office of the Prime Minister, Ministry of Public Administration, Kosovo Judicial Council, and, amongst others, the Ministry of

¹ Stabilisation and Association agreement between the European Union and the European Atomic Energy Community, of the one part, and Kosovo*, of the other part. Brussels 2015. Available at: <http://data.consilium.europa.eu/doc/document/ST-10728-2015-REV-1/en/pdf>

² European Reform Agenda (ERA) (2016) *Kosovo – EU High Level Dialogue on Key Priorities*. Prishtinë. Available at: https://www.mei-ks.net/repository/docs/era_final.pdf

Finance. The Ministry of Trade and Industry, Office of the Prime Minister, Ministry of Economic Development, Ministry of Environment and Spatial Planning, Kosovo Agency of Statistics, and the Ministry of Finance were among the main institutions monitored within the second pillar. Lastly, the institutions monitored within the Employment and Education pillar were the Ministry of Labour and Social Welfare, Ministry of Education, Science and Technology, Ministry of Culture, Youth and Sport and the Employment Agency. On this note, when no information was provided by the responsible institutions, these actions were categorized as 'no information provided' in order to reflect a precise and transparent assessment of the entire process. Moreover, once we received all information, we have carefully analysed three main aspects, a) if the objectives were fulfilled, b) if they were fulfilled within the specified timeframe, and c) if the measures were in compliance with the Acquis communautaire.

The current state

This section provides and analyses the results achieved with regard to the implementation of the Action Plan of Key Priorities stemming from ERA. Based on the assessment and monitoring process we have witnessed a lack of commitment by most institutions in fulfilling the objectives set to ease the implementation of the Stabilisation and Association Agreement. This implies that Kosovo has failed to keep up with the European integration pace for the last two years, as elaborated below.

First, Good Governance and the Rule of Law consists of 9 priorities for which 25 actions should be undertaken in order to improve the current situation. This pillar focuses on reforms which will enable the consolidation on the justice system and increase the transparency and accountability of the government and its officials. Moreover, the reforms should provide better results in the fight against corruption and organized crime, and involve, amongst others, the adoption of legislation through a transparent, efficient, and fair process.³

Based on our monitoring, this pillar has the highest rate of achievement even though it is considered to be one of the most challenging and problematic. More precisely, 68.6 percent of the objectives were successfully achieved, 20 percent partially achieved and 11.4 percent not achieved. The lack of implementation of the priorities in this area is mostly related to the drafting and adoption of the legislative framework, i.e. Law on Civil Service, Law on Salaries, or Law on Organisation of Public Administration.

Second, Competitiveness and Investment Climate consists of 7 priorities entailing 75 concrete actions. In order to improve this sector, the institutions should focus on undertaking crucial reforms to promote foreign direct investment, improve business environment, fight informal economy, support SME development, and enhance regional connectivity.⁴ Moreover, the institutions should take all necessary measures to improve the production base and develop export capacities. Monitoring results reveal that 32.9 percent of the priorities were achieved until the end of 2017. On this note, 53.7 percent are partially implemented whereas 13.4 percent were not fulfilled. Similar to the first pillar, the most challenging part was related to the drafting and adoption of the various laws destined to improve the business climate. More specifically, the institutions failed to draft

³ European Reform Agenda (ERA) (2016) *Kosovo – EU High Level Dialogue on Key Priorities*. Prishtinë. Available at: https://www.mei-ks.net/repository/docs/era_final.pdf

⁴ European Reform Agenda (ERA) (2016) *Kosovo – EU High Level Dialogue on Key Priorities*. Prishtinë. Available at: https://www.mei-ks.net/repository/docs/era_final.pdf

and adopt several legislative initiatives such the Law on Accounting, Financial Reporting and Auditing; secondary legislation of the Law on Business Organizations; the Law on General Inspections; the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions.

Last but not least, Employment and Education includes 6 main priorities focusing on improving employment conditions and opportunities specifically for women and young generations, improving the quality of education through the implementation of new curricula, better teacher training programmes and higher quality vocational training. In addition, it was deemed crucial to compile reforms that aim to increase the pre-school attendance and foster the connection between higher education and the job market. In total 31 concrete actions should be taken to fulfil all the objectives stemming from this pillar.⁵

The level of implementation of this pillar has been the lowest of all three. Specifically, by the end of 2017 only 21.9 percent of the objectives were achieved, 59.4 percent were partially implemented, and 18.7 percent of them were not implemented at all. The main problems in this area were related to the establishment and functioning of the Agency for Curriculum, Standards and Assessment, improving the quality of Vocational Educational Training (VET), and reviewing study programmes and enrolment policies. In addition, the government should undertake policies to foster the link between higher education and job market.

To sum up, the overall monitoring results suggest that Kosovar institutions managed to achieve only 38.9 percent of the objectives foreseen to be completed during the year. An additional 47 percent was partially achieved, while the remaining 14.1 percent of the objectives were not achieved. As elaborated above, the results for each pillar suggest that the institutions pertaining to the Good Governance and the Rule of Law sector have been more successful in achieving the objectives, followed by Competitiveness and Investment Climate and only then those relevant for the Employment and Education sector.

⁵ European Reform Agenda (ERA) (2016) Kosovo – EU High Level Dialogue on Key Priorities. Prishtinë. Available at: https://www.mei-ks.net/repository/docs/era_final.pdf

Conclusion

The European Reform Agenda was launched as a high-level dialogue between the EU and Kosovo in order to speed up the implementation of the Stabilization and Association Agreement. The implementation of ERA commenced in November 2016 with the intention to undertake all the reforms put forth in its Action Plan within 2017. It should be noted that this essential process was highly neglected by both governments, Mustafa and Haradinaj, which focused on the intense electoral calendar, with both local and national elections taking place. Even though Mustafa's government showed a high enthusiasm in launching this process, the implementation during the first 6 months failed to live up to everyone's expectations. It was assumed that the Haradinaj government would prioritize the implementation of ERA and incorporate the related reforms into the new governmental programme; nonetheless, like his predecessor, he has opted for a 'wait and see' strategy.

The monitoring process demonstrates that the new government did not show any clear commitment to undertake the necessary reforms outlined in ERA, in order to adequately fight corruption and organised crime, improve the business environment, reform the public administration and ensure a transparent, merit-based and non-political selection process. Additionally, the government was not dedicated in initiating structural reforms to enhance the education system and to promote better links between the latter and the job market.

Moving Forward

ERA should remain the essential document that pushes forward Kosovo's path towards European integration. Therefore, as foreseen in ERA, a summit should be convened to discuss the progress and challenges that Kosovo is facing in the implementation process and assess the way forward. This should involve the Prime Minister Haradinaj and Commissioner Han.

In pursuance of achieving better results, the government should enhance its commitment towards carrying out the indispensable and crucial reforms. Bearing in mind that the institutions managed to fulfil only approximately 39 percent of the objectives stated in ERA, the government should come up with more innovative initiatives to accelerate this process and accomplish concrete results. Choosing to continue with the 'Ostrich' strategy will only damage Kosovo's future; it is of paramount significance to fully commit in implementing all the priorities and objectives highlighted in ERA's Action Plan.

Transparency in governmental decisions is essential in this process. As a result, reforms falling under ERA should be taken in coordination with all relevant stakeholders. The government should constructively engage with the opposition, civil society, and business community to create a broad consensus, since the implementation of the ERA requires the support and cooperation of all parties and institutions across the political spectrum. It is of utmost importance to foster and promote good cooperation between government institutions to achieve better results during the implementation process. On this note, in order to have a successful process, undertake all the necessary reforms, and have a fruitful cooperation among the above-mentioned stakeholders, Kosovo institutions should continue to receive the political and financial support from the EU.

ANNEX 1: ERA'S MONITORING MATRIX

NO	PRIORITIES	OBJECTIVES AND INDICATORS	TIMEFRAME	RESPONSIBLE INSTITUTIONS	Q1 - Q2 2017	Q3 - Q4 2017			
					ASSESSMENT				
I. Good Governance and the Rule of Law									
1.1	Reviewing and adopting legislation making mandatory the suspension and/or removal of public officials respectively indicted and convicted for corruption.	<p>1. Concept document on amendment of the applicable legislation to ensure mandatory suspension and/or removal of public officials respectively indicted and convicted for corruption</p> <p>2. Adoption of the legislation to ensure mandatory suspension and/or removal of public officials respectively indicted and convicted for corruption</p>	Q4 2016	MoJ President Assembly	1) Partially completed				
					2) Not completed	2) Partially completed			
The situation for the period Q1 - Q2.									
<p>1. Ministry of Justice has organized several meetings regarding the drafting of the Concept Document for amending the applicable legislation to ensure the compulsory suspension and/or termination of public officials who have been charged and sentenced for corruption. This concept document presents the views of the members of the group and the foreign experts. The views of the representatives of the civil society and those of the EU Office in Kosovo were also presented during these meetings. The working group within the MOJ, in coordination with members of the working group, has compiled the draft concept paper. This draft will be sent for public consultations in accordance with the Rules of Procedure of the Government. Suggestions and proposals submitted by the actors involved, including experts, the Office of the European Union and representatives from civil society were also considered.</p> <p>2. Adoption of the legislation is foreseen to take place in the K4 2017.</p>									

The situation for the period Q3 - Q4.

1. The working group on the Criminal Code has incorporated new provisions related to the issue of Suspension and Removal of public officials. These provisions will be included in the Criminal Procedure Code. On February 14, 2018 the final draft of the Criminal Code of the Republic of Kosovo is sent for consultations and it is expected that these consultations will be concluded on March 5, 2018. These comments then will be addressed and will be published on the online platform for consultations with the public.
2. The Draft Law on the Prevention of the Conflict of Interest in Exercising Public Functions is under the review procedure by the Assembly. On 12.12.2017 the Functional Committee of the Assembly has reviewed it in principle.

1.2	Amending the law on conflict of interest and related regulations bringing them in line with European standards and indicating the exact circumstances in which public officials may take on additional employment and appointments	<p>1. The Law on Prevention of Conflict of Interest in Discharge of Public Functions, to be amended, in line with EU recommendations:</p> <ul style="list-style-type: none"> a) The categories of public officials need to be clearly defined; b) There should be a clear indication as to which activities officials are permitted and not permitted to do while in office; c) There should be a clear indication as to which activities officials are banned from performing after they have left the office; d) There should be clear indication as to the obligations of officials and their superiors in the situation of the conflict of interest; e) There should be clear indication of the procedures that should be set in motion once the conflict of interest arises. 	Q4 2016	MoJ Assembly	<p>1) Partially completed</p> <p>a) Completed</p> <p>b) Completed</p> <p>c) Completed</p> <p>d) Completed</p> <p>e) Completed</p>
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The situation for the period Q1 - Q2.

1. The new draft law on conflict of interest in exercising public function is pending for review and approval by the Assembly, once it is approved by the new government. The draft law on conflict of interest is being processed by the Government (MOJ) to the Legislative Committee. The new draft law on conflict of interest has been approved in principle by the Legislative Committee and in the session of the Assembly. The Committee on Legislation has established the working group. The law on prevention of conflict of interest is withdrawn from the procedure, twice, during the time when it was a supplement-amendment of the current law, while in the third phase it was introduced as a new draft law in co-operation with representatives of anti-corruption Agency, experts from the Council of Europe, and the EU Office. The draft-law provides concrete measures for preventing and resolving conflicts of interest that should be taken by the public official when a conflict of interest case occurs. A public hearing was held on 12.04.2017 on the Draft Law no. 5/L-140 on preventing conflict of interest in exercising public function for comments and remarks by institutions and the civil society. The final deadline for receiving amendments in writing from the main actors was on 18.04.2017.

- a. Categories of public officials on the Draft Law on Prevention of Conflict of Interest, though not mentioned explicitly, are defined according to the definition provided in the Criminal Code and the Law on Declaration of assets. This draft law is harmonized with the law on declaration, origin, and control of the property of senior officials.
- b. In particular, the draft law specifies the allowed and disallowed activities of public officials while they are still in duty.
- c. The draft law clearly lists the activities that public officials are prohibited from carrying out after leaving the duty by clearly defining the duration of the prohibition.
- d. The draft law clearly emphasizes the obligations of public officials and their officers for preventing and resolving cases of conflict of interest.

The situation for the period Q3 - Q4.

The new draft law on conflict of interest was approved in principle in the session of January 25, 2018. The draft-law is currently in the review and amendment stage at the functional committee.

1.3	Ensuring the transparency and accountability of funding for political parties: a. Carry out independent audits of political parties finances for 2013-2015 b. Ensure the publication of financial reports of political parties as foreseen in the law	1. Publish financial reports of political parties and take effective enforcement action against those that do not; 2. Provide adequate funding for procuring auditing services for political party financial reports; 3. Select independent auditors through an open call; 4. Amend the Law on Financing of Political Parties to ensure transparency, accountability and effective enforcement and sanctions, on the basis of wide public consultations.	1-3: Q4 2016,	OPM, CEC, Assembly (Presidency, Committee on Oversight of Public Finances, Secretariat)	1) Partially completed	1) Completed
					2) Completed	
			4: Q4 2017		3) Not completed	3) Completed
					4) In progress	4) Partially completed

The situation for the period Q1 - Q2.

- 1.** Some of financial reports are published by political parties but none of the financial reports are audited. It is planned that after the VI-th legislature commences work, the drawing of lots would take place. The contract is signed with the economic operator. Work will commence after drawing lots.
- 2.** For the year 2017, additional budget is allocated for adequate funding for the procurement of audit services for financial reports of political parties. The economic operator was selected for auditing the annual financial report and the report of Campaign Financial Disclosures by political entities - 2013, 2014, 2015, 2016, with the procurement number KU101 17 007 221 (101-17-1736-2-2-1) with 10 economic operators interested. Bids were submitted by two economic operators: 1. Audit & Conto and 2. Audit Group. The economic operator responsible was selected as the winner: Audit & Conto with the Bid Price of 118,320.00 Euros. Notification for the award was published on the website (e-procurement) on 01.06.2017.
- 3.** The current law on financing of political parties regulates the issue of the selection of external auditors. However, the drawing of lots for auditing the finances of political parties will take place on 10.17.2017. The Committee for Supervision of Public Finances is expected to meet to discuss the continuation of procedures for auditing financial reports of political parties.
- 4.** Planned to be implemented during the Q4 2017. The Office of the Prime Minister has established the team responsible for drafting of the Concept Document for the "funding of political parties". The composition of the responsible team is with representatives from Office of the Prime Minister, Assembly of the Republic of Kosovo, Central Election Committee, Office of the Auditor General, Ministry of Finance, Ministry of European Integration, etc. In this regard, the Office of the Prime Minister has invited civil society representatives who have offered their thoughts and proposals on how to address this process.

INFORMATION:

Financial reports: August 2017

POLITICAL PARTY	WEB	PUBLICATION OF FINANCIAL REPORTS (2013-2015)				AUDITING																		
PDK	Functional	They are not published on PDK's web page.				Not audited																		
LDK	Functional	<table border="1"> <thead> <tr> <th>Year</th> <th>Financial Officer</th> <th>Income</th> <th>Expenses</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>Lutfi Zharku</td> <td>1290096.56 euro</td> <td>953179.84 euro</td> </tr> <tr> <td>2014</td> <td>Lutfi Zharku</td> <td>1041653.40 euro</td> <td>955013.81 euro</td> </tr> <tr> <td>2015</td> <td>Lutfi Zharku</td> <td>976683.81 euro</td> <td>457437.21 euro</td> </tr> <tr> <td>2016</td> <td>Lutfi Zharku</td> <td>973501.22 euro</td> <td>499526.72 euro</td> </tr> </tbody> </table>	Year	Financial Officer	Income	Expenses	2013	Lutfi Zharku	1290096.56 euro	953179.84 euro	2014	Lutfi Zharku	1041653.40 euro	955013.81 euro	2015	Lutfi Zharku	976683.81 euro	457437.21 euro	2016	Lutfi Zharku	973501.22 euro	499526.72 euro	Not audited	
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NISMA	Functional website but financial statements are publish on NISMA's facebook page and then shared in their website for 2015.	<table border="1"> <thead> <tr> <th>Year</th> <th>Financial Officer</th> <th>Income</th> <th>Expenses</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>Faton Thaçi</td> <td>-</td> <td>-</td> </tr> <tr> <td>2014</td> <td>Faton Thaçi</td> <td>158011.66 euro</td> <td>177962.56 euro</td> </tr> <tr> <td>2015</td> <td>Faton Thaçi</td> <td>194432.05 euro</td> <td>218807.43 euro</td> </tr> <tr> <td>2016</td> <td>Faton Thaçi</td> <td>206972.31 euro</td> <td>236815.86 euro</td> </tr> </tbody> </table>	Year	Financial Officer	Income	Expenses	2013	Faton Thaçi	-	-	2014	Faton Thaçi	158011.66 euro	177962.56 euro	2015	Faton Thaçi	194432.05 euro	218807.43 euro	2016	Faton Thaçi	206972.31 euro	236815.86 euro	Not audited	
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Gjendja për periudhën K3 – K4

1. Audited financial report: February 2018

Subjekti politik	Raportet financiare (2012-2016)					
PDK	Year	2016	2015	2014	2013	2012
	Income	1214329.18	1206517.02	1148431.12	1052852.25	1196176.76
	Expenses	1182090.49	848569.64	1341830.68	1721168.53	891739.08
	Surplus	32238.69	357947.38	(193399.56)	(668316.28)	304437.68
LDK	Year	2016	2015	2014	2013	2012
	Income	986865.54	980836.14	970307.14	855216.84	896799.00
	Expenses	515415.68	459789.54	1036139.66	1293021.07	450594.52
	Surplus	471449.86	521046.60	(65832.52)	(437804.23)	446204.48
AAK	Year	2016	2015	2014	2013	2012
	Income	341010	506094.02	517202.14	397899	397663
	Expenses	382590.76	476773.53	631813.31	389409.62	449770
	Surplus	(41580.76)	29320.49	(114611.17)	8489.39	(52106.90)
AKR	They are not published					
VV	Year	2016	2015	2014	2013	2012
	Income	580805	597968	696900	754415	621349
	Expenses	576440	584378	645794	844230	565667
	Surplus	4365	13591	51104	(89815)	55682
NISMA	Year	2016	2015	2014	2013	2012
	Income	206972.31	194432.05	158011.65	-	-
	Expenses	236815.86	218807.43	177962.56	-	-
	Surplus	(29843.55)	(24375.38)	(19950.91)		

2/3. During the meeting of October 19, 2017, the Committee on Public Finance Oversight chaired by Driton Selmanaj, occurred the withdraw of the lot related to the Audit of Annual Financial Reports and the Financial Reports of the campaigns of the Political Parties for the years 2013, 2014, 2015, and 2016. The withdrawal process of this lot has been conducted through closed envelopes and the names of 10 Auditors that will audit 7 political parties have been withdrawn Assembly officials. The auditors engaged in this process are Ymer Shatri, Muhamet Feka, Agron Mustafa, Elmije Osmani Shatri, Qerim Qerimi, Haxhi Nimanaj, Besa Sahitaj Berishaj, Fatmir Mehmeti, Njazi Jakupi and Fadil Hyseni. The Committee Chairman Driton Selmanaj clarified that the audit will commence immediately after the auditor are assigned for the respective political entity and the final report needs to be completed within 45 days.

4. In the meeting of January 29, 2018, the Government of Kosovo has decided to create a commission for drafting the Draft Law on Financing of Political Parties.

1.4	Carrying out an independent review of the accountability mechanisms of all independent institutions, agencies and regulatory bodies, following up on its recommendations, and adopting legislative measures that clearly define the roles, responsibilities and lines of accountability of these institutions	<p>1. Conduct a qualitative analysis review of independent agencies and independent regulatory agencies (analysis on regulation of employment relationship, salaries, establishment and organization of agencies);</p> <p>2. Commit to implementing the recommendations of that qualitative analysis;</p> <p>3. Develop a concept document for the draft-law on the organization of public administration; civil service and salaries</p> <p>4. Adoption of the legislative package on: civil service; salaries and organization of public administration.</p>	Q4 2016	MPA Assembly MoF OPM	1. Completed	
			Q4 2016		2. Completed	
			Q4 2017		3. Completed Completed before deadline	
					4. In progress	4. Not completed

The situation for the period Q1 - Q2.

1. The analysis was concluded in November 2016.

2. MPA with the support of SIGMA has prepared a review of the analysis of the quality of institutions / independent agencies and independent regulatory bodies and has provided information on the challenges and the legal gaps within these institutions by conducting a thorough analysis of the elements of the establishment, organization, wages and employment contracts. The findings of this quality analysis represent a large number of independent institutions and the lack of accountability. The report provides information about 33 independent institutions and agencies of the Assembly and 46 central bodies and government agencies. In addition to the findings, the analysis also provides concrete recommendations on establishing accountability and further rationalization, as well as the roadmap for their implementation. The quality analysis has identified that there is no clear line of accountability neither in the Assembly nor in Government institutions / agencies.

3. Based on the findings of these analyses, on 29.03.2017 MPA with the help of SIGMA, has drafted the necessary documentation for drafting a legislative package for the Public Administration Reform, such as: 1) The Law on Organization of Public Administration; 2) Concept Document for the law on salaries in the public sector and 3) Concept Document for civil service in RKS.

Concept Documents were approved on May 15, 2017 by the Government of the Republic of Kosovo, and in harmony with the agreed upon priorities in the European Reform Agenda. With the decision no. 103/2017 dated 10.07.2017 the working group was formed for the drafting of the three basic laws of the Public Administration Reform. The first meetings of the Working Group have taken place. With regards to the suggestions from civil society, such were received by HANDIKOS and GAP and which are included in the Concept Documents, approved on 15 May 2017 by the Government of the Republic of Kosovo.

4. The Law on the Organization of Public Administration is not yet drafted.

Based on the Draft Concept Paper, the Government is in the stage of establishing a legal framework (Law on State Administration to be amended and renamed as the Law on Organization of Public Administration), which aims to define the elements of the organization and functioning of public administration beyond the state administration, including independent institutions and agencies established by the Assembly. The draft law is anticipated to be approved by the Government in K4 2017. Legislative Framework (different from the Law on State Administration) aims to clearly provide principles and the minimum of rules concerning the establishment, organization of internal, accountability, governance, co-operation, delegation, supervision and the regional organization of public administration bodies and determining the typologies of the public administration.

After the adoption of Law No. 05/L -031 on the General Administrative Procedure, a law which has been also a precondition for the adoption of the IPA Project 2014, the project has begun to support the enforcement of this law. Experts have been assigned for the harmonization of specific procedures contained in other sectoral laws along with the Law on General Administrative Procedure, where more than 400 sectoral laws have been identified which provide specific procedures.

The situation for the period Q3 - Q4.

4. The legislative package on the civil service, salaries and organization of public administration:

Based on the decision no. 103/2017, dated 10 July 2017, the Government has approved the establishment of working groups mandated for drafting the two above-mentioned laws as well as the Law on Salaries, as the latter was returned to the Government for further review. It is anticipated that these three laws will be unified and adopted as a single legislative package by the end of 2017. However, currently the Working Group has drafted and is in the process of finalizing the Draft Law on Civil Service and Draft-law on Public Administration.

The legislative package on the civil service, salaries and organization of public administration is expected to be completed by the end of June 2018.

1.5	Ensure that the planned legislative package covering civil service, salaries and organisation of state administration is prepared in a coordinated way in an inclusive and evidence-based process on the basis of concept notes agreed at the government level	<ol style="list-style-type: none"> 1. Develop concept documents for the draft-laws on: civil service, salaries and the organization of public administration; and, 2. Adoption of the legislative package on: civil service; salaries and organization of public administration. 	<p>Q4 2016</p> <p>Q4 2017</p>	MPA Assembly MoF OPM	<table border="1"> <tr> <td colspan="2" data-bbox="1677 193 2123 328">1) Completed</td> </tr> <tr> <td data-bbox="1677 328 1890 472">2) In progress</td> <td data-bbox="1890 328 2123 472">2) Not completed</td> </tr> </table>	1) Completed		2) In progress	2) Not completed
1) Completed									
2) In progress	2) Not completed								
<p>The situation for the period Q1 - Q2.</p> <ol style="list-style-type: none"> 1. Concept documents for the draft law on civil service, wages and organization of public administration are drafted and approved. 2. The legislative package on the civil service, salaries and the organization of public administration, has not been approved yet. 									
<p>The situation for the period Q3 - Q4.</p> <p>2. The legislative package on the civil service, salaries and organization of public administration is expected to be completed by the end of June 2018.</p> <p>Currently based on the decision no. 103/2017, dated 10 July 2017, the Government has approved the establishment of working groups mandated for drafting two above-mentioned laws as well as the Law on Salaries, as the latter was returned to the Government for further review. It is anticipated that these three laws will be unified and adopted as a single legislative package by the end of 2017. However, currently the Working Group has drafted and is in the process of finalizing the Draft Law on Civil Service and Draft-law on Public Administration.</p>									
1.6	Ensuring transparent, merit-based and non-political selection processes in line with the law for all independent institutions, agencies and regulatory bodies as well as in public companies, full implementation the recommendations by the Kosovo Anti-Corruption Agency (AKK-DLK-3113/15).	<p>a. Amendment of the applicable legislation for the selection of independent institutions in order to ensure robust and transparent and merit-based candidate selection procedures:</p> <ol style="list-style-type: none"> a1. Publication of CVs of short-listed candidates a2. Inclusion of civil society in the selection committees, on the basis of a transparent 	a. 2016-2017	OPM Assembly	<table border="1"> <tr> <td data-bbox="1677 1002 1912 1187">a1) In progress</td> <td data-bbox="1912 1002 2123 1187">a1) Partially completed</td> </tr> <tr> <td data-bbox="1677 1187 1912 1340">a2) In progress</td> <td data-bbox="1912 1187 2123 1340">a2) Not completed</td> </tr> </table>	a1) In progress	a1) Partially completed	a2) In progress	a2) Not completed
a1) In progress	a1) Partially completed								
a2) In progress	a2) Not completed								

		<p>and open selection of civil society representatives;</p> <p>a.3 Strengthening and clarifying minimum requirements for candidates, by including criteria analogous to Art.17 paragraph 2 of the Law on POEs, for instance, in the amendments to the Law on Conflict of Interest, thereby making them applicable to all independent agencies and regulatory bodies.</p> <p>b. Government commits to act on the recommendations issued by ACA of 15.02.2016(AKK-DLK-3113/15) concerning appointments to 9 boards of POEs:</p> <p>b.1. The sworn affidavit form/declaration to be amended to reflect the law for all future appointments</p> <p>b.2. OPM to take action under Art 17.5 of the law (i.e. 17.5 Each person holding or applying for a director position shall execute a sworn affidavit truthfully attesting that he meets the eligibility, independence and professional suitability requirements of paragraphs 1 -3 of this Article. Any material misrepresentation - whether intentional or the result of negligence - or any material change in the information set forth in such affidavit shall result in the immediate disqualification and, if applicable, termination of such person.)</p> <p>b.3. OPM to take actions against officials which drafted this form/declaration which is not in accordance with the law</p> <p>b4. Ensure the implementation of the MoU signed between the Assembly the Government on the one hand and the UK Embassy in Prishtina on the other, for the</p>	<p>b. Q4 2016</p>		<p>a3) In progress</p>	<p>a3) Not completed</p>
				<p>b1) Completed</p>		
				<p>b2) Completed</p>		
				<p>b3) Completed</p>		
				<p>b4) Completed</p>		

		appointments of board members of independent institutions and agencies.			
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The situation for the period Q1 - Q2.

a1) Publication of CV-s of candidates of the two boards for two Public Enterprises, for which procurement procedures are underway, are in the process.

a2) With regard to the engagement of civil society in the recommending committees, the commission for selection of the candidates for the Board of PTK, CIVIKOS has already appointed its representative as observers since the Committee for selection of candidates for the Board of KEK as the time available to appoint a representative has been very short. The Office of the Prime Minister among its responsibilities includes the involvement of civil society as an observer in the process of appointing the directors in public enterprises. It was originally planned to proceed with amending/supplementing the Law on POE about which the OPM addressed the Minister and the Permanent Secretary of MED, where they recommended the start of the procedures for amending/supplementing the Law on POE to enable the involvement of civil society in these recruitment committees. However, after the agreement with the Office of the EU for the involvement of civil society in these committees as observers and based on the opinion of the Legal Office of the OPM, the inclusion of representatives of independent civil society in the role of observers in this process will increase the transparency of the work of the Government, while the decision-making shall be conducted as provided by the applicable legislation.

Therefore, civil society is involved in all recruitment committees for the appointment of the directors of the concerned POE, as an observer.

a3) Pursuant to article 145 (paragraph 2) of the Constitution of the Republic of Kosovo, taking into account Article 38 of Law No. 03/L-189 on State Administration of the Republic of Kosovo (Official Gazette No. 82, 21 October 2010), based on article 75, paragraph 3 of the Regulation No.09/2011 for the Work of the Government of the Republic of Kosovo (Official Gazette No.15, dated 12.09.2011), Article 16 (6 and 7) of Regulation No. 02/2011 for the areas of administrative responsibility of the Office of Prime Minister and of Ministries (22.03.2011), as well as Article 15 (paragraph 2 and 3) of the Law No.03/L-087 on Publicly Owned Enterprises (Official Gazette no.31, 15.06.2008) Permanent Secretary has issued the following: **Rules on the identification of Candidates for directors of the Public Enterprise Boards and the evaluation methodology.**

b1) b2) The declaration under oath is supplemented/amended, based on the applicable legislation. (Under Article 17 of the Law No.03/L-087 on Public Owned Enterprises supplemented and amended by Law No. 04/L-111 on amending and supplementing Law no. 03/L-087 on Public Owned Enterprises). Rules on the identification of Candidates for directors of the Public Enterprise Boards and the evaluation methodology have been implemented.

B4) Regarding the implementation process for the Memorandum of Understanding signed between the Assembly of Kosovo, the Government of Kosovo and the British Embassy in Kosovo with the intention of unity of effort to select leading positions in enterprises and public institutions, a public vacancy notice was issued on 01.02.2017 for the Board of Central Public Enterprise of KEK and was closed on March 6 ,2017, where a total of 75 candidates have applied.

The situation for the period Q3 - Q4.

a.1. In its meeting of 10 November 2017, the Government of Kosovo has appointed the new board of KEK, but they have revealed the names of the members of this board. The secretive decision of the Government occurs only 4 days after the Government of Kosovo opened and then cancelled a new vacancy for the election of the board of KEK. The vacancy notice described all professional requirements that must be met by a person to become a director of the Board of KEK. The vacancy was planned to remain open until December 7, but this period was not respected and as a result this implies that this decision has been politicized.

Besides not publishing the list of the shortlisted CV-s of the candidates, their names were only made available one week later. The names of members of the new board of KEK were sent to a local newspaper from the Press Office of the Office of the Prime Minister and their names are: Faruk Hajrizi, Gjelo Vataj, Mehdi Pllashniku, Izet Ibrahim, Filan Beqiri-Hoxha, and Ilir Rama.

The aforementioned notice for the new board of KEK:

"We inform you about the cancellation of the vacancy for the director of the Board of the Central Public Enterprise - Kosovo Energy Corporation- KEK- published today on November 7, 2017 through December 7, 2017", was written in the notice published on the website of the OPM.

"The deadline of the vacancy will be open 30 days from the date of its publication in the daily press (from November 7, 2017 until December 7, 2017)," states the press release of the Office of the Prime Minister".

So, besides not respecting the timeframe for the opened vacancy, the same action also did not respect the Memorandum of the Government with the British Embassy.

Regarding the PTK Board, it is now 15 months since it operates without a board, specifically since December 2016. It is expected that final interviews will occur on March 25, for PTK and Trepca, and until the end of March 2018 it is expected that the boards of these 2 enterprises will become functional.

Another mistake that the Government has made is its request to the British company to not be involved in the appointment of the Supervisory Board of Trepca.

a.2) while the government decision has been a secret one, it means that actions have been taken without the presence of civil society.

a.3) the criteria are presented in the applications for these positions but the above-mentioned actions show how much these are taken into account.

1.7	Implementing the government decision of March 2016 on introducing mandatory electronic procurement, along with the indicated timelines	1. The beginning of the second phase of the pilot project of e-procurement	1. July - September 2016	MoF PPRC	1) Completed
		2. Implementation of changes amended Procurement Law in the electronic platform	2. July - December 2016		2) Completed
		3. Training of public officials at local level	3. July - December 2016		3) Completed

		4. Certification of public officers at Central level	4. September 2016		4) Completed
		5. Certification of public officers at Local level	5. December 2016		5) Completed
		6. Test on electronic procurement modules	6. 5 September 2016		6) Completed
		7. Development of operational guidelines on e-procurement. The Government should provide standard machine-readable data in real time of procurement contracts to the public.	7. September - December 2016		7) Completed

The situation for the period Q1 - Q2.

1. The decision of the Government in March 2016, for electronic procurement system is being fully implemented. The electronic platform has been completed and all contracting authorities are required to enter procurement activities in the electronic platform and they are conducting their procurement activities through this platform. EOs register in the independent system.

2. The necessary legislation has been developed for the implementation of the changes to procurement law, including modules and new forms. Piloting of e-procurement in central institutions was launched during the last year, while in the institutions of local level- from 1 January of this year.

3. Trainings for electronic procurement were held with the first group of officials at the local level who were also certified following their exams.

4. Trainings for public procurement were held for the central level with the first group of officials who were also certified following their exams.

5. Trainings for electronic procurement were held with the first group of officials of Public Owned Enterprises who were also certified following their exams.

6. The process for testing of electronic modules is completed.

7. The PPRC has issued the guidelines and manuals for all users which are available on the web-site of the PPRC, as well as on the electronic procurement platform (Operational Rules and Guidelines for Public Procurement, the registration of a Contracting Authority, preparation and publication of the tender, registration of the economic operator, Manual for the EO - Preparation and Submission of bid.).

1.8	Reinforce the capacity of the Economic Department and Fiscal Division in the Administrative Department of the First Instance Court in Pristina including in the areas of tax and customs, with a view to reduce the backlog of cases	The KJC will carry out a needs assessment for the increase of the number of judges in the Economic Basic Courts. The assessment will determine what are the budget costs as well as human capacities needed for reducing the backlog of cases in the economic basic courts.	Q1 2017	KJC	Not completed	Partially completed
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The situation for the period Q1 - Q2.

Based on the KJC's recommendations, 52 judges of the Basic Courts in the Republic of Kosovo have been decreed, of whom 22 are assigned to work in the Basic Court in Pristina. No needs assessment was conducted. The President of this court, if it considers necessary that this department should be strengthened, has the competency to assign some of these 22 judges to this department.

The administrative department, respectively the fiscal division, based on the concept document for administrative conflicts which has been sponsored by the MPA, is expected to increase the number with an additional 7 judges, 7 professional associates, and 7 legal officers for this department alone.

The situation for the period Q3 - Q4.

The Kosovo Judicial Council has prepared an analysis which expects to identify the needs in the Economic Department and the Fiscal Division in the Basic Courts.

1.9	Continue to strengthen the track record on the fight against corruption and organised crime, including through reinforcing the capacity of the Special Prosecution Office investigating and prosecuting high-level cases.	<ol style="list-style-type: none"> 1. Amendment of the Law on State Prosecutor in order to enable the increase of the number of prosecutors in the Special Prosecution Office investigating and prosecuting high-level corruption and organised crime cases. 2. Provide training to strengthen the capacity of the Special Prosecution Office to conduct financial investigation and confiscate assets. 	Q2 2017	MoJ	<p>1. Partially completed</p> <p>In the initial phase</p>	<p>1. Partially completed</p> <p>In progress</p>
					2. Completed	

The situation for the period Q1 - Q2.

1. Ministry of Justice is preparing the amendment of the Law on the State Prosecutor. Currently it is in the stage of consultations within the Ministry.
2. For the reporting period January - September 2017, the Justice Academy has conducted trainings in combating corruption and organized crime, financial investigation and confiscation as follows:
 1. Financial Crimes Investigation, with a duration of one (1) day. The beneficiaries of the training were: 7 prosecutors, two (2) from Appellate Prosecution Office, five (5) from Basic Prosecution Offices, one (1) judge, one (1) officer from National Audit Office and one (1) officer from the Financial Intelligence Unit.
 2. Cross-border confiscation of Assets. Duration of training was a two (2) days. The training was attended by 22 participants, three (3) prosecutors, one (1) prosecutor from the SPRK, one (1) prosecutor from Appellate Prosecution Office and one (1) of the basic level. Five (5) judges, 9 officials from the Kosovo Police, two (2) Officials from the Financial Intelligence Unit, one (1) from the Anti Corruption Agency, and two (2) by the Agency for the Management of Sequestered and Confiscated assets.
 3. The temporary freezing of assets, sequestration and confiscation of assets. Duration of training was one (1) day. The beneficiaries of the respective training were one (1) prosecutor from basic level and 8 judges.
 4. Financial Investigation. Duration of training was a two (2) days. The training was attended by 15 participants of which 7 prosecutors, two (2) prosecutors from the Special Prosecution Office, one (1) prosecutor from Appellate Prosecution Office and four (4) prosecutors of the basic level, two (2) Officials from the Kosovo Customs, two (2) of the Financial Intelligence Unit, and four (4) officials from the Kosovo Police.
 5. Organized crime, drug trafficking and trans-national cases, filing indictments". Duration of the training was two (2) days. Beneficiaries of this training were four (4) prosecutors from the Special Prosecution Office, eight (8) officers from the Kosovo Police, two (2) professional associates by the SPRK, and three (3) legal officers from the SPRK.
 6. Organized Crime. Duration of training was one (1) day. The beneficiaries of the training were 8 judges and one (1) professional associate.

The situation for the period Q1 - Q2.

The draft law on the State Prosecutor is approved by the Government. The draft law has passed the first reading in the Assembly.

The draft law has been criticized that is in contradiction with the Constitution of the Republic of Kosovo, the principles and obligations that the Republic of Kosovo has assumed in relation to the European Union regarding the implementation of the priorities deriving from the European Reforms Agenda (ERA).

II. Competitiveness and Investment Climate

2.1	Promoting foreign direct investments a) Significantly strengthen the capacity and enhance the internal portfolio organisation of the Kosovo Investment Agency to allow it to improve its performance for promotion and support to investment, private sector and SME development b) Create an investor servicing and aftercare program for potential investors and an investors' grievance mechanism having sufficient competences to provide such services	a.1. Deep review of KIESA scope of responsibilities, its activities and job descriptions;	a.1. Q1 2017	MTI OPM	a1) Completed	
		a.2. Restructuring of KIESA to enable it to efficiently carry out its responsibilities and implement priorities, allocation of an adequate resources and recruitment of qualified employees;	a.2. Q3 2017		a2) In progress	a2) Not completed
		a.3. Develop capacities of KIESA staff to design and implement services and programs;	a.3. Q3 2017		a3) In progress	a3) Not completed
		a.4. Establish an Advisory Board within KIESA with participation of business community and strong involvement of PM Office;	a.4. Q3 2017		a4) In progress	a4) Not completed
		b.1. Prepare and start implementing the services and aftercare programs for investors;	b.1. Q4 2017		b1) In progress	b1) Not completed

The situation for the period Q1 - Q2.

a.1. The EU project in MTI "ICEP" during the year 2016 has made a detailed analysis of KIESA in general and a comparative analysis, in particular with competitive agencies in the region. In December 2016 this report was submitted to KIESA and the Cabinet of Minister of MTI recommending a new structure for KIESA-n with new functions, increasing its administrative authority and the financial and human resources. However, during this time the minister has not taken any decision.

a.2. In December 2016, the KIESA analysis and the comparative analysis between KIESA and competitive agencies in the region has been prepared by the EU project in Kosovo "Increased Competitiveness and Export Promotion". Based on this analysis, ICEP has drafted a detailed proposal to the Minister of MTI and the Government for strengthening and restructuring KIESA. The document is being reviewed by MTI and the Government.

a.3. The "ICEP" project will help in designing and implementing services and programs as soon as there is a better clarified decision on the structure of KIESA, which dictates the provided services and programs.

a.4. On 23 February 2017 the draft list was prepared for the members of: 1) Team Kosova and 2) The Consultative (council) Board of KIESA; currently under assessment and approval process.

b.1. Kosovo Investment and Enterprise Support Agency - KIESA through existing human resources offers maximum possible aftercare services for the existing FDI-s in Kosovo. Within the frames of services to foreign investors, 40 foreign companies have been contacted which have been notified of the consultancy services offered by KIESA and 10 foreign companies were visited. So far, for this period KIESA has closely cooperated with 18 companies which are in the process of investment or have made investments and were directly supported by KIESA. During the reporting period 15 investors were recorded on the KIESA software.

The situation for the period Q2 - Q4.

Everything is connected with the decision of the Minister of MTI on the structure of KIESA, and since currently there is no decision by the ministry, all the objectives foreseen to be realized to that extent have stagnated.

In addition, the approval of the draft list is pending for the members of: 1) Team Kosova and 2) The Consultative (council) Board of KIESA; currently under assessment and approval process.

2.2	Improving the business environment a. Focus on improving the World Bank 'Doing Business' indicators	a.1. National Economic Development Council facilitates the Doing Business reform by focusing on deliverables and achievements on its regular meetings;	a.1. 2016/2017	MTI MESP	a1) In progress	a 1) Partially completed
		a.2. Improve rankings for resolving insolvency by effectively implementing the legal framework for bankruptcy;	a.2. K4 2017	MoF KJC	a2) In progress	a 1) Partially completed
		a.3. Cut procedures, time and cost for obtaining construction permits including by amending the Administrative Instruction No.10/2013 on Setting Procedures for Submission and Review of Applications for Terms of Construction and Construction Permits in Q2 2017;	a.3. K4 2017		a3) Completed	
		a.4. The online business registration is made available;	a.4. K2 2017;		a4) Completed	

	<p>b. Align rules with international accounting, auditing and financial reporting standards</p>	<p>a.5. The business number is unified;</p> <p>b.1. Law on Accounting, Financial Reporting and Audit drafted;</p> <p>b.2. Public consultations with Civil Society and development partners held;</p> <p>b.3. Law adopted by the Assembly;</p>	<p>a.5. K4 2017</p> <p>b.1. K4 2016</p> <p>b.2. K4 2016</p> <p>b.3. K1 2017</p>		<p>a5) Completed</p> <p>b1) Partially Completed</p> <p>b2) Not completed b2) Completed</p> <p>b3) Partially completed b3) Not completed</p> <p>c1) Partially completed</p> <p>c2) In progress c2) Not completed</p> <p>c3) In progress c3) Partially completed</p>
	<p>c. Reduce the regulatory burden to firms, in particular by making transparent the fees and procedures required to get permits and licences</p>	<p>c.1. New law on business organizations is consulted with civil society and relevant stakeholders and adopted;</p> <p>c.2. Secondary legislation of the law on business organizations adopted;</p> <p>c.3. The online Central Register for Licences and Permits is further updated including the fees and procedures required to get permits and uploading of application forms to the database;</p>	<p>c.1. K2 2017</p> <p>c.2. K4 2017</p> <p>c.3. K3 2017</p>		

d. Introduce legislative changes to improve the management, coordination and enforcement of market surveillance	d.1. Law on General Inspections drafted to reform key procedural, institutional and functional aspects	d.1. K3 2017	d1) In progress	d1) Partially completed
	d.2 Public consultations with Civil Society and other relevant stakeholders held;	d.2. K3 2017	d2) In progress	d2) Partially completed
	d.3. Law on General Inspections adopted;	d.3. K4 2017	d3) In progress	c1) Not completed
	e.1. Strengthen internal procedures and capacity in the Kosovo Competition Authority to conduct investigations	e.1. K4 2016	e1) Not completed	e1) Partially completed
	e.2. Competition Authority to research and prepare a report on the state of play of monopolies in the market in Kosovo with appropriate recommendations	e.2. K4 2017	e2) In progress	e2) Completed
	e.3. Align and amend the Law on State Aid and align the secondary legislation	e.3. K1 2017	e3) Completed	
	e.4. Ensure the operational independence of and sufficient capacity for the State Aid Commission to improve the effectiveness of its control on State aid.	e.4. K1 2017	e4) Completed	

The situation for the period Q1 - Q2.

a.1. During this mandate, NCED has held seven (7) plenary meetings as well as a considerable number of meetings of the working groups. NCED as the most important platform of the public-private dialogue, has discussed important issues for the economic development of the country, such as the Stabilization and Association Agreement with the EU, the World Bank report on doing business, addressing many requests coming from the business community in order to eliminate the unnecessary barriers and bureaucracy and other issues and has made a series of decisions in the interest of improving the climate of doing business.

a.2. Foreseen to be implemented in Q4.

a.3. The supplement-amendment of AI no.10/2013 for determining the procedures for submitting and reviewing requests for construction conditions as well as for construction permits was approved on 23.05.2017. with no. 06/2017.

a.4. The process is completed during March 2017.

The initial online business registration is functional and since March 2017 businesses are able to submit to KBRA applications and all related documents for the initial business registration. The online registration has been tested and is functional for users at all times. There is also the manual on how to use the system in the three official languages of Kosovo.

a.5. The process is completed during March 2017.

MTI as a result of the successful cooperation with the KBRA, TAK and Customs, has achieved to unify the registration of businesses. Currently businesses obtain "a unique business registration number (the "NUR")" upon registration at the KBRA. This number is unique and serves as the easiest and the best way for businesses to communicate with government institutions (TAK, Customs, etc). From the period of March - December of year 2017, about 6,467 businesses (equipped with NUR) have been incorporated in the business register at KBRA.

b.1/ b.2/ b.3/ The law was expected to be adopted by the Assembly in the first quarter of 2017 but was postponed to the third quarter of 2017. Currently the law is with the Ministry of Finance and has not yet been processed further for public consultations. The Law on Accounting, Financial Reporting and Auditing shall transpose into the Kosovo legal system Directives 2013/34/EU, 2006/43/EC, and the Directive 2014/56/EU and the European Parliament and of the Council.

c.1. The Draft Law on Business Organizations was approved by the Government on 14.03.2017, the draft-law is now with the parliamentary committee and was approved on its first reading.

c.2. Drafting the secondary legislation is expected to begin after the Law on business organizations is adopted in the Assembly.

c.3. MTI is in communication with the OPM to begin the process of management and maintenance of this platform by the MTI. Transfer of this authorization will be carried out by a decision of the Government.

d.1/d.2/ On 22 March 2017 a decision of the Government was made for the establishment of an inter-ministerial working group on drafting the concept document and the Draft Law on Inspections. The Concept Document is finalized and is expected to soon come up for public discussion. Once the concept document for inspections is approved, the draft law for general inspections will begin to be drafted.

d.3. The law is not foreseen to be approved during the year 2017.

e.1 Human capacities have not increased despite numerous requests from the KCA.

e.2 On these matters, the Kosovo Competition Authority has drafted a strategy for the implementation of obligations arising from ERA, and it is implementing the same within the foreseen timeframe which is in the last quarter of 2017, will prepare a report on the situation of monopolies in KS and provide appropriate recommendations on this matter".

e.3) On 25.05.2016., the Government of Kosovo has approved the Draft Law on State Aid. After this, the law is sent to the Assembly for further procedure. The law was approved by the Assembly on December 23, 2016 and is scheduled to enter into force in the second half of January 2017 following its publication in the Official Gazette of the Republic of Kosovo. Following the decree by the President, the Law on State Aid is published in the Official Gazette on 17 January 2017.

e.4. The Law on State Aid provides that the State Aid Commission consists of five (5) members, independent experts in the field of state aid for a term of three (3) years.

The situation for the period Q3 - Q4.

a.1. The National Council for Economic Development has become operational again and it held a meeting in December 2017. Important issues were discussed at the meeting, as well as the SAA, World Bank report on doing business, requests received from the business community concerning removing barriers in doing business.

a.2. Throughout the monitoring period about 10 cases of bankruptcy were initiated at the Department for Economic Matters. Four cases have been resolved and other cases are still in the process. Justice Academy has trained 8 judges and 9 professional associates on the new changes to the bankruptcy law and the law on business organizations.

a.3. Upon entering into force of this AI, it becomes applicable and the procedures for obtaining building permits and conditions have been reduced. This has had an impact on improving Kosovo's ranking in the World Banks doing business from 129 to 122 rank.

b1/b2/b3. The Draft Law on Accounting, Financial Reporting and Auditing is approved by the Government in its meeting of 15 December 2017. This draft-law regulates Business Organizations' system of accounting and financial reporting. Also regulates the competencies and responsibilities of the Kosovo Council for Financial Reporting, audit requirements, qualifications for professional accountants, licensing of auditors and local and international auditing companies and professional accounting organizations.

c.1. The Draft Law on Business Organizations is approved by the Government on 20.10.2017. The New Law on Business Organizations was approved in the Assembly in first reading.

c.2. Drafting the secondary legislation is expected to begin after the law on Business Organizations is adopted in the Assembly.

c.3. Legal Office of the OPM has functionalized the Central Register of Licenses and Permits, which is accessible to all those interested in the following link: <https://lejelicenca.rks-gov.net>. With the purpose of carrying out this process with the support of the project "Improvement of the investment climate (II)" it has engaged staff to update the Central Register of Licenses and Permits applied to businesses by the central authorities through identifying and reflecting the recent changes in the register.

As a result of the activities foreseen on updating the registry, the following are the identified changes:

- Changes on the legal basis - about 52% of licenses and permits have passed through changes in the legal framework (i.e. Laws or legal acts were changed since 2015);
- The elimination of the existing permits/licenses - 45 permit eliminated;
- Adding new permits/licenses - 62 new permits/licenses;
- Changes in the time period needed to receive a response from the authority for issuing a permit/license - About 22% of permits/licenses have been modified within the time period required to receive the permit/license;
- Changes in the applied fee/payment - about 29% of licenses and permits have undergone changes in the applied tax/payment;
- Changes in the validity of the permit and license - about 11% of licenses and permits have had changes in the validity of permits or licenses;
- Changes in the information required (i.e. the application form) for submission to the authority issuing the permit/license - about 16% of permits/licenses have had changes in the form;
- Changes in the documentation required for submission to the authority issuing the permit/license - about 35% permits/licenses have had changes in the documentation required for submission to the authority issuing the permit/license.

Activities expected to be implemented:

- Submitting all forms for permit/license for translation in English and Serbian;
- After obtaining credentials for access to the e-register, soon after changes will start to be implemented directly into the electronic registry according to the questionnaire for collecting information for permits/licenses;
- Establishing new permits/licenses in the electronic civil registry according to the questionnaire for collecting information on residence permit/licenses;
- Organization of events to promote the updated version of the electronic register.

d.1. / d.2. / d.3. The Concept Paper of the Law on Inspections has moved on for public consultations and is expected to be transmitted to the GCS for approval.

e.1. The request of the Kosovo Competition Authority for increasing the budget in economic categories and particularly in the category of "salaries and wages" was built upon the legal, financial and strategic framework. This was a reasonable, argued request and within the context of budget availability. Therefore, their request was approved by the Budget and Finance Committee with the consent of the Minister of Finance. As a result, the recruitment of 7 officers is expected as per the allowed funds. The KCA has completed the secondary legislation as the basis for the further implementation of strengthening procedures and human resources. Sublegal acts approved by KCA are:

1. Regulation no. 01/2017 for investigative procedures of the Kosovo Competition Authority
2. Administrative Instruction no. 02/2017 for Group Exclusions of Horizontal Agreements between Entrepreneurs
3. Administrative Instruction No.03/2017 for Group Exclusions of Vertical Agreements of Entrepreneurs
4. Administrative Instruction No.04/2017 for Group Exclusions of Agreements in the Transportation Sector
5. Administrative Instruction No.05/2017 for Group Exclusions of Agreements in the Insurance Sector
6. Administrative Instruction No.06/2017 for Group Exclusions of Agreements for Motor Vehicle Distribution and Service.

e.2. In the last 6 months, the KCA has researched and identified monopolies in the Republic of Kosovo for 14 markets and at the same time has extracted information about the structure of enterprises market and their position of dominance as defined by the Law No. 03/L-229 on Protection of Competition. From this research, the Kosovo Competition Authority has presented findings for each of them individually and has provided appropriate recommendations for independent regulators and respective institutions which regulate these markets. This report was submitted to the Assembly, the Government, and the European Commission.

2.3	Systematically implement the adopted strategy and action plan to fight informal economy	1. Conduct independent sectoral risk assessment focusing on most vulnerable sectors to informal economy, financial crimes, money laundering, terrorism financing (covering the gender aspect)	1. Q3 2017	MoF	1. In progress	Partially completed
		2. Revise the Action Plan taking into account the risk assessment findings	2. Q3 2017		2. In progress	Partially completed
		3. Further improve tax compliance and enforcement in order to protect fiscal interest of the state, to ensure employees' rights and to ensure fair competition in the business area.	3. Q4 2016 / Q4 2017		3. In progress	Partially completed
		4. Strengthen the multi-agency approach and mechanisms in the field of anti-money laundering, financial crime, terrorism financing and corruption, including prevention, investigations, assessments and operations (IPA 2015 project to assist)	4. Q4 2017		4. In progress	Partially completed
		5. Regular quarterly reports prepared, consulted and published	5. 2016/2017		5. In progress	Partially completed

The situation for the period Q1 - Q2.

1. On 11 April 2017 the Minister of Finance Avdullah Hoti has signed a Memorandum of Understanding with the Office of the European Union for further support of Kosovo institutions in fight against organized crime, corruption and violent extremism.

After signature of the agreement all preparations were made to initiate the process for carrying out the risk assessment in the most vulnerable economic sectors such as games of chance and NGO-s. The majority of the interviews have been completed. Analysis and risk assessments are still being processed. The working group has held regular business meetings. A workshop with NGOS and civil society was held during tis period in connection with preparations for undertaking sector-based assessment in the NGO sector. The working group has been established and the questionnaires have been and will precede the phase of data collection for the compilation of the report.

The working group for the risk assessment in the NGO sector and the games of chance is functional and has the phase of conducting direct and indirect methods for the collection of information is complete, and should be preceded by the gathering, processing and analyzing of data for the purpose of achieving the findings and recommendations. Data collection from the relevant agencies has continued to precede the drafting of the report for the first 6 months of the year 2017. The process of assessment of the level of informal economy was initiated where the first results for internal discussion are expected to be ready in the third quarter.

Risk Assessment in real estate and construction sectors has been updated and reviewed, and this report is expected to be refreshed by the end of this year. Meetings of the secretariat have continued for coordinating activities with the EU project to review of the Action Plan and the Strategy.

2. A meeting of the secretariat and representatives of the EU project and the Council of Europe was held for the coordination of activities for second half of 2017 and the next steps in reviewing and drafting the Action Plan and Strategy.

3. From 1 April 2017 until 31 July 2017 the Kosovo Tax Administration has collected revenues of 140,5 million Euros or 6 million Euros more compared to the same period of the previous year. It is worth mentioning that during the reporting period April - July 2017 regarding the issue of not being equipped with fiscal registers, 793 visits were conducted to businesses without fiscal registers, and a total of 242 fines were imposed in a total amount of 49,750 Euros. Also, there were 1353 visits to businesses that do not issue fiscal receipts where 797 mandatory fines were issued at the amount of 179,625 Euros. As a result of the visits to businesses, the registration of 366 employees occurred.

From April 1 through July 31, the Kosovo Tax Administration conducted a total of 11,662 visits to businesses from all regions, which resulted in the 390 registered employees, over 52 million Euros of additional turnover, 1905 mandatory fines worth 447,250 Euros were issued, 4.3 million Euros worth of additional tax and over 1.7 million Euros reduction of VAT credit. Regarding audits, for the reporting period there were a total of 396 audits with the following results: about 18.5 million additional tax (including base tax, interest and penalty), 5.7 million euros credit deducted and loss reduction by 7.4 million Euros.

4. After acceptance to the Egmont Group with full rights, the FIU-K participated in the meeting of the 24th Egmont plenary session which was held from July 2 - 7, 2017. The FIU-K has direct access in the Egmont Secure Web for international exchange of information through this secure channel. The number of requests for international cooperation has already increased as a result of membership. Inter-institutional access has continued after continuous improvement of processes and enhanced cooperation. The number of reports of suspicious transactions has increased in 2017 by 118% (288: 2017) compared to the same period last year (132: 2016), while the FIU-K has continued receiving requests for information, inter-institutional cooperation and assistance in detecting cases of money laundering and financing of terrorism and related criminal offenses. Bylaws have been approved in order to implement the Law on prevention of money laundering and financing of terrorism.

In cooperation with the project PECK II, a workshop was organized on the topic "Support to inter-institutional cooperation in the field of economic crime". At the end of June, a workshop was organized in cooperation with ICITAP and OPDAT on "Money Laundering and Financing of Terrorism". The seminar on "Empowering Response Against Terrorism in accordance with the rule of law" was held in the first week of July. Several sector-based risk assessments were carried out in the most vulnerable sectors of AML/FT, including games of chance, casinos and NGOs.

5. Upon reviewing the action plan and strategy we will look into a more appropriate way of reporting including reporting on a quarterly basis even though no major progress is presented in quarterly reports, in particular when the performance indicators are annual. Annual reports and semi-annual report of 2017, along with annual data, also contain data which reflect the progress on a monthly basis. Drafting quarterly reports is problematic considering the availability of data. Therefore, reports are drafted in a 6-month frequency, and the next report about the first half of the year is foreseen to also include the data on the results of the activities undertaken during the first six months' period.

The situation for the period Q3 - Q4.

1. On 29 September 2017, the "Evaluation of the volume of informal economy" was published by the Ministry of Finance and the Office of the EU in Kosovo, through the EU funded project "Further support for the Kosovo institutions in the fight against organized crime, corruption and violent extremism". Based on sectors, the hot spots of informality indicated in the report are in the agriculture sector, construction sector, retail and wholesale sector, real estate, the sector of financial activities, and the insurance sector and professional services. In this publication it is required that reforms should extend to the judiciary as well in order to focus more on the confiscation of assets obtained through illegal activities. In April 2017, FIU-K had initiated a sector-specific risk assessment on money laundering and terrorism financing. The draft assessment report together with annexes is expected to be presented on April 12.

2. An overall assessment of the level of informal economy has been conducted. The new Secretariat of the permanent group for the prevention of the informal economy was established on 10.23.2017. The final assessment report on the informal economy together with risk assessments shall serve for drafting of the new 2019-2024 strategy for combating the informal economy and money laundering. The review is expected to take place during the year 2018.

3. As a result of the published report it states that from the perspective of employment, the report reflects the situation on the ground considering that 45 thousand employees work full-time in the informal sector of which 11 to 15% belong to the agricultural sector, followed by the construction sector and also trade activities. According to these estimates, Kosovo loses 60.1 million Euros a year by the non-payment of taxes on personal income and corporate income tax.

Knowing that most of the small and medium-sized businesses in Kosovo are family businesses, according to the report this situation shows that 33.2% of personal income for households are informal. This figure shows the fact that total revenues according to consumption do not match with any legally recognized source and it is likely that this revenue is generated by activities that are kept permanently secret.

On 29 September 2017, Minister Bedri Hamza announced that it has decided to process to the Government the Decisions and Administrative Instructions and that starting from January 1, 2018, all producers who import or through contractors shall be exempted from customs tax for raw material, semi-products, production lines, equipment, information technology and later on they will also be exempted from excise tax in all products which are a part of the auxiliary material in the manufacturing process.

Exemptions from customs tax for all producers of our country who are authorized by the Tax Administration of Kosovo and entitled for VAT deferral will help the development of the private sector, namely producers within our country and all those who come to invest in our country.

All exemptions from custom tax and excise duties related to the field of assistance to production: Exempt from Customs tax is the raw material used in the production lines; exempt from customs tax are semi-products which are used in the production lines; customs tax shall be exempt from all lines of manufacturing machinery used in production environments; released from customs tax are the equipment of information technology; excise tax shall be exempt from all producers, regardless whether they do the import themselves or through a contractor, for all energy sources which are used as auxiliary material in the production process such as crude oil, gas, diesel. A proposal will be submitted to the government to approve the Administrative Instruction for flour marking which is placed in free circulation in the market of the Republic of Kosovo.

According to Minister Bedri Hamza, this is the first step of the fiscal policy measures which have been harmonized with the demands from business. "All these measures of exemption from custom tax and excise tax will help the production in our country and we will make a more attractive market for foreign investments".

4. After acceptance in the Egmont Group, the FIU-K has direct access in the Egmont Secure Web for international exchange of information through this secure channel. Data show an increase by 90% in the exchange and spontaneous sharing of information with counterpart FIU-s. It also has contributed to the Egmont membership and access to ESW.

- 264 interviews with the suspects and witnesses have been conducted. Other activities include 358 meetings and consultations with prosecutors; 32 cases were initiated under suspicion for tax evasion; 5 searches - inspections for tax evasion; 21 investigative Final Reports were submitted for filing indictments for the criminal offense of tax evasion, amounting to 667.014 Euros, excluding penalties and interest.
- The number of exchanged intelligence information is in a total of 221, of which 134 information for the FIU, 43 for the Kosovo Police, 34 for Kosovo Customs, and 10 of them were of different institutions, 83 reports were submitted to the prosecution office.
- Within the frames of institutional cooperation for the enforcement of the law, assistance was provided in total to 28 audit raids, from which 16 searches were conducted with the Kosovo Police and 12 searches with the Kosovo Customs.
- The implementation of joint mechanisms of exchange of information has continued between responsible agencies for preventing and combating money laundering, terrorist financing and financial crimes. There has been an increase by 23% of the number of requests for information compared with the previous year.
- In 2017, the FIU-K conducted 17 inspections in the field in relation with the fulfillment of obligations.
- In 2017, the FIU-K has received 109 feedbacks from other institutions, including police, KTA and the Customs. This is expected to have positive effects on the quality of the analysis. As a result of the joint inter-institutional efforts, FIU-K has issued three guidelines for the temporary freezing of the transaction by temporarily freezing 1 million Euros which are suspected to have been acquired illegally.

5. No information about the changes the first period of 6 months 2017. Due to the high work volume of law enforcement institutions as well as the availability and quality of data, only the data for a six months period can be reported. The Annual Report for 2017 is expected to be finalized by the end of the second quarter of 2018.

2.4	Supporting SMEs development	a.1. The structure for SBA coordination is established, including point of contacts for each Ministry;	a.1. K4 2016	MTI	a1) Partially completed	
	a) Follow up on the 'Small Business Act' assessment recommendations	a.2. KIESA to strengthen the Government wide coordination efforts for implementing the Small Business Act assessment recommendations including through the regular coordination meetings	a.2. K4 2017		a2) In progress	a2) Partially completed
	b) Adopt concrete measures to improve quality infrastructure and standards	b.1. Upgrade and regularly update the website to serve as an online information platform for businesses including on quality infrastructure	b.1. K4 2017		b1) In progress	b1) Completed

		<p>b.2. 10 workshops organized with the purpose of informing businesses about quality infrastructure and obligations from specific vertical legislation including the promotion of website as an information platform</p>	<p>b.2. 2016/2017</p>		<p>b2) In progress</p>	<p>b2) Partially completed</p>
		<p>b.3. Further develop human capacities in the area of quality infrastructure including through the training of staff (30 modules of trainings to be organised) and conformity assessment bodies</p>	<p>b.3. K4 2017</p>		<p>b3) In progress</p>	<p>b3) Partially completed</p>
		<p>b.4. 1,500 new standards adopted with focus in harmonised area</p>	<p>b.4. K4 2017</p>		<p>b4) In progress</p>	<p>b4) Partially completed</p>
		<p>b.5. The existing metrological laboratories supplied with equipment;</p>	<p>b.5. K4 2017</p>		<p>b5) In progress</p>	<p>b5) Completed</p>
		<p>b.6. Law on services drafted and consulted with civil society and other relevant stakeholders</p>	<p>b.6. K1 2017</p>		<p>b6) Completed</p>	
		<p>b.7. Law on services adopted (partial transposition of the services directive 123/EC);</p>	<p>b.7. K2 2017</p>		<p>b7) Completed</p>	
		<p>b.8. Point of Single Contact for Services established and operational</p>	<p>b.8. K4 2017</p>		<p>b8) In progress</p>	<p>b8) Partially completed</p>
	<p>c) Introduce export programmes and instruments to help SMEs integrate into global value chains in order to support their internationalization</p>	<p>c.1. Businesses supported to enhance their product conformity (product certification) and their internationalisation</p>	<p>c.1. K4 2017</p>		<p>c1) In progress</p>	<p>c1) Partially completed</p>

d) Adopt measures to deepen and widen financial intermediation to increase the access to finance for SMEs	c.2. Kosovo joins the Enterprise Europe Network	c.2. K3 2017	c2) In progress	c2) Partially completed
	c.3. Kosovo participates in the COSME programme to support SMEs in facilitating access to finance, improving access to markets and enhancing competitiveness and entrepreneurial culture	c.3. K3 2017	c3) In progress	c3) Partially completed
	d.1 Adoption of Law Banks, Microfinance Institutions and Non-bank Financial Institutions	d.1. K3 2017	d1) In progress	d1) Not completed
	d.2. Make operational the Kosovo Credit Guarantee Fund (KCGF)	d.2. K4 2017	d2) Completed	

The situation for the period Q1 - Q2.

a.1. The PMO has appointed governmental bodies as main responsible bodies and has created points of contacts for each of the priorities of small businesses.

a.2. Foreseen to be implemented in Q4 2017.

b.1. Foreseen to be implemented in Q4 2017.

b.2. A roundtable was organized with businesses in April with the participation of 33 businesses in the field of the implementation of legislation on elevators and security components; another workshop was organized, supported by TAIEX on the harmonization of horizontal legislation for the free movement of goods. May 25, 2017 marks the World Day of metrology.

b.3. Foreseen to be implemented in Q4 2017.

b.4. Foreseen to be implemented in Q4 2017.

During K1 there were 17 standards adopted in the field of information technology, while 143 standards in the Wood Processing Sector are now for public discussion. 143 standards (wood processing sector) were adopted during Q2 while 250 standards are up for public consultations (34 on metrology; 82 for textile and leather shoes; 39 on food technology; and 95 for machinery). 1.500 standards is the total number foreseen to be adopted during the entire year of 2017.

b.5. Foreseen to be implemented in Q4 2017. The request has been processed for the supply of additional equipment for the laboratories of AMK; all procedures have been completed; only the contract has still to be signed.

b.6) The law is adopted and published in the Official Gazette on 03.04.2017

b.7) This law is partly in accordance with Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the domestic market.

b.8. Foreseen to be implemented in Q4 2017.

Administrative Instruction is being drafted for Single Point of Contact and is expected to be completed in Q3.

c.1. Foreseen to be implemented in Q4 2017.

The call for subsidizing product certification has been closed and 4 companies have applied. Preliminary results have been announced after reviewing the documentation where one company was selected.

c.2. Foreseen to be implemented in Q3 2017.

c.3. Foreseen to be implemented in Q3 2017.

d.1. Foreseen to be implemented in Q3 2017.

d.2. The Kosovo Credit Guarantee Fund is operational and by June 2017 has issued 328 loans to local businesses with an amount of 14,103,300.00 Euros of approved loans.

The situation for the period Q3 - Q4.

a.1. Based on the decision, the identification of institutions and officials who will be part of the working groups for dimensions 3, 5a, 8a, 10, has been completed and the decisions for these four dimensions have been prepared. On 12.05.2017 KIESA, based on the Decision No. 02/129 QRK sent letters to the relevant institutions for the establishment of working groups for 12 dimensions of the SBA. Decisions for these groups and responsible institutions are still lacking: MTI dimension 2, MPA Dimension 4, PPRC Dimension 5b, MTI dimension 7, MESP Dimension 9.

Despite the lack of issuance of decisions, on 10.12.2017 the meeting planned with the OECD was conducted where the methodology and evaluation process of SME policy index was presented. Meetings were held between the OECD with working groups for each dimension.

a.2. Following the decisions for the establishment of working groups, KIESA is coordinating the work of all the institutions for the implementation of the recommendations and principles of the SBA. The questionnaire was distributed to all Chairpersons and members of working groups and the completion of the questionnaire has began, and it should be finalized by the mid-January.

On December 6, 2017 a workshop was held in Prishtina on the full completion of the questionnaire of the first dimension of the Small Business Act. The workshop is supported by the European Training Foundation (ETF). On December 13, 2017 a meeting was held at KIESA offices for finalization of the Questionnaire of the OECD as this meeting was dedicated to finalizing the dimensions 5a, 8a and 10 belonging to the MTI. KIESA is leading the process of finalizing the SBA evaluation, which is scheduled to be completed by mid-February.

b.1. The web site is being refreshed with new data on a daily basis.

b.2. On May in a meeting with businesses invited by the Kosovo Chamber of Commerce, the Chief Executive Officer of the Kosovo Standardization Agency held a presentation on the "standardization at the service of certification". Other meetings:

(July 18.2017) The division of infrastructure quality has organized a meeting with businesses to discuss the implementation of the legislation in the area of elevators.

(July 18.2017) Meeting with economic operators (elevator installations) where they discussed about the final draft regulation for the safety on the use of elevators. (10.08.2017)

Meeting with economic operators (inspection bodies authorized by MTI) about drafting and implementing the legislation in the field of elevators, the target of which were:

- Modules (final inspection, verification of the unit and Periodical control) applied by TVK according to Regulation No.03/2017 for elevator safety.

- Discussion about the draft regulation for the safety of elevators in use.
- Obligation for the accreditation of Inspection Bodies - Transition Period of one (1) year.
- Registration of new elevators and distribution of identification numbers ID.

Kosovo Standardization Agency has organized a meeting on the occasion of the World Day of standards on 16 October 2017.

b.3. From June until December 7 trainings, 3 workshops, 1 meeting and 1 study visit were held, which are identified below:

- (13 - 16 September 2017) Monitoring and communication mechanisms in activities of market supervision in the sector of electrical and electronic equipment EEE with the support of SIDA project - Quality infrastructure in the Western Balkans.
- (25-29.09.2017) Technical issues in market supervision - controls in the field of electrical and electronic equipment.
- (7 June 2017) Workshop WS6 for construction products in Podgorica - EU Regulation 305/2011 CPR: Market surveillance in focus.
- (9 June 2017) Workshop WS12 for electrical and electronic equipment - Directives for the EEE and EMC: Market surveillance in focus.
- Three day training in May, Transposition of the non-automatic scales (transposition of the European directive NAWI 2014/32), which was held in Brussels.
- (13 through 15.06.2017) Transposing MID Directive (EU Directive on measuring instruments MID 2014/32), held in Brussels.
- (06.06.2017) Promotion of metrology, organized by SIDA project, held in Podgorica.
- (26-28.06.2017) PT tests, held in Berlin.
- (13-15.06.2017) Application in practice of ICSMS and RAPEX systems.
- (25-28.10.2017) Regulatory Impact Assessment RIA in relation to drafting strategies and legislation, held in Berlin.
- (31.10-02.11.2017) Challenges and opportunities in the field of EEE (electric and electronic equipment)", which was held in Belgrade.
- (07-10.11.2017) Study visit to Slovenia for conformity assessment bodies authorized by MTI for the inspection of elevators.

b.4. During the year 2017, the Technical Committees have identified a total of 647 International and European standard EN ISO/IEC, which have been adopted as Kosovo standards SK: KT for Energy (107 SK); KT for Machinery (95 SK); KT for Metrology (34 SK); KT for Health Care (111 SK); KT for Mines and Minerals (KT); 22 CT for Wood Processing (143 SK); KT for Information Technology (SK); KT for Food Technology (36 SK); KT for textile and leather shoes (82 SK);

Meanwhile the Technical Committee for Environment has prepared the list of 167 standards for review, and as such will enter the public discussions for a period of 60 days until the final adoption.

b.5. The supply with equipment for 5 laboratories has been completed, to the one of pressure, of precious metals, of force and measuring temperature and the relative humidity, and for the laboratory of time and frequencies.

b.6. This activity was completed in December 2016.

b.7. Law on Services was adopted on 10 March by the Assembly of the Republic of Kosovo and on April 3 it was published in the Official Gazette of the Republic of Kosovo.

b.8. Administrative Instruction for the Manner of Functioning of the Single Point of Contact is drafted and preliminary and public consultation is completed. A.I. was processed on 22.01.2017 to the Government for approval.

c.1. During 2017 KIESA has announced two calls, one for the advisory voucher scheme where no company was selected, and the second for subsidizing 50% of the certification costs for products ready for export. 4 companies have applied for the subsidy of product certification. After reviewing the documentation, preliminary results were announced and a company was selected but it did not comply with the time frames of the agreement for the certification of products and was not reimbursed.

c.2. and **c.3.** The Kosovo Government has given the approval for the agreement has mandated COSME and Ministry of Trade and Industry to negotiate and to finalize the agreement. The agreement was signed in Brussels by the MTI Minister Mr. Bajram Hasani on 19.12.2017, part of which is the European Enterprise Network (EEN).

d.1. The draft law is in public consultation.

d.2. The Kosovo Credit Guarantee Fund is now operational and until June 2017 it has issued 677 loans to local businesses with an amount of 26,239,800 Euros of approved loans.

2.5	Further develop a number of sectorial statistics key to policy making in the area of national accounts, business statistics, energy and social statistics	1. Publication delays shortened for relevant annual and quarterly GDP and government account statistics including the timely publication of government finance statistics with the ESA 2010 methodology;	1. Q4/2017 for quarterly GDP 2018 for annual GDP and GFS	KAS	1) In progress	1) Partially completed In progress
		2. Production and publication of short term business statistics improved (industrial production volume and price indices);	2. Q4 2017 Industrial Production Index		2) In progress	2) Partially completed In progress
		3. Results from the Labour Force Survey statistics disseminated on a quarterly basis and their quality improved;	3. Q4 2017		3) In progress	3) Completed
		4. Income and living conditions Survey conducted;	4. Q4 2017		4) In progress	4) Partially completed In progress
		5. Publication of energy statistics shortened and annual energy efficiency statistics produced in line with international standards;	5. Q4 2018		5) In progress	5) Partially completed In progress

The situation for the period Q1 - Q2.

- 1.** Reducing deadlines for the publication of the GDP is a priority of KSA and it is being implemented with accuracy. Starting from the Q3 2016, GDP is regularly published on a quarterly basis (QTR) according to ESA2010 methodology and according to the calendar of Eurostat (T+ 90 days). The deadline for the publication of annual GDP is also reduced and this year the publication of the 2016 data will be in October. Quarterly national accounts for QTR4 2016 are published for the first time in April 2017. These data are regularly published according to standards t+30 days.
- 2.** The volume of industrial production and indexes remain a task for the year 2018.
- 3.** During the period April 1 -31 July 2017 three publications of LFS (Labour Force Survey) were issued: QTR4 2016, AFP 2016 results (annual publication) and the results of the LFS for QTR1 2017. Publications are published according to the time foreseen in the calendar of publications of the KSA; the LFS guidelines is prepared for surveyors, the level of monitoring in the field has increased which has affected the increase of the quality of data of LFS and the LFS data (micro-data) is submitted to Eurostat for QTR1 2017 as this will continue further with submitting data for each quarter.
- 4.** The following activities have taken place during April 1 -31 July 2017: designing questionnaires 2017, preparation of the Manual, the implementation plan for the Survey through Capi method as well as planning the time and resources for the development of the survey in the field. This survey is scheduled to take place in QTR4 2017.
- 5.** Incorporated survey data on the energy consumption in households on the Energy Balance for the year 2016. Energy efficiency is still in process.

The situation for the period Q3 - Q4.

- 1.**
 - a. Recent publication of GDP on a quarterly basis was made on 28.12.2017 for Q3 2017 and the reduction of the time limit in relation to the same period of the previous year is one day, but it is within the deadline (t+90 days).
 - b. Recent publication of GFS (Government Financial Statistics) on a quarterly basis is made on 29.12.2017 for QTE3 2017 according to standard (T+90 days). Publication of GFS on a quarterly basis is published for the first time in 2017 for Q1, Q2, and Q3 2017.
 - c. Publications are in full compliance with the ESA 2010, whereas now ESA of 2010 is implemented at 36%.
- 2.** Industrial Production Index is not yet published, according to the plan it is scheduled to be published in June 2018 together with QTR1/2018. Regarding the price index for production, the latest one is published on December 8, 2017 for QTR3 2017.
- 3.** The recent publication for LFS on quarterly period was done on 12/12/2017 for QTR3/2017 and the reduction of the time limit in relation to the same period of the previous year is 44 days.
- 4.** Questionnaires, guidelines/manuals prepared. Work in the field is scheduled for March - June 2018, followed by the publication of data in 2019.

5. a) The most recent publication of energy statistics on a quarterly basis was on 17.12.2017 for QTR3 2017 and the reduction of the time limit in relation to the same period of the previous year is 8 days, whereas for Q4 2017, is expected to be published on 14 February 2018. b) While the statistics of energy efficiency, for the years 2011-2016, occurs on March 9, 2018 (only for the sector of industry and households, whereas for the sector of transport and services it is carried out in a different period).

2.6	<p>Enhancing the regional connectivity</p> <p>a) Implement the prioritized individual public investment projects, in particular by adopting the revised Report on the implementation for the investment clause, on the basis of the 'Single Project Pipeline'</p> <p>b) Implement all outstanding connectivity 'soft measures' and relevant policy reforms on transport and energy</p>	a.1 Government adopts revised Report on the implementation for the investment clause;	6. a.1. Q4 2016	MEI	a1) Not completed	a1) Partially completed
		a.2. The number of financial agreements ratified in Parliament in relation to projects within the Investment Clause approved by the NIC and the Government;	6.a.2.Q4 2017		a2) Not completed	a2) Partially completed
		ENERGY	6.b.i. Q2 2017	MED	6bi) Partially completed	
		6.b.i. Secondary legislation deriving from primary legislation, adopted;	6.b.ii. Q2 2017		1) Completed	
		6.b.ii Energy prices deregulated:			2) Completed	
		1. Rule on Distribution System Operator Pricing (DSO Pricing Rule), amended and adopted;			3) Completed	
		2. Rule on Public Electricity Supplier Pricing (PES Pricing Rule), adopted;		ERO KOSTT	6biii) Not completed	6biii) Partially completed
		3. Rule on Transmission System Operator and Market Operator Pricing (TSO/MO Pricing Rule), adopted;	6.b.iii.Q4 2016		6biv) Not completed	
		6.b.iii. Joint energy market with Albania, established;	6.b.iv. Q4 2016		6bv) Completed	
		6.b iv. Energy stock market with Albania - KOSTT (Day ahead and Intraday) established;	6.b.v. Q4 2016			
6.b.v. New energy electricity suppliers, in place;						

	6.b.vi. Agreement between KOSTT-EMS, implemented;	6.b.vi. Q4 2016	MEI	6bvi) Not completed	6bvi) Partially completed
	6.b.vii. KOSTT Grid code with the ENTSO-E, harmonised	6.b.vii. Q4 2016		6bvii. Completed	
	<u>TRANSPORT</u> 6.b.1. Opening of the transport market;	6.b.1. Q2 2017		6b1. Completed	
	6.b.1.1. Implementation of rail reform strategy;	6.b.1.1. Q2 2017		6b11. Partially completed	
	6.b.2. Establishment of competitive, reliable and safe transport system;	6.b.2. Q2 2017	MED	6b2. Partially completed	
	6.b.2.1 Improvement of road safety. Targeting the reduction of fatalities by 20% compared to reference year 2014;	6.b.2.1 Q2 2017	ERO KOSTT	6b21. Not completed	6b2. Partially completed
	6.b.2.2. Trade and Transport Facilitation;	6.b.2.2 Q2 2017		6b22. No information.	6b2. Partially completed
	6.b.2.3. Intelligent Transport System (ITS) deployment on the Core Network;	6.b.2.3 Q2 2017		6b23. Not completed	
	6.b.2.4. Establishment of functioning maintenance system ensuring no section in poor /very poor condition;	6.b.2.4. Q2 2017		6b24. No information.	6b24. Not completed
	6.b.3 Increasing effectiveness of Border Crossing Procedures;	6.b.3. Q2 2017		6b3. No information.	6b3. Partially completed

	6.b.3.1. Effective Border Crossing Agreements;	6.b.3.1. Q2 2017	6b31. Partially completed
	6.b.3.2. Implementation of Integrated Border Management (IBM) strategy;	6.b.3.2. Q2 2017	6b32. Partially completed

The situation for the period Q1 - Q2.

a1/a2. There are no developments due to the current political developments.

ENERGY

6.b.i. All secondary legislation is harmonized according to primary energy laws and is being implemented since April/May 2017.

6.b.ii. In January of 2017 a Guide for the liberalization of the electricity market in the Republic of Kosovo was issued which defines the time and manner of energy market liberalization, consequently the deregulation of wholesale and retail prices.

Starting from April 1, 2017 the generating prices from KEK j.s.c are deregulated and will be determined on the basis of bilateral agreements between the parties in the market, taking into consideration the market prices.

In terms of retail prices, so far prices of industrial customers connected at 220 kV have been deregulated. While the rest of the consumers involving individual household and non-household consumers will continue to be supplied by the supplier with universal services and will be gradually deregulated according to the Guidelines for the market liberalization and instructions issued by the Board of ERO.

- 1) On March 16 2017 the "Rules for the establishment of incomes of maximum amount of distribution system operator rules for the incomes of OSSH)" were approved, adapting to the recent legal changes. The "Principles for the determination of prices for the use of the Distribution System and connection fees" have also been approved
- 2) There is no public supplier, therefore this rule has ceased to apply. With the beginning of the deregulation of retail prices of electricity, there will no longer be only one supplier in the market (like the Public Supplier), but will have a greater number of suppliers, therefore the recent legal changes the obligation of public service is established for the supply with universal service to one of licensed suppliers in Kosovo, who will supply consumers who, according to the law, are entitled to this type of supply. Consumers who are entitled to this right are individual household and non-household consumers with a turnover below 10 million Euros per year and have fewer than 50 employees.
- 3) On March 16 2017 the "Rules for determining maximal allowed revenues for the transmission system operator and the market (Rules for the revenues of OST/OT)" were approved, adapting to the recent legal changes. The "Principles for the determination of prices for use of the Transmission System and Market and the connection fees" have also been approved.

6.b.iii. Has not yet been established, due to non-implementation of the Agreement for the connection KOSTT- ENTSOE as a result of obstructions by Serbia. The Paris Summit held on July 5, 2016 on Agenda of Connectivity has recommended as follows: All OST should allow the Transmission System and Electricity Market Operator (KOSTT) to be linked to the European Network of Transmission System Operators for Electricity (ENTSO-E) and allocation of capacities in interconnectors of neighboring countries.

The implementation of the Agreement for the connection KOSTT/ENTSO-E would functionalize the new line 400 kV interconnection line Kosovo-Albania and create the first steps for the common market. Moreover, due to obstructions from Serbia, a great mass of soft measures remain un-fulfilled. This issue was raised several times as a problematic one to the European Commission Energy Community for Southeast Europe and the European Network of Transmission System Operators for Electricity (ENTSO-E). In an attempt to solve this issue, the Ministerial Council of the Energy Community, in its meeting held on 14 October 2016, on the basis of a complaint by KOSTT against Serbia in the case ECS-3/2008, confirmed that Serbia has violated the Treaty of the Energy Community, respectively, Article 3 and 6 of Regulation (EC) 1228/2003 and has issued a decision that obliges the Republic of Serbia that by December 31, 2016 it should take measures to eliminate the violations found and to fulfill the requirements of the Energy Community Treaty. Furthermore, the failure to implement the agreement in Serbia's part presents obstacles to Kosovo in the context of regional cooperation in the field of infrastructure, especially in the initiative of WB6 which among other, requires the regional interconnection in the energy sector.

6.b.iv. KOSTT is in close cooperation with OST Albania regarding the preparatory activities for the creation of the Albanian stock exchange energy APEX so that KOSTT will be ready for inclusion in the APEX since its establishment. For this purpose, a number of improvements in the legal /regulatory framework are underway and should be adjusted in order to make it possible. Even in this case the Agreement for connection KOSTT - ENTSO-E should be in force.

6.b.v. Currently there are three KESCO supplier, HEP and GSA, while another application is in the assessment process at the ERO.

6.b.vi. Entry into force of the Agreement for the connection between ENTSO-E-System Operator, Transmission and Market Operator J.S.C. (KOSTT) of Kosovo has not yet happened. This process has been delayed because Serbia (EMS) has failed to meet its obligation from this Agreement (KOSTT on 1 October 2015 has signed the Agreement for connection to the ENTSO-E with a condition for its implementation imposed by EMS for licensing of the Serbian company for supply "Elektrosever" in the north of Kosovo). Therefore, we expect all sides, including European Commission, ECS (the Energy Community Secretariat) and in particular ENTSO-E, to support the functioning of the Agreement, in order to avoid further delays in implementation, since this would discourage and prevent the development of the energy sector in Kosovo and disables moving forward to market liberalization, opening the market and initiatives to develop a free market in a national and regional level.

6.b.vii. Currently, KOSTT has the network codes by which it operates the Transmission System. These codes are in full compliance with the Operations Manual of ENTSO-E.

New codes currently are binding only for EU members. ECS has started the process of the so-called early implementation of these codes in SEE countries that are signatories to the Treaty. KOSTT is cooperating with ECS and according to the agenda of the implementation in this region, KOSTT will also make possible their harmonization and implementation. These codes, a part of them are still not in force even in the EU countries. Some of them are expected to enter into force in the coming years. However, KOSTT has adapted the existing codes for several codes that are very important for the current developments. Currently, in accordance with the provisions of the Code of the network of ENTSO-E, KOSTT has: a) prepared the code for solar energy generating stations, b) changed the existing Code of wind generating stations , c) under the provisions of the Grid Code of ENTSO-E, adapted some of the provisions relating to the system's operating conditions in other sub-codes of the Grid Code. These prepared/adjusted documents will be sent to the ERO for approval.

TRANSPORT

6.b.1. The transportation market in Kosovo is open, and this can be proved through the current primary and secondary legislation of Kosovo. Ministry of Infrastructure is currently engaged in this area to provide the highest level of security in transport. Regarding the railway transport, Kosovo is an open market for transport and each railway transport operator has the right to access to the railway network if it fulfills the criteria foreseen by law. Law No.04/L-179 on road transport and secondary legislation that derive from this law. The development of the sector of road transport of passengers and goods is also regulated, having an open and non-discriminatory access to all operators who claim to exercise the activity of road transport of passengers and goods to all resident and non-resident operators.

6.b.1.1. Kosovo actively participates in the implementation of reforms within the SEETO framework of the railway along with other countries in the Western Balkans, implementing the Measures Management Plan of connectivity reforms. Many measures are implemented, while a number of them are being developed through the support of experts engaged by the European Commission.

6.b.2 Regarding the railways, Kosovo has opened the railway market for other operators of transport towards increasing competition in the railway transportation. For this reason, in 2016 a private railway operator was licensed, certified and introduced in the railway transportation of goods.

Law on road transport determines basic outlines on regulating the transportation sector which guarantees a functional system in terms of transportation market competitiveness of passengers and goods by creating a liberal and non-discriminatory market for all resident and non-resident operators.

6.b.2.1. Despite changes in the legislation, measures taken in organizing the exam for driver's license and other measures in the framework of the MI, this objective is not achieved.

Until the year 2016 there was a positive trend, whereas in 2017 this positive trend has had a negative turn, especially during the June-August 2017 period. Below you may find the comparison in figures and percentages for 2014 and 2016 and January-July 2014 with period of January-July 2017.

In 2014, we have a total of 109 accidents with fatalities, whereas in 2016 we have 99 accidents with fatalities, in 2016 we have a decrease of fatality accidents for -9.17%. In 2014 we have a total of 124 people who died in traffic accidents, whereas in 2016 we have 110, in 2016 we have a decrease of accidents with fatalities by -11.29%.

We have a total of 64, in 2017 we have an increase of accidents with fatalities by +4.91%. In the period January - July 2014 there were a total of 72 people who died in road accidents, in 2017 the number is 70, in 2017 we have a decrease of accidents with dead persons by -2.72%.

6.b.2.2. No information

6.b.2.3. With regard to the deployment of intelligent transport system (ITS) in the Main Network, we are preparing the deployment plan for installations of ITS in the main transportation network (highway 6,7 and National Road N2 and N9).

6.b.2.4. No information

6.b.2.3. No information

6.b.3.1. With regard to Railways, Kosovo has signed the agreement on railway border crossing with Macedonia in 2011, but its implementation has not yet started due to delays the signing of sub-agreement with border police, customs, phytosanitary, sanitary institutions etc.

On 10 February 2017 in Bonn Germany was held the meeting of the technical committees between the Republic of Kosovo and Germany on this occasion has signed the technical protocol on the area of international transportation of passengers and goods between the two countries, which enables the access of transport operators of the two countries in the respective market of road transport of passengers and goods. On May 30, the Protocol on the establishment of the joint three-lateral Kosovo-Albania-Montenegro was signed in Plava of Montenegro.

6.b.3.2. The review of the Action Plan of the Strategy for Integrated Border Management was carried out.

The situation for the period Q3 - Q4.

a1) The Government has published 3 reports on the investments clause, the first report in March 2016, the second report in June 2016 and the third report in March 2018.

a2) From September to December 2017, the Kosovo Government has successfully negotiated the first project credit from Kijeva to Zahaq, which is part of the Comprehensive Agenda Network. The project includes 32 km and is planned to be financed by credits in the amount of 151 million euros. The first loan was signed with EBRD in December 2017 and is in the amount of 71 million euros. The government is currently negotiating with the EIB for the second financing agreement of 80 million, which is expected to be signed by April 2018.

ENERGY

6.b.iii. / 6.b. iv. - On 27 November 2017 a Memorandum of Understanding was signed between the Ministry of Infrastructure and Energy of the Republic of Albania and the Ministry of Economic Development of Kosovo as well as between operators: System Operator, Transmission and Market J.S.C. (KOSTT) and the Transmission System Operator J.S.C. (OST) for the establishment of the Albanian energy stock-exchange. A shareholder of the common market in Kosovo and Albania will be TSO and KOSTT. The operation of the energy stock exchange for the commercial area of Kosovo is closely linked with the implementation of the Agreement for the connection KOSTT-ENTSO-E

6.b.vi. There is no mentionable development from the first 6 months.

6.b.vii. The only difference from the first 6 months is sending for approval of below-mentioned documents to ERO:

- a) Code for solar energy generating stations,
- b) Amendments to the existing Code of Wind energy generating stations,
- c) Under the provisions of the Grid Code of ENTSO-E, has adjusted some provisions related to the operating conditions of the system in other sub-codes of the Grid Code.

TRANSPORT

6.b.1. The transportation market in Kosovo is open, and this can be proved through the current primary and secondary legislation of Kosovo. Ministry of Infrastructure is currently engaged in this area to provide the highest level of security in transport.

6.b.1.1. Kosovo has opened the railway market for all railway enterprises (Train Operators). The Train Operator private "RAILTRANS" is licensed and certified by the Regulatory Railways Authority. The Infrastructure Manager INFRAKOS has signed an agreement with RAILTRANS for access to the railway. The company is already functional and has started operations with the transportation of goods.

6.b.2. Based on statistical data so far, this year the situation has worsened since the data show that we have an increase of the accidents with fatalities and the number of dead persons has increased, this issue should be addressed as soon as possible.

6.b.2.1. Ongoing challenge is the high level of road traffic accidents, with a special emphasis on fatality accidents where pedestrians are harmed. Five projects have been implemented in order to raise the awareness of participants in traffic.

Implemented projects: With the motto: "Safe Road - Stop, look, observe, move", which besides speaking in primary schools, it has also distributed 180,000 leaflets throughout the country. In 2017 there have been three television awareness ads with a message for security in the road traffic "use the safety belt", "Driving speed cautions" and "Caution on the

use of headphones". Also as part of the projects for road safety, 7000 surveys have been carried out in 7 regions throughout Kosovo on the use of "safety belt" and "children car seats" and the project with the motto "Drive Safely - Drive slowly, arrive faster", which is implemented with high school students of different regions of Kosovo. It is expected that AI on the inspection of road safety will be included in the Legislative plan for 2018.

6.b.2.2. With regard to the facilitation of trade between the CEFTA countries, Kosovo has negotiated the Additional Protocol 5 to the facilitation of trade which is expected to be approved in the first half of year 2017. That means that it is not yet ratified. The goal of this Protocol is the simplification, harmonization and standardization of customs procedures between the CEFTA countries. The Action Plan that emerges from the protocol-V has already been finalized for the entire region of BP and measures envisaged for implementation agreed upon between the Western Balkans countries and included in the Regional Economic Area.

The Republic of Kosovo some time ago has become a member of the Organization of World Customs. This Membership will increase the efficiency of the Kosovo Customs, benefiting from some instruments in matters such as the classification of goods, origin, evaluation, facilitation of trade, activities in customs application, promoting integrity, capacity building, etc.

6.b.2.3. Drafting the action plan for the period 2019-2023 for intelligent transport system (ITS) is still a topic of discussion with Connecta. This is due to the fact that it will be implemented with its support.

6.b.2.4. In terms of creating a functional system maintenance where there must be no sections in poor and very poor condition, it is **expected** that with the help of Consulting engaged through CONNECTA (Connectivity Agenda) an assessment of the current network and railway situation will be performed and to create a database which will be used to assess the situation and to prepare the action plan for the period 2019-2023 for the maintenance of the Core Network and the comprehensive SEETO's (Transport Observatory for South - Eastern Europe) that pass through Kosovo (highways Route R6 Prishtina - Hani i Elezit and R7 Merdare - Morine) and for Corridor X railway Hani Hani i Elezit - Leshak.

6.b.3. Increasing the efficiency in the border crossing points is a continuous process where during the reporting period the border police and other agencies involved in border management have followed a series of trainings and equipment provided and the infrastructure at KBP has been advanced.

6.b.3.1. There is no change from the previous report.

6.b.3.2. The Action Plan of the strategy for integrated border management was reviewed last year. The new draft-strategy and action plan for the Integrated Border Management 2019 - 2024 is planned for 2018.

2.7	2.7. Enhancing energy security and adopting a comprehensive energy strategy for the period 2017-2026 a. Decide on the ownership modalities for Kosovo B and on the new investments in power generation, and decommissioning of Kosovo A	7. Adopt a comprehensive energy strategy for the period 2016-2025 which is in line with EU environmental and social standards	7. Q4 2016	MED MESP	7) Partially completed	7) Completed
		7.a.i. Decision on the ownership modalities of Kosovo B, taken;	7.a.i. Q4 2017		7ai) In progress	7ai) Completed
		7a)ii) New Investments in Power generation (all sources):	7.a.ii. Q4 2017		7a)ii) In progress	7) Partially completed

<p>b. Adopt an updated Action Plan on renewables</p> <p>c. Assessment of the best modalities for the establishment of the mechanism for the financing of energy efficiency and environmental measures in the public and residential sectors and promote the full use of the existing initiatives like the Regional Efficiency Programme</p>	7.a.iii. Deadline for the decommissioning of Kosovo A to be fixed;	7.a.iii. Q1 2017	7aiii) Completed
	7.b.i. Second report on the progress of implementation of National Action Plan for RES, prepared;	7.b.i. Q1 2017	7bi) Completed
	7.b.ii. Adoption of the updated plan on renewable, including appropriate measures to ensure Kosovo is reaching the 25% renewable energy targets in 2020;	7.b.ii. Q3 2017	7bii) In progress 7bii) Partially completed
	7.c.i. TAIEX mission to assess modalities of a financing mechanism for energy efficiency and environment measures carried out;	7.c.i. K Q1 2017	7ci) Completed
	7.c.ii. Assessment and decision taken on the modalities of a financing mechanism to support investments in energy efficiency and environment;	7.c.ii. Q3 2017	7cii) In progress 7cii) Partially completed
	7. c.iii. Adoption of the action plan on energy efficiency 2016-2018;	7.c.iii. Q4 2016	7ciii) Partially completed 7ciii) Completed
	7.c.iv. Adoption of the law on Energy Performance of Buildings;	7.c.iv. Q4 2016	7civ) Completed
	7.c.v. Adoption of the secondary legislation transposing the Directive 2010/31/EU through	7.c.v. Q2 2017	a) Partially completed
	a) Regulation on setting the minimum energy performance in new residential buildings, buildings under renovation and other types of housing buildings,		b) Partially completed
	b) Regulation on the energy performance certificate for new buildings and other buildings, and		

		c) Regulation on inspection of heating system and air conditioning equipment;			c) Partially completed
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The situation for the period Q1 - Q2.

7. On April 7, 2017 the Energy Strategy of the Republic of Kosovo 2017-2026 was approved by the Government of the Republic of Kosovo. The document has been forwarded to the Assembly of Kosovo but the Assembly is dissolved and now the document should be re-submitted and sent for approval to the new government once it is constituted. Energy Strategy Implementation Program 2017-2019 is prepared after the adoption of the Energy Strategy in the Assembly of the Republic of Kosovo.

7.a.i. The feasibility study for the implementation of environmental measures in PP Kosova B has already been finalized. With the completion of the second study on the financing modalities that is expected to be concluded soon, the Government of the Republic of Kosovo will make a decision about the modality of the implementation of measures on environmental issues in PP Kosova B in the future so that it can also have an impact in the element of its ownership.

7.a.ii. Foreseen to be implemented in K4 2017.

7.a.iii. On the basis of Energy Strategy 2017-2026, the closing date of PP Kosova A is the year 2023 after TPP Kosova e Re commences its work.

7.b.i. The second Progress Report for the implementation of the National Action Plan for RES is submitted to the Energy Community Secretariat on December 30, 2016.

7.b.ii. With the consulting by the EC in the framework of the IPA for EE and RES, the activity of reviewing the National Plan of Action has continued. The activity is scheduled in the period Q4 in harmony with deadlines in the document NIPSA and the ERA document.

7.c.i. There have been two missions of experts supported by TAIEX concerning the assessment of the modalities for the selection of a mechanism for the collection of environmental taxes that would serve for the financing of environmental projects and energy efficiency. The first mission was conducted in March 2017 and the second one was conducted from 28.08 through 01. 09.2017. Recommendations are issued.

7.c.ii. The decision must be made by the Government after proposing one of the modalities. Foreseen to be completed in K3 2017.

7.c.iii. The third Action Plan for energy efficiency 2016-2018 was sent to the Government for approval.

7.c.iv. The law has been adopted and is published in the official gazette on 22.10.2016.

The purpose of this Law is to promote the improvement of energy performance in buildings taking into consideration the external and local climate conditions, as well as the requirements for internal climate and cost effectiveness. This law is partly in accordance with Directive No.2010/31 EU on Energy Performance buildings and the Directive 2012/27/EU Member of European Parliament and of The Council for energy efficiency.

- a) This Regulation was drafted, but many shortcomings were noticed and the same will be completed in support of the new Regional project REEP, supported by EBRD.
- b) The regulation has been finalized and is in the process of public discussion.
- c) The regulation has been finalized and is in the process of public discussion.

The situation for the period Q3 - Q4.

7. The Energy Strategy 2017-2026 was approved by the Government of the Republic of Kosovo on 06.10.2017, while the Assembly adopted it on 26.01.2018.

7ai. On 20.10.2016 the decision on the ownership of PP Kosova B was made, through which PP Kosova B will be publicly owned (at least 51% of shares) for the next 10 years.

7aii. Six (6) hydro plants are installed with total capacity of 30.5 MW (with HPP Brezovica that began working on 19 April 2017 with an installed capacity of 2.1 MW). Whereas, regarding the solar energy, two photovoltaic panels (9.4 MW). In the framework of other sources of energy - Wind, one (1) windmill is operating with a 1.35 MW capacity and one (1) final authorization was issued with a capacity of 32.4 MW).

7bii. The review of the National Plan of Action is drafted and is commented by parties involved in the process. The document is submitted to the Energy Community Secretariat for an opinion. The revised plan is expected to be approved by the end of the period K1 2018.

7cii. The application for TAIEX support has been approved and the first mission was held in March 2017 with experts from the EU and the second mission in August. The recommendation was drafted based on the findings of the expert on the possible modalities for establishment of the fund.

7ciii. Action Plan 2016 - 2018 on the energy efficiency is adopted on 02.08.2017 and is sent to the Energy Community Secretariat.

7cva. Due to changes in the EU legislation, this draft will be re-written with the support of the EBRD project REEP - plus.

7cvb. The draft regulation is finalized, has passed all stages of the review and has received the legal opinion. It is pending awaiting approval by the Ministry.

7cvc. The draft regulation is finalized, has passed all stages of the review, public discussion and has received the legal opinion. It is pending awaiting approval by the Ministry.

III. Employment and Education

3.1	Adopt and implement the Sectorial Strategy for Employment and Social Policy 2015- 2020 and adopt the 2017-2018 Action Plan for the implementation of the strategy	<p>1. Sectorial Strategy is drafted and consulted with relevant stakeholders including the donor community;</p> <p>2. Sectorial Strategy and its Action Plan adopted.</p> <p>3. Budget for the implementation of the strategy allocated.</p>	<p>1. Q4 2016</p> <p>2. Q2 2017</p>	<p>MPMS</p> <p>MKRS</p> <p>MASHT</p>	1) Completed	
					2) Partially completed	2) Not completed
					3) Not completed	

The situation for the period Q1 - Q2.

- The working groups of the MLSW, also assisted by project KEEN, have prepared and finalized the draft Sector-based Strategy and Action Plan. Until their finalization, a combined approach has been employed for the format of internal meetings of the steering group and thematic working groups, as well as the broader format through workshops, where other actors are also involved. After the finalization of the Strategy and the Action Plan, they have been sent out to donors and Ministry partners for consultations;
- Strategy and Action Plan are drafted according to the formal and administrative requirements of the OPM, the concept of integrated strategic planning has also been followed. The Sector Strategy and the Action Plan are in consultation process according to the regulation of the government, which will then be sent for approval to the government;
- Whilst the strategy has not been adopted, the budget cannot be allocated.

The situation for the period Q3 - Q4.

- The Government is expected to approve the Strategy.

3.2	<p>a) Set up an action plan for tackling youth unemployment based on an assessment of the challenges and focussing on improving education outcomes and supporting school-to-work transitions</p> <p>b) Take measures to increase labour market participation of women.</p>	a.1 Action Plan with clear indicators for tackling youth unemployment is drafted	a.1 Q4 2016	MLSW	a1) Completed	
		a.2 Draft Action Plan is consulted with relevant stakeholders including the donor community	a.2 Q1 2017		a2) Partially completed	a2) Completed
		a.3 Action Plan with clear indicators for tackling youth unemployment is adopted	a.3 Q1 2017		a3) Not completed	a3) Completed
		b.1 Increase the assistance received by women by the Employment service	b.1 Q1 2017		b1) Partially completed	

		b.2 Draft analysis of the obstacles to female employment done in consultations with relevant stakeholders	b.2 Q2 2017		b2) No information.	b2) Partially completed
		b.3 Use the analysis to develop accurate measures for improving women unemployment	b.3 Q3 2017		b3) In progress	b3) Partially completed
The situation for the period Q1 - Q2.						
<p>a.1) The youth employment action plan is drafted.</p> <p>a.2) The final draft of the Action Plan for addressing unemployment of the youth is disseminated to donors for comments;</p> <p>a.3) The action plan with a clear indication for addressing unemployment among the youth has still not been adopted.</p> <p>b.1) During the April - June period, 233 females have been mediated for in the labor market;</p> <p>b.2) No information about this activity</p> <p>b.3) Foreseen to be implemented in K3 2017.</p>						
The situation for the period Q3 - Q4.						
<p>a.2/2.3) Action Plan for addressing unemployment of the Youth was approved by the Government on 4 January 2018.</p> <p>b.1/b.2/b.3) The Millennium Corporate Challenge (MCC) has made a national research for the use of time and unemployment, which also includes the issue of the unemployment rate among women. Results of this survey will be used by the MLSW for drafting employment and professional training policies.</p>						
3.3	Ensure the implementation of the law on the Agency for Employment, in particular by fully operationalising the Agency for Employment and allocating the necessary budget to ensure that it is able to roll out active labour market measures with tangible results.	1. Develop a Labour Market needs assessment (including on VET)	1. Q1 2017	MLSW	1. Partially completed	
		2. Selection completed of the Director of Employment Agency and the Advisory Board and work regulations adopted for Employment Agency;	2. Q4 2016		2. Partially completed	

		3. Active labour market measures implemented by Employment Agency (calls for applications launched, financial support delivered according to the outcomes of the calls);	3. Q2 2017		3. Completed	
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The situation for the period Q1 - Q2.

1. An activity has been included for conducting a survey on "Labor market needs analysis". In this context, the Kosova Business Alliance (KBA), has conducted a research work on the ground and is currently processing these data in order to issue a draft report;
2. The General Director is elected, while the process for the selection of the Advisory Board has not yet started; Following the election and the Advisory Board of APRK becoming functional, the regulation for the Advisory Board will be drafted;
3. During the period April - June, 605 people were mediated for employment, of whom 233 females and 372males.

The situation for the period Q3 - Q4.

1. The labor market needs assessment has been completed and the same will be used to ensure the implementation of the Law on the employment agency.
2. The Government has issued a decision to appoint members of the Advisory Board of the Employment Agency. The drafting of the Regulation is now expected.

3.4	Adopt outstanding legislation providing the basis for policy reforms in the education sector	1. Revised Draft law on Higher Education in Kosovo is adopted;	1. Q1 2017	MASHT	1) Not completed	2) Partially completed
		2. Draft Law on regulated Professions in Kosovo is adopted;	2. Q2 2017		2) Completed	
		3. Kosovo Education Strategic Plan 2017-2021 is adopted by the Government and necessary budget is allocated to ensure its implementation;	3. Q4 2016		3) Not completed	3) Partially completed

The situation for the period Q1 - Q2.

1. The revised draft law is still not being approved.
2. Draft law for regulated professions is adopted - the draft law was approved by the Assembly in November 2016.
3. The Strategic Plan for Education in Kosova 2017/2021 - Covering the financial gap - new requests are expected to be reviewed the along with the Budget Review.

The situation for the period Q3 - Q4.

1. The Law on Higher Education is withdrawn from the Assembly for political reasons. The working group has been established and is in the process of drafting the law. The draft law is expected to be submitted to the government by the end of January.

3. The additional budget has not yet been secured. It is expected that the MEST and the MOF will organize a donor conference to review funding possibilities.

3.5	<p>Improve the quality of education by:</p> <p>a. Increasing the attendance of pre-school education</p> <p>b. Conducting assessment/external evaluation and accelerate implementation of new curricula including with new textbooks in pre-university education</p> <p>c. Establishing mechanisms to evaluate and enhance initial and in-service teacher training programmes.</p> <p>d. Improving the overall quality of Higher Education</p> <p>e. Fostering better links between higher education and the job market, by facilitating and incentivising the setting up of industrial boards at Universities that advise HEIs on the relevance of study curricula, identify skills gaps in graduates, participate in training and teaching (visitors, seminars) and offer traineeships and practical work experience to students</p>	a.1 Number of public childcare facilities for children 0-5 years is increased	a.1. K3 2017	MEST	a.1) In progress	a.1) Partially completed
		b.1. Core curriculum for preschool education developed and its piloting phase started	b.1. K4 2017		b.1) In progress	b.1) Partially completed
		b.2 Core Curriculum Framework for Pre-University (of 2011 and 2012) reviewed and approved and learning outcomes for subject and grades developed in piloted schools;	b.2. K2 2017		b.2) Completed	
		b.3 Core Curriculum Framework for Pre-University and syllabus for grades and subjects reviewed and approved with subsequent implementation in all schools starting from 2017/2018 school years;	b.3. K4 2017		b.1) Partially completed	b.1) Partially completed
		c.1. Quality assurance mechanisms developed by appointing quality coordinators in schools and establishing efficient school performance assessment system;	c.1. Q2 2017		c.1) Not completed	c.1) Partially completed
		c.2. Agency for Curriculum, Standards and Assessment is established and fully operationalized;	c.2. Q2 2017		c.2) Not completed	
		c.3. Revised Draft Law on Education Inspectorate in Kosovo is adopted by the Assembly and inspectors start its activities, with inspectors and sufficient capacities	c.3. Q4 2017		c.3) In progress	c.1) Partially completed

	d.1. Set up and operationalize Industrial Councils	d.1 Q2 2017		d.1) Not completed	d1) Partially completed
	d.2. Review study programmes and enrolment policies	d.2 Q3 2017		d.2) Not completed	
	e.1 Draft proposal on setting up of industrial boards at Universities that advise HEIs is presented	e.1 Q 1 2017		e.1) Not completed	e1) Partially completed
	e.2 Proposal on setting up of industrial boards at Universities that advise HEIs is put in public consultations	e.2 Q 3 2017		e.2) Not completed	e2) Partially completed
	e.3 Proposal on setting up of industrial boards at Universities that advise HEIs is adopted and implementation starts	e.3 Q 3 2017		e.3) Not completed	e3) Partially completed

The situation for the period Q1 - Q2.

a.1. Contracts have been concluded and work has started for the construction of 3 (three) kindergartens while 1 garden is in the process of reaching a contract with MPA which was transferred through an agreement between MEST - MAP. These 4 kindergartens will be constructed by MEST planning and with the consolidated budget of Kosovo Government (2 kindergartens which are cost-shared with IPA Project 2016). Another 6 kindergartens are also in the process of design under with IPA 2016.

b.1 The working group for the finalization of the core curricula for preschool education 0-5 years of age was established. The activities plan is drafted which should be implemented for the finalization of the core curriculum for preschool education. The Division for preschool education during this period has organized two workshops (one day workshops and the other three-day workshop) with the working group for the finalization of the core curriculum on preschool education aged 0-5 years of age.

b.2 Completed, approved and being implemented.

b.3 Subject syllabuses have been designed for grades 2, 7, 11 and are being implemented in 92 schools. For the academic year 2017/2018 these will be implemented in all schools in the Republic of Kosovo.

c.1 Progress is expected after the beginning of the academic year 2017/2018.

c.2. There is no progress

c.3. The budget for the inspectorate is planned and the draft plan "Drafting the criteria for assessing the performance of teachers (VPM) regarding the activities of the Inspectorate which are directly linked to the adoption of this law. If the draft law is approved by the end of 2017, the process of implementation starts in January 2018.

d.1 / d.2/ e.1/ e.2/ e.3. No progress since the previous report

The situation for the period Q3 - Q4.

a.1. There is no development from the first 6 months of 2017.

b.1/b.3. Guidelines have been issued for all areas to assist in the development of the educational process. The subjects' curricula have been designed for classes 0,1,6,10. Their implementation has started and MEST is waiting for the results of an assessment made in schools to see the implementation status of the curriculum.

c.1. 170 coordinators for quality assurance are appointed in all schools across the country and 24 coordinators at the level of Municipal Education Directorates. The Pedagogical Institute of Kosovo has developed a framework for the performance quality assurance in schools where it is approved. Guidelines are issued for the internal assessment of teachers, which has entered into force in schools that are implementing the new curricula framework (71 schools). The administrative instruction on the procedures for evaluation of performance of the school has also been prepared and which is in the process of adoption.

c.2. The Administrative Instruction on the establishment and the functioning of the Agency is drafted. After discussing this point by the Ministerial Board for Integration, it was decided to look into possibilities for establishing the agency.

c.3. The draft law was passed by the Assembly on its first reading on February 6, 2017.

d.1. 7 industrial councils are established and operational, they have held the first briefing meeting in IHEs.

d.2. Knowing that the first meetings have been informative then this objective is considered not fulfilled.

e.1/e.2/e.3. The regulation on the establishment of the advisory bodies was approved by the Senate of the University of Prishtina in May of 2014, while in November of 2014 this regulation was adapted into a regulation framework which would help other academic units to establish the advisory bodies. The framework regulation was approved in December of 2014. 8 advisory bodies must be approved, which are represented by 27 private enterprise and 13 business associations.

3.6	Improve the quality of Vocational Educational Training (VET) and school to work transitions	a.1 Use the Labour Market Needs Assessment (done at point 3.3) as a basis.	a.1 Q1 2017	MEST NQF Agency for Employment	a.1) Partially completed	
		a.2 Improving the quality of Vocational and Training system by aligning VET to Labour Market needs by reviewing the profiles provided in VET schools and aligning it with labour market needs assessment	a.2 Q3 2017		a.2) In progress	a.2) Partially completed
		a.3 Compiling core curricula for VET and starting its piloting phase	a.3 Q2 2017		a.3) Partially completed	
		a.4 Ensure proper funding for VET centres	a.4 Q3 2017		a.4) In progress	a.4) Not completed
		b.1 Improving education outcomes and supporting school to work transitions by ensuring internships with employers are expanded and included in studies programme	b.1 Q3 2017		B.1) In progress	B.1) Not completed

The situation for the period Q1 - Q2.

- a.1.** Information from the Ministry of Labor and Social Welfare are always taken essential. 1. They have included an activity to conduct a research on "Labor market needs analysis". In this context, the Kosova Business Alliance (KBA), has conducted a research work on the ground and is currently processing these data in order to issue a draft report;
- a.2.** The list of profiles has been reviewed and until June 40% of them are harmonized with the labor market through drafting of the profession's standards.
- a.3.** So far 50 profession's standards have been drafted, 24 profiles are completed with the revised curriculum, teaching materials, supplies for workshops.
- a.4.** Scheduled to be implemented in Q3.
- b.1.** Six (6) companies are secured for cooperation with the school for the professional practice and it is a continuous process.

The situation for the period Q3 - Q4.

- a.1.** The labor market needs assessment has been completed and the same will be used to ensure the implementation of the Law on the employment agency.
- a.2/a.3.** The first draft of the Core Curriculum is ready, especially for PED. The first phase of identification of experts for the process of reviewing the curricula has started. Sector profiles which will be discussed with ministries and other relevant partners have been defined.
- a.4/b.1.** No information about the developments in the second six months

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Policy Notes

Policy Notes provide short, concise, timely, informative, and policy-oriented analysis on specific issues. Policy Notes are short papers which outline the rationale for choosing a particular policy alternative of action in a current policy/issue debate. They are commonly published in response to a specific event and advocate for the professional stand of the Group for Legal and Political Studies. Indeed, the Policy Note is an action and advocacy-oriented document, which provides arguments for the adoption/amendment of a particular policy choice. Policy Notes aim to influence the target audience on the significance/implications/solutions of the current problem, and therefore brings recommendations to policy-makers, civil society and media, and the general public.



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