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**NATIONAL COUNCIL FOR EUROPEAN INTEGRATION**

**NATIONAL STRATEGY**  
**FOR**

**EUROPEAN**  
**INTEGRATION**

**KOSOVO 2020**  
**A PARTICIPATORY APPROACH**

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## ACRONYMS AND ABBREVIATIONS

ACA	Anti-Corruption Agency
APNSAA	Action Plan for Negotiation of Stabilisation and Association Agreement
CBC	Cross-Border Cooperation
CSO	Civil Society Organisation
DMPP	Declaration of Medium-Term Policy Priorities
EC	European Commission
EPAP	European Partnership Action Plan
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IOB	Independent Oversight Board
IPA	Instrument for Pre-Accession Assistance
KEVAP	Kosovo Economic Vision Action Plan
KIPA	Kosovo Institute for Public Administration
MTEF	Medium-Term Expenditure Framework
OPM	Office of the Prime Minister
RIA	Regulatory Impact Assessment
SAA	Stabilisation and Association Agreement
SME	Small and Medium Enterprises
SAP	Stabilisation and Association Process
SAP	Stabilisation and Association Process Dialogue
TRT	Thematic Round Table
UNMIK	United Nations Mission in Kosovo

## I. INTRODUCTION

We, the Republic of Kosovo, are the youngest country in the region and the last one not having contractual relationship with the European Union (EU). We are engaged in building and consolidating state institutions as well as ensuring economic growth. On top of this, we strongly believe that the best way forward towards building a modern state is through adhering to best practices and regulations as set by the EU. Therefore, it is in Kosovo's national interest to focus on getting Kosovo closer to the EU.

At present, the EU Member States as well as the EU provide clear signals that they aim to strengthen the relationship with Kosovo and that Kosovo is on a good track on its path towards the EU. As a matter of fact, Kosovo is getting ready to enter a new phase of its relations with the European Union.

The Republic of Kosovo, respectively its institutions and its people, are fully committed to the process of European Integration with a clear aim to join the EU. In order to fulfil this expectation, a nation-wide consensus and a vision for European Integration is crucial to be further developed and maintained. The experience from the region and new EU Member States shows that maintaining both the vision and consensus, though difficult, has been proven to be essential in the European Integration process. In addition, mobilisation and optimal use of nation-wide capacities and know-how requires a structured and inclusive approach from different parts of society.

In order to use the current momentum, a National European Integration Strategy was deemed necessary. Our Strategy reflects the vision and the aim of Kosovo to accelerate the European Integration process, addresses the serious shortcomings Kosovo still faces and elaborates on objectives that we aim to achieve in order to bring Kosovo closer to the EU. This Strategy will also give an added value to the on going process of European Integration that will be strengthened when commencing the negotiations for a Stabilisation and Association Agreement (SAA) with the European Commission (EC), thus bringing Kosovo closer to candidacy status and membership in the European Union.

Doing this the Strategy sets the key goal: in 2020 Kosovo is **better prepared for European Integration**. In order to reach this, we describe five objectives for the period 2013–2020 as guiding principles for our state institutions as well as coordinating and monitoring principles that could be used by Civil Society. The examination and agreement on implementation of this Strategy will support important sectors in the Government as well as in the society. Public administration, judiciary, home affairs, trade and financial sector, agriculture, environment, energy, transport, education, health are crucial for European Integration at the central and local level.

Reaching our key goal and implementing the five objectives will result in democratic functioning institutions, ensure rule of law as well as a growing market economy and thus be of benefit for the general public and have a positive impact on our lives and livelihoods.

## 1. Background

The coordinating mandate of the European Integration process within the Government of Kosovo lies within the responsibility of the Ministry of European Integration. The President of the Republic of Kosovo, Ms. Atifete Jahjaga, in the presence of the EU Enlargement and Neighbourhood Policy Commissioner, Mr. Štefan Füle, established on 27 March 2012 the National Council for European Integration (National Council) as a high-level national political coordination mechanism on European Integration. It assembles prominent leaders representing the Assembly, the Government, municipalities, CSOs, trade unions, business community and academia.

The National Council ensures a direct and full involvement of many different state and non-state actors in analysing the current situation in Kosovo, taking stance and giving recommendations to all stakeholders involved in the European Integration process. It ensures political coordination and systematic consultation between major stakeholders on the process. This political platform is very important as it will ensure over time a clear and stable course of the country towards European Integration, regardless of possible future changes of political forces in the Assembly and the Government.

Recognising the need to start practical work towards developing a nation-wide consensus on European Integration, the National Council recommended the establishment of a Task Force for European Integration (Task Force). Ms Vlora Çitaku, the Minister of European Integration, was asked to establish and co-chair the Task Force together with Mr Lutfi Haziri, the Head of the Assembly Committee on European Integration.

The Task Force for European Integration was established in May 2012. It is a national consensus-building mechanism that reflects the structure of the National Council and aims to discuss and analyse comprehensively the current state of affairs and the challenges that must be addressed within the European Integration process in Kosovo. In order to do that, the Task Force gathers various experts from governmental and non-governmental institutions in Kosovo. All stakeholders responded positively to the invitation by the Ministry of European Integration to become directly engaged into the Task Force. Moreover, they actively participated in the Task Force meetings and in the work of Thematic Round Tables (TRT) (see part II).

The overall objective of the Task Force was to develop a draft National Strategy for European Integration while further developing consensus among major stakeholders and setting out recommendations for the Government of Kosovo. The work of the Ministry of European Integration, including the Task Force operations, is directly supported by the GIZ project “Support to the European Integration Process in Kosovo” within the framework of long-term bilateral assistance given to Kosovo by the Federal Republic of Germany.

## 2. The European integration process of Kosovo

Kosovo is the only country in the region without a Stabilisation and Association Agreement. At present, the European Integration process of Kosovo is strengthened by the real perspective of starting negotiations for a SAA which would mark its first contractual relation with the EU.

As confirmed by the “survey of awareness of the EU and European Integration among Kosovo citizens” commissioned by the EU in June 2012, Kosovo citizens demonstrate a high level of support for the European Integration process. At the same time, the European Commission gave a clear perspective of membership into the EU for Kosovo and the Western Balkans countries already in the Thessaloniki Summit, in June 2003. This perspective was further re-affirmed with the adoption of the EC Communication “A European Future for Kosovo” in April 2005. In October 2012, the European Commission published a Feasibility Study for a SAA between the European Union and Kosovo and confirms that Kosovo is “largely ready to open negotiations for a Stabilisation and Association Agreement”. At the same time, the study points out that Kosovo is facing serious shortcomings with regard to political, economic and legal criteria that need to be addressed in order to accelerate the path towards the EU.

Following the recommendation of the European Commission, the General Affairs Council on 12 December 2012 took note of the Feasibility Study for a SAA and the intention to propose negotiating directives once Kosovo meets short term priorities, which are identified in the Feasibility Study. The Council concluded that it will decide to open negotiations for a SAA with Kosovo on the basis of a report to be presented in spring 2013 by the European Commission and the High Representative of the Union for Foreign Affairs. An analysis on Kosovo’s progress on the short-term priorities of the Feasibility Study as well as other issues referred to in the Council Conclusions of December 2012 were presented in the joint report of the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy in April 2013.

The joint report concluded that Kosovo has met the short-term priorities and thus the European Commission submitted its proposal for a Council decision authorising the opening of negotiations on a SAA between the European Union and Kosovo. It is now expected that the Council will adopt the negotiating directive that will open the way for Kosovo to start negotiations on a SAA.

## II. PROCESS AND METHODOLOGY

The National Council requested a participatory and inclusive process in order to foster a nation-wide consensus on European Integration. The task was to develop a strategic document that describes the key goal of Kosovo being prepared for European Integration as well as the objectives that need to be reached. The Task Force for European Integration determined the method putting emphasis on full participation of stakeholders at all stages of the process culminating with this National Strategy. In addition, this process has enabled participants to share knowledge, exchange information and network. This participatory mechanism and process is unique in the Western Balkan region.

In this view, the Task Force primarily paid attention to analyse the current state of affairs in Kosovo in all relevant sectors of European Integration. Starting in May 2012, it analysed relevant topics which included a comprehensive and detailed analysis of stakeholders involved in various areas and issues related to the European Integration process. It also entailed an analysis of the existing framework, efforts and practices related to the European Integration process and an analysis of best practices in various policy sectors and areas, with special regard to the successful European Integration experiences from other countries. The effects of the work of foreign institutions and organisations engaged in Kosovo in the areas relevant to the European Integration process were also taken into consideration.

Participatory discussions were organised in seven Thematic Round Tables (TRTs) matching the thematic division of the Stabilisation and Association Process Dialogue (SAPD):

1. Reform of Public Administration;
2. Justice, Freedom, Security;
3. Economic, Financial and Statistical issues;
4. Trade, Industry, Customs, Taxation, Internal Market, Competition, Consumer and Health Protection;
5. Innovation, Information Society and Social and Health Policies;
6. Transport, Environment, Energy and Regional Development;
7. Agriculture, Fisheries, Forestry, Food Safety and Rural Development.

The work of the TRTs started in July 2012 and finished in May 2013, thus each topic relevant to European Integration could be analysed and discussed under the relevant TRT. Overall, more than 1000 participants from various areas took part in more than 50 workshops and greatly contributed to analyse the current situation and the challenges Kosovo is facing in the European Integration process. In addition, national experts prepared discussion materials and presentations preceding TRT meetings on respective topics. These materials and presentations were thoroughly scrutinised and discussed by all TRT participants.

In concluding the work of the TRTs, the overall results of discussions, in particular discussion materials, presentations, conclusions have been preserved in seven comprehensive TRT reports, which include a wide range of recommendations agreed upon by the participants.

As final exercise, representatives from all TRTs were invited to take part in two major workshops in the course of May 2013. In the first one, a comprehensive cross-thematic analysis was achieved in the form of a wide-ranging problem-analysis through plenary and group discussions. In the second workshop, the representative group, based on the problem-analysis, identified and discussed the main objectives that Kosovo should meet until 2020.

As a result, taking into account the entire process, the Task Force produced the present draft of the National European Integration Strategy. It reflects all discussions that have taken place on a participatory and consensus-based approach and contains clear objectives and priorities to be achieved.

### III. STRATEGY – KOSOVO 2020

This strategy aims at supporting Kosovo's aspirations towards membership and integration into the EU. The main goal of this strategy is that by 2020 Kosovo will be **better prepared for European Integration**. In order to reach this goal, the strategy identifies five priority objectives to be reached:

- Governance effectiveness;
- Fight against corruption and organised crime;
- Economic development;
- Engagement of stakeholders;
- Advanced (contractual) relations with the European Union.

In general, meeting these objectives will not only bring our country closer to the EU but will also give an impetus to overall developments in Kosovo.

Pursuing the objective of **Governance effectiveness** will lead our country towards achievement of the main goal of this Strategy. Hereby, the objective highlights the necessity of having a coherent and consistent system of policy and legislation making in place. It addresses the issue of investing in better quality and implementation of our policies through improved strategic planning and monitoring mechanisms. In addition, it underlines the importance of increasing the capacities of the civil service for better performing institutions. Thus, this objective tackles all sectors where reforms need to be conducted on the path towards European Integration.

The Strategy then particularly focuses on the **effective fight against corruption and organised crime** as second key objective. It focuses on improving the effectiveness of the institutional set-up and mechanisms to prevent and fight corruption and organised crime. It further aims to trigger effective implementation and enforcement of policies and legislation in this sector in targeting stronger rule of law and judiciary.

**Economic development** is the third objective we need to reach in the process of European Integration. Good economic governance, a competitive market economy, a favourable investment climate and free movement of our citizens will help to achieve this objective. Kosovo needs to ensure macro-fiscal sustainability, attract domestic and foreign investments and provide more favourable access to financial means for the private sector. Also as provided under this objective, better trade balance is a key factor as well as the best use of young labour force, natural resources, land and new markets. This objective is of utmost importance since any EU accession country needs to establish a functional market economy. This precondition helps to meet the Copenhagen criteria of being capable of coping with market forces within the Union.

The fourth objective is the **engagement of stakeholders** in various processes. It explains the importance of the engagement of different stakeholders, state and non-state actors,

in advancing our institutional life, as well as their importance in terms of improving policy making and monitoring. However, in order to have genuine, substantial and extensive – in other words, vibrant – inclusion of all stakeholders, it needs to be based on the actual needs of the society. For this purpose, the role, contribution and cooperation between all stakeholders will lead to the fulfilment of our main goal, though this is closely linked with the potential, focus and interest of stakeholders to be active part of overall processes.

Finally, towards reaching the main goal of preparing our country better for European Integration, investing in **advanced (contractual) relations** with the EU is essential. This dimension is partially domestic and partially external. For this purpose, this objective provides guidance on where Kosovo will be focusing in the near future. First, Kosovo needs to progress in fulfilling the European Integration criteria as covered in the previous chapters of this Strategy. Second, improved cooperation with our neighbouring countries and enhanced regional cooperation are crucial in this process. Finally, Kosovo faces external challenges in its path towards European Integration that need to be addressed. It includes the non-recognition by five EU Member States, the membership in regional and international organisations and the development a better image of Kosovo on the international scene.

Implementing the key goal and objectives as set in this Strategy, we will adhere to internationally recognised standards and principles. Rule of law will be the main principle guiding the implementation of this Strategy. This will be done by ensuring that Kosovo's legal order is observed when actions with the view to achieving the objectives contained herewith are designed and implemented.

In addition, respect for fundamental human rights and protection of minorities will be a cornerstone principle leading the work needed to ensure the implementation of the Strategy. In this regard, special attention will be paid with respect to gender equality, anti-discrimination and enjoyment of civil and other freedoms as determined by the Kosovo constitutional order. Moreover, inclusion of minorities will be in focus whenever action is designed as part of this Strategy.

Moreover, we acknowledge the importance of being guided by the principle of protection of environment, especially regarding actions designed to boost our economy.

The implementation of the Strategy will be further guided by a close cooperation of state and non-state bodies. The development of this Strategy has reaffirmed the benefits of cooperation and coordination between all relevant stakeholders, and we expect the same to be continued in the forthcoming stages.

Lastly, the further operationalisation of the Strategy will be in line with the Kosovo-EU dialogue as part of the Stabilisation and Association Process. Actions with a view to the implementation of this Strategy will be designed in order to facilitate and support the current structures and processes, which are part of the mentioned dialogue.

## 1. Governance effectiveness

How fast a country moves in its European Integration path is partially determined by its capacity to ensure an effective system of governance. Kosovo has been working on developing a consolidated system of governance ever since the end of the war, by largely establishing the necessary legal and institutional infrastructure. In due course, Kosovo has managed to take over the majority of responsibilities from the international community presence and is gradually progressing in increasing the effectiveness of its governance system.

Although progress in the area has been evident, Kosovo still needs to undertake considerable efforts to achieve the desired level of effectiveness in its governance system. Kosovo institutions are in the process of developing a coherent system of policy and legislation making, while they also struggle with developing the necessary capacities to increase their performance in implementing these policies and legislation.

Thus, by 2020 Kosovo will **achieve an enhanced effectiveness of its governance**. In order to reach this objective we will develop a proper system of policy and legislation implementation and increase the competence of civil service for better performing institutions. Overall, this would then support a better preparedness for Kosovo's integration with the EU.

### 1.1. Implementation of policies and legislation

The degree of effectiveness of a governance system is to a large degree dependent on the adequacy of the implementation of policy and legislation it produces. How well policy and legislation is implemented, and how sustainable its results are, depends to a large extent on the development of the system that ensures such quality. In this regard, Kosovo aims to further build up a system for policy planning by completing the necessary institutional set-up and setting the necessary framework for a coherent and consistent legal system.

However, although considerable progress has been achieved, Kosovo is still struggling with ensuring an adequate quality of policy and legislation prepared. Its capacity at strategic planning is still at a nascent phase. Kosovo's governmental institutions also face difficulties in strategic action planning in terms of ensuring that they properly correspond and are linked with a strategic framework which is properly linked to a sound financial management system. In addition, although considerable progress has been achieved in the area of making the policy planning process more open and inclusive, especially through the adoption of the necessary legal basis, the overall public participation is still lacking and fragmented. Even though some initial steps were taken and Kosovo developed the necessary coordinating structures between donors and the Government, the whole system of policy planning is also affected by weak donor coordination, which remains a challenge for Kosovos governance structures.

Overall, we aim at achieving the objective of **developing a proper system of policy and legislation implementation**. To do this, Kosovo will ensure an integrated strategic planning system, enhance quality of policies and develop a coherent and consistent legal system and an effective policy and legislation monitoring and evaluation mechanisms. Moreover, Kosovo will strengthen the involvement of stakeholders in the policy planning.

- *Integrated strategic planning*

How well policy and legislation is implemented is dependent on how well various parts of them are integrated and coordinated.

So far, we have made a number of efforts in coordinating policies through a number of mechanisms. Thus, over the last couple of years, a number of strategic documents to support the implementation of broad policy lines have been developed.

Since 2005, Kosovo has put in place its European Integration planning document in the form of a European Partnership Action Plan (EPAP), replaced by the Action Plan for Negotiation of Stabilisation and Association Agreement (APNSAA). The overall development policy is planned through the Kosovo Economic Vision (EVK) and lastly the strengthening of the institutional capacity with a view to the implementation of the above policies is handled through the Strategy on Public Administration Reform (SPAR). Moreover, in order to provide a guiding framework for budget planning and financial orientation, Kosovo has developed this year the Government Declaration of Medium-Term Policy Priorities (DMPP). In to provide a financial framework for the mentioned policy, Kosovo then developed a Medium-Term Expenditure Framework (MTEF) and the annual budget. Finally, in order to ensure that legislation is developed as part of a greater policy effort, we also adopte annually a Legislative Programme (KLP), as well as an annual Government Work Plan (GKWP).

Although the development of all of these documents is being strengthened continuously, their integration remains problematic. This results in situations of overlaps and/or gaps regarding the areas covered. Moreover, with Kosovo having set separate institutional set-ups to plan and monitor such policy planning mechanisms, communication and information sharing is often lacking.

In order to further enhance its policy planning, Kosovo will **increase coordination and information sharing between the institutional set-up in charge of the different policy lines**, through enhancing the functioning of coordination mechanisms, such as the Integrated Strategic Planning Steering Committee.

Another problematic issue is that not all policy planning mechanisms are developed at a comparable extent with regard to their content or the supporting bodies. While APNSAA is enhancing each year towards becoming a fully measurable document, this is not the case with the other documents. In addition, while the Strategy of Public Ad-

ministration Reform contains longer term objectives and measures, this is not the case with APNSAA. Thus, in order to ensure and enhance its strategic planning Kosovo will **strengthen the quality of the strategic planning mechanisms**, especially through the introduction and regular implementation of an indicator based approach.

Moreover, the institutional capacity to plan and monitor these strategic planning documents is varying for most of the strategic coordination mechanisms. While the MTEF and APNSAA are supported by relatively strong institutions like Ministry of Finance and Ministry for European Integration and an appropriate technical infrastructure this is not the case for the SPAR and Economic Vision. Hence, by 2020, Kosovo will **establish an evenly strengthened institutional set-up in charge of its strategic coordination mechanisms, through ensuring the necessary human and other resources**.

Another issue Kosovo faces in ensuring an integrated strategic planning set-up is the weak link between the strategic coordination mechanisms and the sectorial strategies. Hence, our aim is to ensure a proper link between our national all-encompassing strategies with sectorial strategies, through adoption of the relevant guidelines for policy planners and implementation of awareness raising measures within the administration. This will be further facilitated by ensuring that the legislation regulating policy development provides for clear categories of strategic documents and determine accordingly their scope.

The weak link between the mentioned policy documents and the supporting financial tools makes the development of an integrated planning system even more difficult. Thus, most of the mentioned policy documents are reflected into the MTEF and the Kosovo Budget in a fragmentary fashion. The MTEF and the Kosovo Budget only allocate funds per budgetary organisations divided into broad categories of expenses (such as wages, services and capital investments). By contrast, most policy documents (including sectorial strategies) are structured and their costs calculated through a results-oriented approach.

So, in order for Kosovo to develop a strengthened strategic planning system, we will **further strengthen the link between policy and budget**, through developing results based budgeting mechanisms.

Another challenge in ensuring an integrated policy planning is the uneven distribution of strategic framework throughout sectors. For example, within the rule of law sector, we observe considerable number of strategies on issues pertaining to home affairs, but that is not the case in the area of justice. To address this, Kosovo Government will develop an approach that introduces consistency and coherence in policy planning across sectors, including at local level. The adoption of a National Development Strategy and the development of sector-wide approach strategies and bodies (as required under the Instrument for Pre-Accession Assistance II) will greatly support this process.

The external assistance received from the donor community has to a large extent supported the development of Kosovo's infrastructure and human capacities, while a large part of it is directly or indirectly contributing to the fulfilment of European Integration priorities. Over the years, significant efforts have been made by Kosovo institutions to enhance donor coordination, mainly through the establishment of donor coordination platforms and increased ownership and capacities in the programming of the Instrument for Pre-Accession Assistance (IPA).

However, donor support has not been sufficiently integrated in the strategic planning process of Kosovo institutions which lack a clear overview over donors' activities. Moreover, the insufficient coordination of donors is an obstacle to efficient implementation of Kosovo strategies and leads to inefficient absorption of the external support.

Stronger Kosovo strategic planning and effective coordination of donors' support are closely interlinked, one positively affecting the other. Indeed, external assistance is a key tool to develop and implement Kosovo strategies and policies. Hence, by 2020 our institutions will **effectively manage external assistance and effectively coordinate donors' support** through strengthening donor coordination bodies and the development of sector wide strategies.

- *Quality of policies*

Kosovo has been steadily improving the quality of its policy, also as a result of the external assistance it has received. Nevertheless, a potential for higher quality of the mentioned policy is hampered by problems with evidence based planning, weak capacity to ensure realistic planning and insufficient resources dedicated to policy planning. Evidence based planning is negatively affected by the insufficient quality and quantity of statistics gathered. In order to address the issue, Kosovo will **improve the evidence based planning by improving the quality and quantity of statistics** (see also chapter 3).

Kosovo also faces issues with ensuring the quality of strategic documents, because of the insufficient evidence based knowledge on current situation review across sectors. Although such reviews are required by the legislation in force, they are not implemented thoroughly and quality leaves room for improvement. Furthermore, Kosovo institutions are not sufficiently equipped to assess the impact and the costs of new policies and legislation on the society and the economy. Such deficiencies hamper the quality of strategies and policies and therefore their proper implementation. The recent introduction of Regulatory Impact Assessment (RIA) as part of the legislation drafting process should enhance the accuracy of policies and support the definition of realistic objectives and measures.

Therefore, **RIA will be further implemented and serve an enhanced quality of strategic documents**. This will primarily be achieved through the adequate capacity building measures Kosovo will undertake and by clear guidelines provided to Kosovo administration through awareness raising activities.

One major question concerning the quality of strategic documents in Kosovo is how realistic and measurable they are. Such documents are often not accompanied by a set of benchmarks to be met and this negatively affects them being realistic and measurable.

Hence, in order to improve the quality of policy making, we will **improve our capacity to design success indicators**, which in return will lead to having a more realistic and measurable policies. This is to be achieved through the implementation of the already adopted legal basis on the content of strategic documents and it will also be further facilitated by the relevant capacity building measures.

At a more operational level, the challenges in policy making pertain to the actual institutional set-up, which is still in need of improvement. The resources dedicated to the management of the policy planning will be increased, both at the level of Office of the Prime Minister (OPM) and line ministries. Moreover, the centre of government will further streamline the policy planning responsibilities between the relevant actors, especially through enhancing the relevant legislation.

- *Coherent and consistent legal system*

In the process of European Integration, Kosovo will further be assessed on its capacities to align its legislation with the EU Acquis, in all sectors of integration. It is expected that before the date of accession, Kosovo will have transposed and enforced the full Acquis in its legal order. In this regard, the establishment of a coherent and consistent legal system is an essential basis for an enhanced implementation of legislation and alignment with the Acquis.

Over the years, major efforts have been made to establish a single and unified legal framework. Despite recurrent inconsistencies and conflicts between the different layers of legislation deriving from the Yugoslavian, UNMIK and post-independence periods, the legal framework for the development of legislation seems now about to be completed. However, the various influences, also of a variety of international legal experts from very different legal traditions, have created a system which still needs substantial consolidation.

The use of various legal concepts, which seem to fit at first sight, need to be adapted to our legal tradition and consolidated with the European path that we aim to follow. Often inconsistencies occur only when the law is applied. Where legal uncertainty remains, the implementation, application and enforcement of legislation continues to be a challenge and is thus an impediment to the effective rule of law. The profound weakness in the submission and development of secondary legislation by competent line institutions is just one example.

To overcome these challenges, Kosovo will **increase its awareness when importing legal concepts and further enhance its compatibility checks with the EU Acquis**. The hierarchy and interconnectivity of legal acts will be our priority when drafting new

legislation. Furthermore, the official publication of all legal acts needs to be assessed and the systematic deletion of revoked legal acts ensured.

However, aligning our legislation with EU Acquis requires much more than the mere establishment of a solid legal framework. It requires strong knowledge of the EU Acquis, enhanced strategic planning and legislation drafting capacities but also the establishment of a solid legal harmonisation coordination system.

Significant efforts have been made to harmonise the legislation of Kosovo with the European Legislation in all sectors. However, this process has been conducted on an uncoordinated, ad-hoc basis, often supported by external expertise. Thus, the absence of a long-term mechanism for approximation with the Acquis and translation of the Acquis has contributed to hampering the European Integration process.

By 2020, Kosovo will **experience a properly functioning legal approximation process, involving all relevant Government institutions and the Parliament**, aiming at harmonising the legislation of Kosovo with the EU Acquis. Such objective implies the set-up of a functional and sustainable institutional coordination mechanism, the introduction of legal approximation instruments as constituent part of the legislation drafting process and the development of capacities of all line institutions to deal with the EU Acquis.

Moreover, a **National Plan for Approximation will be adopted and under implementation**. It will include all legal acts of the EU Acquis to be transposed by Kosovo institutions in a defined timeframe. The draft of such plan becomes mandatory after the signing of the Stabilisation and Association Agreement. Countries in the region have however started the draft of such plan before signing the SAA.

The availability of a certified translated version of the EU Acquis in Kosovo official languages is another big challenge to be faced. In the process of harmonisation, legislation drafters have to be able to properly understand the requirements of each EU legal act. This is also a mandatory task for each new Member State to provide to the European Union the version of all EU Acquis in its official languages. In Kosovo, this process implies the establishment of a complex translation coordination system within Kosovo institutions, as well as political and technical cooperation with countries sharing Albanian and Serbian as official languages.

- *Monitoring and evaluation of policies*

One of the most contributing factors to a good and sustainable policy implementation is the monitoring and evaluation of their implementation, where Kosovo lags behind. Monitoring the implementation of policy is not attached with the necessary importance by the overall institutional set-up. In order to enhance the function of monitoring the implementation of policy, Kosovo will **enhance the legal framework on policy making, by making monitoring an inseparable part of overall policy planning**.

In addition, most policy documents are weak in their dimension of measurability, whether at output or outcome level. In order to enhance the monitoring of policy implementation, Kosovo will **ensure that all policy documents contain the relevant segments of measurability at output and outcome level**. This will be achieved by further developing the relevant legislation, whereby monitoring segments are made mandatory and by implementing capacity building measures at all levels.

In most of the cases, the implementation of policy is carried out by poorly resourced institutional structures, whether in human or technical aspects. Kosovo will **strengthen its overall institutional framework** to ensure that the function of monitoring is improved. In this regard, to ensure that all policy is monitored and evaluated our priority will be given to further strengthening the Assembly and the Government.

If monitoring of implementation of policy is weak, its evaluation is almost inexistent. Thus, in order for Kosovo to enhance the implementation of policy and legislation, it will strengthen its overall evaluation capacities, at all levels. This will primarily be achieved by strengthening the relevant legislation that makes evaluation of policy a regular mechanism to be used at all levels. Moreover, additional budgetary resources will be allocated for such exercises.

- *Engagement of stakeholders*

The European Integration process should not be considered as a mere bureaucratic exercise conducted by state institutions only. As the integration agenda triggers deep reforms in all spheres of the society and economy, involvement of all relevant stakeholders in the policy planning and implementation is of very high importance (see chapter 4).

## 1.2. Performing institutions

An important aspect in strengthening the country's democracy is developing institutions which have the means and the capacity to drive the reform process forward. In the European Integration process, developing an effective and efficient public administration is one of the key criteria for attaining membership. Indeed, underdeveloped institutions will not be equipped to carry out additional tasks and responsibilities. In addition, civil service plays a major role in designing and implementing policy and legislation with regards to these additional tasks and responsibilities. Its competency is of utmost importance.

In the post-war period, Kosovo has dedicated a number of significant efforts to developing a modern civil service, which is able to match Kosovo's needs in all areas. After the development of the civil service under UNMIK legislation in early 2000, Kosovo went on to adopting its own legislation on regulating all aspects of the functioning of its civil service in 2010. By now, Kosovo has managed to complete the overall civil service legal framework and make all relevant stakeholders aware on its content. However, it is facing a number of issues in its implementation with a view to achieving a better per-

forming institutional set-up.

However, Kosovo has lagged behind when it comes to institutional performance as its civil service continues to face problems with incompetence as a result of an inadequate policy on human resources management and difficulties in ensuring adequate accountability mechanisms. Kosovo aims to develop a strong civil service which is professional and matches administration needs.

Therefore, in order to **ensure an increasingly competent civil service**, in particular we will develop and implement sound human resources management policy. Further we will strengthen accountability mechanisms for the civil service. We are convinced that the progress will lead to a motivated civil service, which in turn ensures the necessary drive for reforms as required by the European Integration process.

- *Sound human resources management*

How well the civil service is developed depends to a large extent on a country's capacity to design and implement sound human resources management. Kosovo has managed to strengthen segments of human resources management within civil service through the relevant legislation adopted in 2010. The legislation seeks to regulate all aspects for a properly functioning civil service, including but not limited to recruitment, promotion, ethics, performance appraisal, capacity building and salaries.

In order for Kosovo to be able to develop a strong civil service, through proper human resources management, we will **ensure that our civil service functions through merit-based recruitment and promotion** and that it abides by ethical requirements, while its performance is consistently appraised in an adequate and fair manner. Moreover, in order to put in place an effective human resources management system, we will also strengthen the capacity building set-up for civil service, while also strengthening the system for civil service salaries.

Through its legislation on civil service, Kosovo has managed to create the legal basis for a merit-based recruitment and promotion, especially through mechanisms of open competition and a multi-layered approach to selection of candidates. Merit-based recruitment and promotion determine the respect for the principle of independence of the civil service, which Kosovo has embedded into its laws. Nonetheless, although Kosovo has managed to align its civil service legislation with such principles, its implementation sometimes faces difficulties, especially regarding the issue of independence of the civil service. For example, Kosovo's current civil service legislation does not sufficiently allow recruitment and promotion of civil servants in highest ranks in a way that significantly reduces the possibility for political influence.

Hence, in order for Kosovo to increase the competence of its civil service, it will **ensure that the possibility for political influence in the process of recruitment and promotion within civil service is eliminated**.

While the country's political leadership changes, investing in a robust civil service is essential since it is the latter that can ensure there is continuity between the steps already taken and those that will be made in the future. To achieve the above mentioned objective we will work towards reconsidering the legal provisions on the recruitment of (especially) senior civil servants and by making the selection procedures more open.

As stipulated in its civil service legislation, Kosovo's civil service recruitment and promotion are carried out in a decentralised manner. Although so far no problems have been identified by the civil servants employing institutions, the decentralised recruitment and promotion within civil service might end up in a situation where the principles of a merit-based recruitment and promotion are to a certain degree not implemented in a uniform manner by various institutions. In order to ensure a uniform application of the merit based recruitment and promotion at all levels, Kosovo will **ensure the strengthening of the centralization aspects of its current civil service recruitment system.**

On the other hand, we are in the final steps in ensuring that the legal framework regulating a disciplined and ethical civil service will be in place. While a Code of Ethics for all Civil Servants is being developed, Kosovo has already adopted the secondary legislation on disciplinary measures within civil service, which regulates in a detailed fashion a number of issues pertaining to disciplinary measures in the civil service. However, in the area of disciplinary measures, the development of a new Code of Ethics for Civil Service remains a challenge. In addition, the establishment of an inspection mechanism for public administration is expected to address the difficulties in relation to the overall implementation of civil service legislation and in particular improve aspects related to ethics and discipline.

In order to ensure that our civil servants abide by principles of ethics and discipline, Kosovo will **develop a comprehensive Civil Service Code of Ethics**, which unlike the current one will involve a much more detailed account of civil servants' conduct related issues. Moreover, Kosovo will also **develop a public administration inspection function**, which will ensure the observance of the Code of Ethics and the appropriate use of disciplinary measures.

The effectiveness of the civil service is for the large part dependent on how well the system for performance appraisal is designed and implemented. The new legislation on civil service (awaiting enactment) seems to present an adequate framework for an effective implementation of performance appraisal, consisting in concrete procedures regulating most of the aspects in the area. The main challenge in the area seems to consist in the underdeveloped policy planning system, which in turn adds to difficulties in appraising the performance of civil servants.

For Kosovo to ensure a proper performance appraisal for its civil servants, it will **ensure a clear link between policy and individual task management, as well as performance.** This will be done by developing clear individual plans for each civil servant, with appraisal then being carried out on the merit of their implementation. Moreover, the adop-

tion of the Code of Ethics will further support a strengthened performance appraisal, as it will provide for an objective basis for appraising observance of Kosovo Civil Service's values and principles.

Up to date, performance appraisals have only been linked to training needs assessment but not to career development and reward management for civil service. In addition, the new legislation has set quotas as per the performance grading for civil servants (i.e. no more than 5% of civil servants can be appraised as excellent), which may have a negative effect in their motivation.

Thus, in order for performance appraisals to be utilised as an effective means to an increased motivational factor in the civil service, Kosovo will ensure that performance appraisals become an important part and play the necessary role in awards management and career development of its civil servants. This will be achieved through implementing the newly developed legislation which allows rewarding good performance with promotion and allowances.

In addition to the above, the legislation on civil service determines a well articulated legal framework on salaries, allowances and salary categorisation. It is of importance that the current legislation allows for a clear link between performance appraisal outcomes and advancement in salary grades, which is supposed to affect the overall motivation of civil servants towards increasing performance. Nevertheless, the challenge is in creating conditions conducive to the implementation of such measures which is currently hampered by the current state of affairs regarding salaries for civil servants.

In order to implement legislation on salaries for civil servants, Kosovo will ensure that civil servants' income consists chiefly in basic salary and that managerial discretion in setting allowances is reduced. This entails the strict implementation of the newly developed legislation and the adoption of mechanisms that closely monitor and assess the needs for financial incentives other than the basic salary.

An effective civil service requires continuous investment in professional capacities of its employees. Currently there are a low number of people that undergo training within the civil service in Kosovo and this is also a result of lack of adequate resources by the Kosovo Institute for Public Administration (KIPA) to provide trainings for diverse target groups and specific profiles of officials.

In order to ensure that serious capacity building measures are undertaken, Kosovo will **strengthen KIPA** to the degree that it is able to provide the necessary training to all civil servants. This will be done by adopting the new legislation on KIPA and through close monitoring of its implementation. Moreover, the necessary resources will be provided to KIPA, including human resources and premises.

Kosovo has also taken important steps in ensuring that the strategic framework on ca-

capacity building is strengthened through the adoption of the relevant strategy in 2010. Nevertheless, the current strategy only tackles issues pertaining to horizontal matters within the administration and leaves out vertical topics. Kosovo will further **develop the strategy for capacity building** in order to ensure that all significant issues, especially with a view to civil service functioning, are dealt with appropriately. Moreover, Kosovo's capacity building strategy should also further strengthen its segments dealing with training on European Integration, especially on aspects of approximation of national legislation with the Acquis.

Although the development of the capacity building strategy is a progress in itself, it will be further strengthened by establishing a clear link between overall policy and capacity building, through appropriate capacity for needs assessment.

It is clear that a competent civil service is not made possible solely through a good capacity building system, which consists in training and coaching. Such competence is also linked to the existence and functioning of an education system that provides those interested to pursue a career as a public official with the necessary knowledge and values. For Kosovo's civil service to achieve the necessary competence, we will **strengthen the education system** with respect to research on public administration, through upgrading KIPA from a training provider to an academic institution.

- *Accountability mechanisms*

The strength of our civil service is also dependent on how accountable it is. In this regard, we have developed a number of mechanisms, whose functioning influence the accountability of civil service, but those with direct influence over the civil service involve the Ministry of Public Administration (MPA), Assembly Committee on Public Administration (CPA) and the Independent Oversight Board (IOB).

The Department on Civil Service Administration of the MPA is one of the main institutions dealing with all issues pertaining to developing a more competent Civil Service. Its role is important also regarding accountability by the civil servants, as it is the institution whose role is to observe the implementation of the civil service legislation, which also means the respect for civil service principles.

Although, this department has taken a number of measures to ensure it is capable of carrying out its tasks, it still faces problems as to its capacity to also ensure accountability of the civil service. Thus, the department still needs to strengthen its overall capacity to plan and monitor the implementation of civil service legislation and also support the rest of institutions employing civil servants on ways to implement civil service legislation, especially with regard to those aspects related to accountability. Thus, in order to ensure that its civil service is accountable, Kosovo will **strengthen the institutional capacities of the MPA**, by providing the necessary resources to the DCSA. Moreover, the accountability function at MPA will be strengthened through the establishment and operationalisation of a public administration inspectorate.

Another important institution, whose function also includes ensuring accountability on the part of the civil service, is the Assembly and its Committee on Public Administration. Just like the rest of the Assembly, the mentioned committee also faces a number of problems regarding its oversight capacity, mainly as a result of limited resources available to its functioning. In order for accountability of the civil service to be ensured, Kosovo will **strengthen the institutional capacities of the Assembly Committee on Public Administration.**

The most important institution in the realm of ensuring accountability on the part of civil service is without any doubt the Independent Oversight Board, whose purpose is to ensure that the legislation on civil service is observed in its entirety by all institutions concerned. Although the role of the Board has improved recently, one of the main challenges it faces is that there is no sanctioning mechanism in place for its decisions on matters related to civil service. Moreover, the Board itself faces a number of issues, especially with regard to its staffing and financial resources.

Hence, in order to ensure that the civil service fulfills the requirements of accountability, Kosovo will **strengthen the institutional capacities of the IOB** through increased staffing and financial resources. Moreover, Kosovo will also ensure an increasing observance of the decision of the IOB, mainly through awareness raising activities. These are expected to strengthen the attitudes of the relevant bodies to respect the IOB's decisions.

## 2. Fight against corruption and organised crime

Prevention and fight against corruption and organised crime is a precondition within the accession framework, under both political criteria and European standards of justice, freedom and security. It is also a crosscutting issue reflected in most sectors and levels. Prevention and fight against corruption and organised crime contribute directly to political stability, social and political development, sound economic development towards a competitive market economy, as well as to institutional integrity, performance and delivery. Particularly in a society aiming to join the EU, the latter is, in the long run and across all the sectors, instrumental to accelerating reforms and ability to assume obligations deriving from all the European and international standards, as well as to comply with and apply them.

The European Commission (EC) has laid down ten guiding principles in the area of anticorruption: national anticorruption strategies, ratification and implementation of anticorruption international instruments, effective implementation of anticorruption legislation, access to public office open to every citizen, accountability and integrity in public administration, code of conduct, clear rules on public and private whistle-blowing, increased public intolerance of corruption, clear and transparent rules of political party financing and incentives to refrain from corruptive practices in the private sector. In addition, the international standards on anti-corruption relate among others to guiding principles for the fight against corruption, criminal law convention on corruption, civil law convention on corruption, general rules against corruption on financing po-

litical parties and election campaigns, recommendation on codes of conduct for public officials.

The EU Acquis against organised crime is covered primarily through the Lisbon Treaty, hence dealing with serious forms of crime (organised crime, drug trafficking, trafficking in human beings) and terrorist activities. Additional EU legislation containing provisions against organised crime can be found in directives, framework and Council decisions and strategies relevant to fight against organised crime, anti-money laundering, on the freezing and confiscation of proceeds of crime, on Financial Investigation Units, on Asset Recovery Offices, on preventing and combating trafficking in humans, on combating the sexual abuse and sexual exploitation of children, on combating international drug trafficking and on anti-terrorism.

In order to meet the accession requirements and long-term goals outlined above, by 2020 Kosovo will **significantly lower corruption and organised crime**.

Kosovo legislation, particularly the Criminal Code, covers corruption sufficiently well, defining abuse of official position or authority, conflict of interests, fraud in office, accepting and giving bribes and issuing unlawful judicial decisions as criminal offences. The diagnostic phase confirmed that corruption in Kosovo is perceived to be widespread across all sectors. It can be divided into three main categories: abuse of official position, accepting bribes and giving bribes.

Various international organisations, including EU Member States, often perceive Kosovo as a country having difficulties in fighting organised crime. Domestically, organised crime is often seen as hindering overall development of the country, particularly establishment of rule of law (including the ongoing Visa Liberalisation process) and achieving the level of economic growth needed to tackle high unemployment and poverty.

Therefore, Kosovo will **effectively prevent and fight corruption** through better matching of policy and legislation instruments with necessary human and other resources, carefully analyzing statistics in order to ensure effective delivery of optimal results in preventing and fighting corruption and simplifying the institutional set-up against corruption.

The anticorruption legal framework in Kosovo is quite consolidated, yet effective prevention and enforcement remain challenging. The legal framework includes both the core and adjacent legislation. The former consists of the legislation on the Anti-Corruption Agency (ACA), prevention of conflict of interest in exercising public functions, declaration, origin and control of assets and gifts of senior public officials and declaration, origin and control of gifts of all officials and protection of whistleblowers.

The latter includes mainly the Penal and Penal Procedure Codes and particular provisions within the legislation on specific categories of crimes related to corruption as well

as legislation on political party financing and civil service.

Kosovo's legislation clearly defines all forms of organised crime: money laundering and other economic and financial crimes, trafficking in humans and smuggling of migrants, production and trafficking of drugs, trafficking of weapons and terrorism. Furthermore, the Criminal Code stipulates prosecution of anyone participating in an organised criminal group, including committing of a serious crime as a part of a criminal group. International legal cooperation in criminal matters is also regulated with conditions and procedures pertaining to the provision of international legal assistance in such matters in place. Additional provisions contributing to fight against organised crime are included in the Law on Police, Law on Witness Protection, Law on Judicial Cooperation in Criminal Matters, Law on Extended Powers for Confiscation of Assets acquired by criminal offense, Law on State Border Control, Law on Kosovo Forensic Agency among provisions foreseen in Criminal Code and Criminal Procedure Code.

At the policy level, Kosovo has adopted its Anti-corruption Strategy and action plan and other strategies relevant to prevention and fight against organised crime, trafficking in humans, drugs trafficking, against terrorism and on integrated border management. In addition, it has developed the institutional framework to prevent and combat corruption and organised crime. Kosovo has a number of institutions in charge of preventing and combating corruption and fighting organised crime.

These institutions are: National Council Against Corruption, the Anti-Corruption Agency, Office of the State Prosecutor, Anti-Corruption Task-force which is part of the Special Prosecution Office, Crime Pillar within the Kosovo Police, Kosovo Police Directorate for Investigation of Economic Crime and Corruption and Division Against Organised Crime, Kosovo Police Inspectorate, Financial Intelligence Unit within the Ministry of Finance, Financial Intelligence Unit within the Kosovo Police, Customs, Courts, Office of the General Auditor, Procurement Review Body, Public Procurement Regulatory Commission, Agency for managing sequestered or confiscated assets, Department for International Legal Cooperation within Ministry of Justice, Kosovo Intelligence Agency.

Coordination and cooperation between these institutions is suffering due to overlapping and complex institutional set-up and arrangements, which was also highlighted in the Feasibility Study for a SAA for Kosovo. Anti-corruption mechanisms were established due to lack of a long term vision to fight corruption, leading to creation of very complex mechanisms, which have lack of lucid mandate, are inadequately funded, and above all they have very little coordination and collaboration with each other and with other agencies. There are major deficiencies with the supervision of anti-corruption mechanisms, as the institutional set-up for ensuring accountability of these mechanisms is perplex.

To advance in the process of European Integration, institutions will **effectively fight organised crime and corruption** through, but not restricted only to, police, prosecu-

tion and judiciary. Law enforcement institutions will closely engage in cooperation with regional and international law enforcement agencies, security institutions and organisations aiming an effective fight against corruption and organised crime. The judicial system in Kosovo will be further strengthened in order to make fight against corruption and organised crime a successful institutional endeavor.

In order to achieve the main objective under this chapter, Kosovo will by 2020 achieve: effective mechanisms in place in fighting corruption and organised crime, effective implementation of policy and legislation against organised crime and corruption and effective rule of law.

## 2.1. Mechanisms for prevention and fighting corruption and organised crime

Although Kosovo will pursue a policy of zero tolerance against any form of corruption and organised crime, it faces complex challenges to consolidating mechanisms that will be capable of achieving this effectively. There is therefore an obvious need to significantly improve all the existing mechanisms.

Thus, by 2020 Kosovo will have **effective mechanisms in place for fighting corruption and organised crime**. This will be achieved by streamlining responsibilities of anticorruption institutions and ensuring continuous reduction of corruption and organised crime.

- *Anti-corruption institutions*

The current institutional set-up in charge of preventing and fighting corruption is still under consolidation and as such insufficient in terms of capacities while there are also inconsistency of provisions on the mandate and provisions of individual institutions. Therefore, in order to ensure effective fight against corruption, we will make these institutions capable of fighting corruption by putting in place well-defined roles and responsibilities. In particular, the mandate of the ACA overlaps to some degree with that of the Prosecution and Police. It hampers effective delivery when it comes to implementation and enforcement and creates a high degree of uncertainty regarding responsibilities among institutions in charge of preventing and fighting corruption.

Hence, in order to have effective mechanisms in place to fight corruption and organised crime, Kosovo will by 2020 have **responsibilities of various anti-corruption institutions well-streamlined**.

In principle, it is common view that while the ACA should mainly focus on prevention and possibly reporting corruption cases, the triangle Police-Prosecution-Courts will investigate, fight and enforce decisions on corruption cases. In the future, Kosovo will put in place a well-organised and effective intra- and inter-institutional approach in preventing and fighting corruption through policies and legislation arrangements that will leave no room for overlapping between institutions.

Tackling corruption also involves vertical and horizontal commitment and undertaking of measures by respective institutions. In order to ensure productive inter-institutional cooperation, fight against corruption will be systematically assessed and widely reported through tangible and measurable official evidence.

- *Reduction of corruption and effective fight against organised crime*

Apart from prevention and fight against corruption, law enforcement institutions will effectively fight organised crime. It is obvious that this is not an easy task and often fight against organised crime is a long lasting battle a country needs to deal with. To some extent, it is impossible to have an efficient fight against organised crime without available human resources, professional expertise and technical capacities. Institutions such as Kosovo Police, Prosecution, Customs and other specialized bodies often face limitations in terms of adequate capacities to efficiently fight organised crime and to some extent this fight is further challenged by inadequate human resource management within respective institutions.

In addition, fight against organised crime is not an isolated and partial endeavor by these institutions. Therefore, in order to have a more effective fight against organised crime Kosovo will invest in increasing human and professional capacities within Police, Prosecution, Customs and Judiciary. Also, Kosovo will establish institutional practices that enable smooth and efficient consultation and coordination between law enforcement institutions. Thus, by 2020 Kosovo will **ensure an ongoing trend of reduction of corruption and organised crime.**

This will be achieved through a range of measures. We will apply an advanced human resource management through meritocracy and career promotion of those officials bringing real contribution and demonstrating outstanding records in fighting organised crime. In this context, Kosovo will provide the basis for periodic analysis and assessments that highlights the fact that the trend of organised crime is being reduced. Such periodic analyses and assessments will also facilitate the policy and legislation making and its implementation which need to be based on sound and reliable data (facts and figures).

Another dimension is that measures will be taken to prevent conflict of interest. In this regard, we will further enhance capacities of the ACA to effectively deal with cases of conflict of interest, as well as ensure specialization of judges and prosecutors to deal with such cases. The Law on Prevention of Conflict of Interest will be amended as to ensure firm sanctions in cases of conflict of interest, as well as to the position of judges and prosecutors in prevention of conflict of interest. The judiciary will also increase its transparency through publication of all judicial decisions.

The Kosovo Tax Administration will play a crucial role in conducting preliminary checks on the source of the wealth, in particular the wealth of the public officials who have declared their assets to the Anti-Corruption Agency.

## 2.2. Implementation and enforcement of policies and legislation

The implementation of policy and legislation is closely linked to planning. Frequently, we face problems related to legislation gaps, collision, mixing legal traditions, including areas where legislation overlaps or is missing. One of the essential criteria to advance in the European Integration process is to have the EU Acquis transposed into our domestic legal order. Full transposition will be achieved gradually through harmonisation.

Thus, in advancing necessary legislative and policy framework in the field of anti-corruption and fight against organised crime, we will further invest in consolidation of such framework by amending the existing legislation and developing new legal acts, including implementing legislation (see chapter 1). This will directly contribute to ensuring effective fight against corruption and organised crime. To this end, Kosovo will by 2020 **ensure effective implementation and enforcement of the legislation and policies against corruption and organised crime.**

Effective implementation and enforcement of policy and legislation against organised crime can be successful only if policy and legislation making reflects the needs and capacities of institutions. Sustainable policy and legislation implementation requires careful and evidence based planning (see chapter 1). Effective prevention and fighting of corruption and organised crime also require multi-institutional engagement and public support.

To this end, Kosovo institutions will improve the process of policy and legislation making and will also invest in increasing the greater public communication and outreach with regards to prevention and fight against corruption and organised crime.

Moreover, prevention of corruption will be enhanced through assessing the mandate of the Anti-Corruption Agency, focusing on awareness raising, educational programmes and other measures. These measures will target all relevant state institutions and will to make sure that the public understands both the specific roles of these institutions in fighting corruption and organised crime and sees the seriousness and commitment in fighting corruption and organised crime.

Effective implementation and enforcement of policies and legislation against corruption and organised crime requires strong law enforcement agencies and judicial institutions. This in turn requires sufficient capacities and expertise for investigation and prosecution of complex cases of corruption and organised crime, including the dimension of international cooperation. In this regard, we will further strengthen the structures, particularly aiming at ensuring full operationalisation of the witness protection scheme and mechanisms for confiscation of assets obtained through organised and other crimes.

It also requires adequate inter-institutional cooperation and coordination, as well as international legal and law enforcement cooperation. In this regard, we will further advance the cooperation between law enforcement agencies and judicial institutions and

enhance efforts towards membership into regional, European and other international organisations and mechanisms in the areas of security and justice and where required Kosovo will further develop its policy and legal provisions.

Another important dimension is the availability and reliability of statistics. Often rule of law institutions report contradicting information with regards to achievements and challenges in the fight against corruption and organised crime. Reliable and timely statistics are essential for preparation of qualitative and well informed legislation and policies in preventing and fighting corruption and organised crime. To some extent, this is partially due to the very complex nature of this phenomenon and partially to limited experience in gathering and processing the factual data. In order to address this, Kosovo will ensure systematic and consistent monitoring, analysis and reporting of corruption and organised crime.

To this end, law enforcement and judicial institutions will increase the level of collection and processing of quantitative and qualitative data (see chapter 1). In order to achieving this, we will enhance the professional capacities and accountability of our institutions and improve transparency of financing of political parties.

- *Institutional professionalism and accountability*

Kosovo aims to ensure that corruption and organised crime is fought successfully. However, given the current state of affairs in regards to professional capacities and institutional accountability, this tends to be an ambitious task.

In order to be capable of fighting corruption and organised crime, Kosovo will by 2020 **enhance professionalism and accountability of institutions responsible to prevent and fight corruption and organized crime.**

In this regard, we will ensure accountability of the Special Prosecution Office (SPRK) to the Kosovo Prosecutorial Council (KPC). In addition, it is obvious that capacities of the ACA to effectively fulfill its mandate are not at adequate level, in particular in dealing with cases of conflict of interest. Kosovo will invest additional resources in increasing professional capacities in this regard.

Another precondition in successfully preventing and fighting corruption is a better public procurement. Regardless of frequent relevant legal amendments and Government's efforts to comply legislation on public procurement with the European standards, public procurement is considered by many national and international actors as the most corrupted sector in the public service. We will therefore put in place a fully functional system to ensure complete transparency and accountability of the use of budget resources and will take effective measures where public procurement procedures are not being adequately implemented and complied with. We will ensure that the "Black List" on all phases of public procurement is promptly implemented.

We will ensure that there is proper system of checks and balances in place between the Executive, the Legislative and the Judiciary. Only after the enactment of the Constitution of the Republic of Kosovo in 2008, the Constitution guaranteed the division of powers and independence of judiciary. Hence, the laws should contribute towards this goal set in the Constitution and ensure that the judiciary enjoys independence but at the same time there are proper accountability mechanisms in place which ensure that none of the institutions has such power that consequently could lead to abuse of power.

- *Financing of political parties*

An important element for democratic developments in Kosovo is the financing of political parties. However, financing of political parties is not adequate and transparent enough, in particular when it comes to donations from legal entities that provide goods or services to public administration and to defining timeframes for publishing their financial reports. Thus, by 2020 Kosovo will **improve transparency of political parties financing**.

This will directly contribute to effective implementation and enforcement of anti-corruption legislation and policies, therefore also contributing to democratization of political parties and meeting the Copenhagen political criteria. In this regard, we will improve public transparency regarding the financing of political parties, use of finances and donations and publication of their financial reports. This will also contribute to having a political leadership that is able to firmly fight corruption and organised crime at all levels.

In addition, a sound and advanced electoral system will also contribute to political parties' representatives who will defend the public good and interest through fighting corruption and organised crime effectively. Another area is the conflict of interests related to granting public contracts to companies that fund political parties' election campaigns. We will further regulate the issue of receiving donations from legal entities that provide goods or services to public administration, including by obliging political parties to have a single bank account and putting in place and enforcing strict rules on political party financial reporting and transparency of financial sources and transactions.

### 2.3. Effective rule of law

In preventing and fighting corruption and organised crime, the rule of law remains one of the key preconditions for Kosovo's progress in the process of European Integration. Hence, by 2020 Kosovo will **establish effective rule of law**.

So far, we have undergone round of reforms tackling legal developments and institutional set-up aimed at consolidating law enforcement institutions capable of dealing with corruption and organised crime. Furthermore, we have conducted reforms of the judiciary aiming to enhance independence, impartiality and effectiveness of courts and prosecution offices. In the field of justice, there will be strategic policy documents devel-

oped aiming to enhance this field.

The process of Visa Liberalisation with the EU has brought a new momentum towards full transposition of our national legislation with the EU Acquis, with this process serving as a pull factor in developing advanced legislation and policies that will make fight against corruption and organised crime more efficient. This will also have an important impact on upcoming phases of the European Integration in terms of harmonisation of certain parts of legislation with the EU Acquis in the area of rule of law.

Nevertheless, in fulfilling European standards and applying best international practices, we will go through constitutional amendments regulating the composition of judicial institutions prompting their impartiality and independence. With regard to fighting corruption and organised crime, our aim is to establish a legal system that is coherent and consistent and also ensures continuous harmonisation and approximation with the EU Acquis. In making prevention and fight against corruption more efficient we will engage in making our legal system more coherent and consistent and will also strengthen our judiciary.

- *Coherent and consistent legal system*

The European Integration process requires a strict, disciplined and well organised process of harmonisation and approximation of national legislation with the EU Acquis. However, in order to have a sustainable legal system in place, domestically we need to harmonise our legislation. Overlapping and colliding legislation and policies often affect organisation, functioning and action of our institutions responsible of preventing and fighting corruption and organised crime. Thus, by 2020 Kosovo will have a **coherent and consistent legal system in place** (see chapter 1).

In this regard, Kosovo will amend the legislation that regulates the mandate of the Anti-Corruption Agency and Prosecution in order to avoid functional overlap between these two institutions. This will contribute to more efficient fight against corruption. In addition, while scrutinizing the compatibility level of our legislation we need to make sure that our primary and secondary legislation is compatible with the EU's legislation.

- *Strong judiciary*

A well-functioning democracy needs a strong judiciary that is capable of dealing with various forms of corruption and organised crime. In order to have a strong judiciary, we will ensure sufficient financial, professional resources, revision of general terms for immunity of judges and prosecutors and other resources for the judiciary aiming to increase its independence and impartiality. It is widely accepted that the work of judiciary in Kosovo is often interfered by external influence, including political one. Therefore, by 2020 Kosovo will **establish a strong judiciary** which is largely free of external influence.

In this regard, we will ensure adequate financial, professional and other resources that make them resistant towards external influence of whatever form. Another issue is that

the judiciary in Kosovo is not efficient enough. The inefficiency of Kosovo's judiciary is a result of different factors, including insufficient capacities. This negatively affects the overall credibility of this system. We will also effectively tackle backlog of cases through a new structural approach that reflects the newly-adopted legislation on judicial reform. To this end, we will also improve information management and utilization. The issue that is persisting throughout these years is the backlog of cases and we are firm to effectively tackle this issue.

We will ensure that the institutional framework is clarified and procedures for disciplinary/penal investigations against judges and prosecutors.

### **3. Economic development**

In the long run, any EU accession country needs to establish a functional market economy. This precondition helps the fulfilment of the Copenhagen criteria of being capable of coping with market forces within the Union. Fast economic growth, in terms of both the rate and sustainability, is instrumental if we want to follow the EU model of "market economy". This requires good economic governance, economic competition, a favourable investment climate and free movement of citizens, the latter with the view to improving skills and access of the labour force to the EU market.

During the post-war period Kosovo has experienced gradual positive economic growth, which has primarily been driven by the public sector. This was the case especially since 2008. The private sector continues to play a positive role in this growth, albeit with reduced impact, reflecting the overall macroeconomic landscape in the region and beyond. However, this pace of economic growth does not yet meet our needs, given the level of overall socio-economic development (continuously challenged by high level of unemployment and poverty) and the perspective to become a competitive market economy that is able to cope with market forces in the EU.

Our economy has remained considerably protected from the Eurozone crisis, due to limited integration into the international financial markets and low export base. The financial sector continues to enjoy a high level of sustainability in liquidity and capital rates. However, high interest rates result in insufficient investments. Despite fluctuations, chiefly due to developments in recent years in Eurozone countries and a slow-down of the privatisation process, foreign direct investments have a positive impact in funding the current account deficit and other investments. Domestic investments are mostly oriented towards foreign companies in import of goods, while the pension trust funds are invested in international financial instruments, due to lack of instruments for investment in Kosovo and overall regulations.

Our economy faces high levels of trade deficit, which continues to have a negative impact on economic growth, with imports of goods covered by only about 10% of exports. This is because it is mainly based on trade in services, which have limited capacities to create added value to the economy and generate new jobs. The fiscal situation, on

the other hand, remains stable in terms of both revenues and expenditures, positively contributing to economic growth especially in times when private sector faced difficulties. Overall revenues continued to grow significantly, dominated by the revenues from customs. The increase of domestic tax would provide for less reliance on the budget on customs revenues.

Our economy has a potential for growth and sustainable development. We have several comparative advantages for attracting domestic and foreign investments and increasing export: a young labour force, unused natural resources, agricultural land of good quality and access to regional and EU markets.

In our path towards the EU, we will **have a sustainable and competitive market economy with fast economic growth**. In order to reach this objective, good economic governance, a competitive market economy, favourable climate for investments and free movement of citizens, goods and capital in the EU area will be achieved.

### 3.1. Good economic governance

Our economy is in transition. It has moved away from planned to open market economy. Considering this legacy, the economic governance is characterised by developing processes, mechanisms and capacities, which, once consolidated, would serve development of the private sector, faster growth and sustainable development of the country.

In this regard, the objective is by 2020 to **achieve good economic governance**, serving provision of better services for citizens, without jeopardising the well-maintained macro-fiscal sustainability.

It will be achieved through a process of sustainable policy making and management, employing the potential of human and physical resources in order to generate sustainable growth, reduce unemployment and alleviate poverty. To this end, Kosovo will maintain macro-fiscal sustainability, develop and implement a National Development Strategy, ensure consistent planning of the Medium-Term Expenditure Framework (MTEF) and annual budget and develop sufficient institutional capacities for functioning market economy and economic integration with the EU. Furthermore, it will ensure sufficient quality and quantity of statistics, effectively implement and enforce corporate governance standards and adequately manage public assets and properties.

- *Macro-fiscal sustainability*

Despite difficulties in the recent years, Kosovo managed to maintain macro-fiscal stability without further weakening the overall level of socio-economic development. Economic growth has over the years been followed by continuous growth of overall budget expenditures as share of the Gross Domestic Product (GDP). Despite many needs, our state budget has for some time experienced surplus. Since 2008, significant increase in capital public investments has led to gradual increase of deficit, but kept under control,

at a moderate rate of about 3%.

Through the Declaration of Medium-Term Policy Priorities (DMPP) 2014-2016 and the MTEF, the Government of Kosovo has set as one of the most important principle priorities to maintain macro-fiscal stability in the medium term and to sustain it in the long run. The new Fiscal Rule, as part of the amended Law on Public Financial Management and Accountability will, as of 2014, set a number of restraints to maintain macro-fiscal sustainability, including but not limited to keeping under control the debt levels and limiting the overall budget deficit to 2% of the GDP.

Structural reforms have been undertaken in the tax system in order to stimulate private investments through higher circulation of money, which would generate increased revenues. However, the results were not as promising as planned.

On the other hand, the economic situation is challenging. The balance of payments has continuously been negative as our economy heavily depends on import of goods. Kosovo is Euroised and has no monetary policy, which reflects on the fluctuation of inflation levels depending on the prices of the imported products. Adjustment of the balance of payments could be achieved by increasing the productivity and competitiveness of our market. Given the need to improve the socio-economic situation, the Government is challenged to increase expenditures, particularly for infrastructure and social protection schemes.

The objective is by 2020 to **ensure macro-fiscal sustainability** and develop a macro-economic framework that would support good economic governance and decision-making, contributing to fast economic growth and overall development. To this purpose, a National Development Strategy should be adopted and implemented as an overall long-term development framework for the other mid-term and sectorial policies. We will advance planning of medium- and long-term public policy priorities and of the MTEF, with a view to better target policy formulation and implementation. We also aim at channelling foreign aid by the priorities of the country and increase transparency, accountability as well as other necessary capacities for efficient management of these funds (see chapter 1).

Moreover, we will promote fiscal discipline in order to maintain budget sustainability. While budget revenues are to exploit all the potential, public spending will accommodate societal needs by not increasing the overall deficit. Efficient and effective public spending should be ensured in line with the EU and internationally recognised public financial management principles, including budgeting, procurement and impact assessment of public investments. In absence of monetary policies, we will make efforts to maintain inflation levels partly by improving export-import ratio. We will secure banking balance in order to mitigate the impact of a potential financial shock in the financial sector.

In addition, measures to improve the environment for the private sector development by preventing and reducing informal economy will be undertaken. Simple tax system and policies that will stimulate investments and public private partnerships will be maintained, particularly in the industry sector. This would have a positive effect on production and export, as well as increased domestic revenues and gradual reduction of dependency on the revenues from the border.

In order to maintain macro-fiscal sustainability, we will ensure fulfilment of requirements deriving from the SAA process. In this regard, we will ensure that a stable institutional framework is in place, achieve a comprehensive liberalisation of prices, as well as of trade and current account transactions, while at the same time ensuring fiscal consolidation. These measures will be supported strengthening the private sector, a prudently managed financial sector as well as by establishing a stable and transparent legal and regulatory framework.

- *National development strategy under implementation*

In the recent years, our country has intensified reforms by adopting various sectorial strategies. This progress has been acknowledged by all stakeholders, including the EU in its Progress Reports and the Feasibility Study. It is however equally identified that the strategic framework on economic development is fragmented whereby relevant sectorial strategic documents are often uncoordinated and inconsistent.

The Government has adopted the DMPP, as a framework setting priorities for 2014-2016 alongside the Kosovo Economic Vision Aaction Plan (KEVAP) 2011-2014, Government Programme 2011-2014, the three-year MTEF and other sectorial documents. MTEF is the key document linking Government priorities with the budget. However, the diagnostic phase found that harmonisation between priorities and the budget leaves room for improvement.

Consistency, continuity and credibility of strategic documents are keys to economic governance. Should this be missing, strategies and policies are likely to be seen as provisional and thus fail to support the necessary economic reforms. Therefore, there is a need for an overarching development strategy carefully thought through in cooperation with a broad-based partnership and support by all sectors of the society.

Thus, we will **adopt a National Development Strategy** setting out priorities and objectives. By 2020, it should be well under implementation in the path to achieving sustainable socio-economic development.

In light of that, fast economic growth should be achieved hand-in-hand with efficient use of resources and sustainable environment protection. We will adopt a National Development Strategy in a transparent, inclusive and consultative process. It should set out ways to alleviate poverty and enhance the quality of life of citizens, develop our wealthy social capital, foster regional cooperation and promote Kosovo's role internationally.

The purpose of such a document is to provide an overall framework for development and lead the drafting of mid-term and sectorial strategic documents, in order to ensure coordinated and consistent economic governance and decision-making with a longer term vision. This would also ensure continuity in times of transition from one government to another without changing the overall course of the country and ensuring continuity in taxation and trade policies, which are crucial for local and foreign investors.

- *Consistent MTEF and budget planning*

A National Development Strategy will support better mid-term planning and the budgeting process. One of the challenges of economic governance is the choice of priority setting in the allocation of public funds. The state budget itself needs to produce impartial and at the same time sustainable social results regarding potential resources.

The MTEF is a three-year projection planning based on annual review and input from governmental institutions. The KEVAP, DMPP and MTEF are the current overarching policy documents. However, the diagnosis indicates that the current strategic framework is fragmented and that budget allocations should better address the real needs and capacities. New policy proposals require robust budget impact assessments and should be adopted only if budgetary resources are fully available. Should this not happen, it may result with inadequate spending for targeted purposes and may also undermine the value of the MTEF.

Therefore, the objective is to have good economic governance by **advancing the framework, whereby MTEF plays a prominent role** in relations between macroeconomic, fiscal mid-term scenarios and structural reforms as well as evaluation of budgetary impact of policies. To this purpose, we will analyse policy and legislative proposals not only in terms of budgetary impact, but also in terms of achievement of sustainable social results. We will have a transparent and accountable annual budgeting, based on macro-fiscal projections ensuring balanced sectorial allocation and sound management and control over budget, particularly in respect of capital investments. Measurable indicators should be developed and implemented in order to ensure efficiency, effectiveness and economisation of public money (see chapter 1).

- *Institutional capacities*

Creation of a functioning market economy and economic integration with the EU requires clear understanding of the necessary reforms and proper management of the process. Therefore, by 2020 Kosovo will **strengthen institutional capacities to ensure functioning market economy and economic integration with the EU**.

This includes a wide range of structural reforms that contribute to improved economic governance and economic competitiveness and growth. We will achieve this by increasing the capacity of our economy to effectively cope with market forces in the EU. Such reforms include: market entry and exit, legal system, human and physical capital and sectoral and enterprise structure. Sufficient institutional capacities in all these four di-

mensions will ultimately be measured mainly by the level of liberalisation of our economy with that of the EU and trade balance with the latter. The main indicator showing the level of our integration in the EU market is the trade exchange: with around 34.7% of export demand in 2013 and 42% of total imports, the EU is our major trade partner.

In terms of market entry and exit, the main goal is to contribute to economic growth by focusing on market liberalisation, which consists of three elements: loosening or elimination of government restrictions on domestic transactions, prices and markets; external transactions and the free exchange of domestic currency for foreign; and enabling free entry of firms into domestic markets.

So far, several major achievements have been made: reduction of barriers to market entry, which were recognised by improved World Bank Doing Business ranking from 128<sup>th</sup> in 2012 to 98<sup>th</sup> place in 2013, almost fully liberalised international transactions (no non-tariff barriers to trade with an average tariff rate of 4.8% across all products) and enforced product and service quality control standards (licensing and product labelling requirements) and private sector development by introducing policies and measures to create conditions for the entry of new firms into the market and attract Foreign Direct Investments (FDI).

In the coming period, we will further increase institutional capacities for effective enforcement of legislation, business registry and bankruptcy, competition, intellectual and industrial property rights protection, quality infrastructure, market oversight and food safety. To achieve this objective, we will prevent and fight fraud, corruption and bureaucracy at all levels as a necessary precondition and further approximate national legislation with the EU Acquis.

The purpose of a legal system being functional and supportive to market economy is to ensure effective rule of law, meaning defining rules of the game and giving individuals the rights and tools to enforce them. Rule of law requires good legal basis that avoids costs, inconsistencies, uncertainties and the scope for abuse to such an extent that may even affect the integrity of the legal system itself and deepen the mistrust in it. It also requires strong and competent institutions to enforce rule of law as a cornerstone of private sector development. In this context, we will define and protect property rights, set rules for exchanging those rights, establish rules for entry into and exit out of productive activities and promote competition by overseeing market structure and behaviour and correcting market failures.

Human and physical capitals constitute a third dimension of structural reforms which we will carry out towards establishing a functioning market economy and achieving market integration with the EU. We will establish effective institutions capable of developing human capital that meet market needs. Labour productivity will be increased by enhancing workers' knowledge and skills through high quality education system, both formal and informal, particularly vocational education. This includes ensuring equitable access to education and training, producing the types of educational activities that

empower individuals economically, efficient running of schools and other institutions and fair and efficient funding of education.

Our society faces insufficient scientifically qualified personnel, low number of PhD students, insufficient laboratory equipment and inadequate technical know-how, whereas the research community remains rather isolated from the rest of the world. Therefore, we will significantly **improve the quality of the education system**, particularly orienting our policies towards developing entrepreneurial culture and strengthening cooperation between the education and business sectors.

On the other hand, physical capital affects industry and market productivity. Important steps have been made in building necessary infrastructure conducive to business development. However, we need to do much more in terms of upgrading physical infrastructure to the competitive levels. The situation is much better in the sector of information and communication technology. Landline is less developed compared to the mobile telephony in terms of territorial and population coverage. However, the level of competition in the sector of mobile telephony is amongst the lowest in the region, resulting in prices that are amongst the highest in the region.

While sustainable production and supply of electricity remains challenging, the distribution infrastructure is outdated and under-capacitated and as such needs significant investments in order to improve the consistency of supply and reduce technical losses. The natural gas infrastructure is seriously damaged and out of order, thus significant investments are needed to restore its functionality. Similarly, in other sectors such as public heating, waters sector, waste management and landfills, we will strive to invest in increasing capacity of production, processing and distribution while also addressing the issues of billing and collection of services provided.

The fourth dimension of a functioning market economy and capacity for economic integration with the EU is the sectoral and enterprise structure. Around 98% of firms in Kosovo are very small mostly family run Small and Medium Enterprises (SMEs) with up to ten employees. Although there is vigorous business creation, most firms do not achieve significant growth. Thus, all the relevant stakeholders will closely work together shifting country's economy towards economy of scale whereby larger firms are better endowed in terms of finances and human resources for innovation, competitiveness, ultimately contributing to improving trade balance. An optimal composition of the enterprise sector (mixing large and small firms) is vital for our long-term growth prospects.

- *Quality and quantity of statistics*

Statistics are essential for policy making in any sphere of the society. Reliable and timely available statistics are crucial in studying the level and trends of socio-economic phenomena such as poverty, unemployment, education, health, environment and industry. Statistics are a very important component in the EU integration process whereby specific principles have to be adhered to such as the quality, coverage, transparency, confidentiality and the access to statistical data.

Kosovo has undergone significant reforms in this area and is consolidating legal and policy framework. However, there are many issues which need to be addressed in order to reach compatibility with the EU statistics, including the range and frequency of statistics, inter-institutional coordination and the development of human capacities.

By 2020, we will **ensure sufficient quality and quantity of statistics in line with the EU principles and standards**, whereby collection, classification and quality of data, sampling and reliability are of a special importance. In this regard, coordination between different institutions collecting and publishing official statistics will be strengthened as well as the coverage of statistics in critical sector, such as environment and migration.

Furthermore, we will increase the frequency of publication of official statistics, especially in terms of national accounts which will be available on quarterly and monthly basis. We should also ensure provision of employment statistics and improve the current statistics on unemployment. We will continue strengthening cooperation with end users so that production of statistics is in accordance with their needs. A precondition for achieving this objective is the provision of sufficient budgetary resources for development of human capacities, with special attention to the Information Technology, which would ensure full independence from foreign expertise and long-term sustainability.

- *Corporate governance standards*

As shown in the diagnostic phase, Kosovo is in the early stages of developing and enforcing corporate governance in our economy. The legal framework on Publicly Owned Enterprises (POEs) sets out corporate governance principles, in accordance with internationally recognised principles and establishes reporting and accountability arrangements to facilitate appropriate oversight of their activities. However, POEs are challenged by partial dependence on government subsidies, technical and commercial losses and low level of collection. This is resulting in low investments and inability to improve service delivery. Corruption is also perceived to be high, with negative effects on attractiveness of foreign investments.

In light of that, we will by 2020 **establish and implement corporate governance standards**, in full compliance with the EU Acquis. Through modernisation in this area, capacities of such enterprises to comply with the EU company law and international financial reporting standards will be strengthened. This will also contribute to freedom of establishment across borders, fostering businesses' efficiency and competitiveness, therefore also attracting FDIs, as well as accelerating economic growth and increasing overall economic competitiveness.

More specifically, we will ensure the application of an acquis-compliant corporate governance code and principles of ethics. In order to complete the legal framework in the area of company law, company accounting and auditing rules will be applied and the regulatory body for corporate accounting and auditing functionalised. This will ensure compliance with the transparency and disclosure duties of the companies' financial re-

porting. On the other hand, we will enhance capacities of professionals in this area by developing up-to-date professional training and qualification curricula provided by professional associations.

- *Adequate use of public assets and properties*

Asset management is a very important element in economic governance which helps to improve services to citizens and ultimately contribute to faster economic growth. Normative framework for assets under public management, such as governmental institutions and most importantly POEs, is laid down. Its implementation however requires more attention.

Therefore, we will make **adequate use of public assets and properties** in line with public financial management and corporate governance principles. To this end, proper registration and depreciation of public assets will be ensured, with specific focus on municipalities and POEs, including assets that are in use, sold and donated.

Boards of public enterprises, as key bodies in the decision-making chain of the enterprises, will be staffed with professional members on merit based criteria in a transparent and timely manner. We will ensure to have full independence of these bodies from political interferences for effective functioning and strategic decision-making in asset management and attracting investments for improvement of economic and functional performance. Thus, we will improve monitoring and supervision and be rigorous in enforcement of asset management rules and when necessary undertake mitigating measures to ensure efficiency.

- *Productive social dialogue*

Social dialogue involves government authorities, trade unions (employees) and business interests (employers). It is important not only for good economic governance, but also contributes to creation of conditions for development of a competitive economy (see chapter 3.2).

### 3.2. Competitive market economy

A competitive market economy will accelerate the integration with the EU by ensuring that our market fully complies and structurally converges to the EU internal market, its rules and standards. This will ultimately create conditions that are supportive to the approximation of Kosovo's legislation and policies with those of the EU, across the levels and sectors, as well as to implementation and enforcement.

By 2020, Kosovo will have a **more competitive market economy**. To this purpose, we will make sources of financing accessible and favourable, ensure fair competition in the market, complete the privatisation process, develop SMEs, enhance research and development and develop productive social dialogue.

- *Favourable access to finance*

The banking system is the core of our financial sector characterised with stable developments over the years. The sector, with about 90% of the banking system assets concentrated in the foreign owned banks, represents the most important source of financing and is one of the most important pillars of stability for our economy. The regulatory and supervisory framework has been gradually improved to meet EU standards, both for banks and non-bank financial institutions.

The growth rate of loans in the medium-term has been about 35% of the GDP, a loan share to GDP which is still much lower than in neighbouring countries. However, access to financing is not yet at a desirable level and is considered as one of key obstacle to firms. Banks are quite cautious and conservative in the risk management by increasing screening criteria and by slowing down the crediting to the economy. This on the other side has positive effects on the current relatively low level of non-performing loans that does not jeopardise the banking system sustainability.

Lending activity represents one of the main sources of financing investments in the country. About 70% of loans are issued to enterprises. However, they are more directed to the short-term working capital needs and much less for capital investments and job creation. Increasing the credit supply and enriching instruments for development financing should lead to a significant decrease of interest rate, comparable to the other countries in the region. This is crucial for boosting private sector investment and job creation and achieving adequate growth rates the society needs. The dominant part of loans is allocated to the services sector which largely reflects the structure of our economy. However, the interest rate spread remains significantly higher compared to the region.

Our objective is to have by 2020 a **favourable access to financing for the private sector**. To this end, we will develop the mortgage market as one of the most underdeveloped segments of the banking sector. Resolving property disputes and developing the judiciary for an effective contract enforcement and forced sale of collaterals are crucial to improve the competition and maintain the trust of the market, which would contribute to lowering operational costs of banks and interest rates. We aim at strengthening financial intermediation to spread to wider parts of the population, affecting especially industries (such as agriculture, energy, transport) which have capacity to generate employment and added value in the economy. International credit lines will also be developed in order to increase the competition in the banking sector for more favourable access to financing.

- *Fair competition*

In addition, in order to establish a market economy, Kosovo will by 2020 **achieve fair competition in the market**.

Ensuring fair market competition contributes directly to establishing a competitive mar-

ket economy. Domestically, it is conducive to a level playing field among market players, based on fair rules and improving customer welfare. In Kosovo's context, as a small market in need for fast growth and economic integration with regional and EU markets, effective enforcement and compliance with fair competition rules is an indicator of a functional internal market. As such, it is a crucial precondition to attracting FDI, SME development, manufacturing and reindustrialisation. This set of circumstances is instrumental to increasing domestic production, ultimately leading to gradual improvement of trade balance. By expanding the size of the market, increased trade enables division of labour and economies of scale, with exports also serving as a transmission channel of skills, ideas and technology. Lastly, trade enhances competition and increases employment opportunities, income for the workforce and government revenue.

The competition policy specifically consists of a range of interrelated rules and standards divided in three components: state influence in the market, protection of competition (mainly anti-trust and mergers) and state aid. In countries like Kosovo, with ongoing reforms towards a fully-fledged competitive market economy, there is a need for much advancement, through privatisation and corporatisation of POEs.

State aid will be abolished where it distorts market competition to such an extent it could lead to abuse the dominant position of public- and/or state-owned monopolies. Lastly, competition is directly protected through legal rules, mechanisms and bodies designed to effectively oversee the market, with a view to ensuring prevention and penalisation of illegal mergers, monopolies and oligopolies and other forms of competition violation and distortion.

The situation in Kosovo is quite satisfactory in terms of completing the legislation and setting up institutional structures for protection of competition, although establishment of state aid bodies has lagged behind. However, in terms of implementation and enforcement, over recent years, there have been measures that have contributed to strengthening monopoly, through policies licensing, authorisations, metrology and market inspection policies and measures.

Hence, we will ensure fair competition in the market by strengthening capacities and independence of relevant institutions and enforcement mechanisms. We will also improve enforcement of and compliance with recommendations issued by the Competition Authority and more proportionate fines against breaching of competition rules.

Whereas effective enforcement of competition rules is instrumental to reliability of firms and citizens in economic governance, another dimension that enables application of such rules and standards is related to internal market. This concerns the adoption and implementation of European standards and practices on quality infrastructure, encompassing areas of metrology, accreditation, standardisation and certification, technical regulations for products and intellectual property rights. The completion of Acquis-compliant legislation in these areas is rather satisfactory as well as the institutional mechanisms in charge of implementing and enforcing them. However, we will improve policy develop-

ment and implementation, international cooperation and actual enforcement.

- *Privatisation process completed*

Competition is the cornerstone of a market economy whereby private property plays a prominent role, especially in a transitional economy with a vast number of Socially-Owned Enterprises (SOEs) and POEs. Therefore, privatisation and liquidation of such enterprises is crucial for the development of a competitive market economy. The EU principles related to privatisation are engrained through the Rome Convention and other subsequent conventions, which include: market opening and liberalisation, transparency, open and fair competition without violating public providers of services on citizens' interest, elimination of monopoly and/or dominant position in the market and accountability.

Kosovo has started the process of privatisation and liquidation of SEOs and POEs but also experienced delays and various barriers that have a negative impact in the values of assets and potential investors. The process was followed by property disputes, low transparency, lack of overall social consensus, allegations for corruption and contentions from the side of employees of the enterprises. Despite all this, the process continued and a large number of enterprises were privatised and liquidated. One of the main challenges of the process was lack of a strategy with clear measurable indicators to achieve positive effects in the market by stimulating further investments, modernisation of technologies and the creation of jobs. A particular challenge was related to the privatisation of enterprises in the north of Kosovo.

Kosovo institutions aim to close the chapter of privatisation and liquidation of socially owned enterprises in 2016. In this regard, we will **complete the privatisation process in a transparent and effective manner**. Privatisation will continue in line with the EU principles, ensuring among others fair competition without violating public providers of services on citizens' interest, elimination of monopoly and/or dominant position in the market. We will adhere to transparency and accountability principles by ensuring well planned tendering process and paying special attention to communication with stakeholders to build broad-based consensus over the process. We will complete the ownership and cadastral documents and resolve necessary claims and property disputes whereby institutional effectiveness is a precondition.

Measurable objectives and monitoring mechanisms will be developed in order to ensure that investments reached the objectives and the desired socio-economic impact. We also will inject into the market the income generated from this process for targeted investments in order to contribute to further competitiveness and faster economic growth.

Investment of private capital in various POEs should be stimulated, providing public utilities and services such as waste management, recycling, treatment of waste water etc. with a view to increasing competitiveness and improving delivery of services to citizens.

- *Development of SMEs*

The overwhelming majority of enterprises operating in Kosovo are micro, small and medium enterprises (around 98%). SMEs in 2012 provided around 80% of jobs in all enterprises. SMEs are therefore the biggest contributor to economic growth and employment and generate biggest part of the state budget. Thus, development of SMEs is crucial to accelerating economic growth and competitiveness.

The diagnostic phase has shown that the environment enabling SME development and growth has improved significantly over the recent years. Comprehensive legal and institutional reforms have led to a system that enables fast and cheap entry of SMEs in the market, while tax policies are amongst the simplest and lowest in the region. The Medium-Term SME Development Strategy sets priorities and numerous policy measures for SME development and growth.

However, there are many challenges facing SMEs. The sector is weak and uncompetitive. Indeed, more than half of SMEs are engaged in retail and less than 10% in production, with products that are uncompetitive in regional and EU markets. This slows down growth, as it is estimated that given the number of new entrants to the labour market every year, economic growth of at least 7% is needed.

There are also many challenges in terms of governance. In this regard, insufficient availability, as well as poor quality and discrepancy of data related to SMEs make it difficult to accurately assess their real size relative to the economy and their potential to contribute to economic growth and competitiveness. In addition, lack of a functional bankruptcy system negatively affects confidence in economic governance, thus affecting FDI attractiveness, while also directly distorting fair competition and putting obstacles to tackling informal economy. This is also impacted by the lack of Regulatory Impact Assessment (RIA) and by ineffective mechanisms for revoking repealed or amended normative acts from the legal order, leading to legal uncertainty for private operators (see chapter 1). Weak contract enforcement and ineffective legislation application also affect confidence in economic governance and FDI attractiveness.

Lastly, the lack of industrial development policies, expensive access to finance and inadequate public physical infrastructure capacities hamper SME growth and development, particularly given the need to increase domestic production.

By 2020, we will **develop and implement more sustainable SME and industrial development policies**. We will also establish a fully functional bankruptcy system. This will be complemented by efficient implementation and enforcement of subsidiary legislation and functional judicial mechanisms (including alternative dispute settlement mechanisms such as arbitration) capable of ensuring effective enforcement of business contracts. Active, horizontal industrial policies will contribute to increasing competitive capacities without creating distortion in the market.

Therefore, RIA should be implemented, legal certainty improved and sufficiently quali-

tative and reliable data made available, as this is necessary for realistic assessment of the SME sector. This will contribute to creating better policies and better targeted support schemes, including through cheaper and more efficient access to finance. We will complement such measures by comprehensive policies and mechanisms of vocational education and innovation, while also tackling informal economy. We will also fully functionalise public-private dialogue in this sector. Lastly, Kosovo will be fully integrated in all the relevant EU programmes.

- *Matching skills and market needs*

One of the key areas of the agenda Europe 2020 is research and development to tackle main EU challenges like climate change, energy and resource efficiency, health and demographic change, with the aim to strengthening links in the innovation chain.

Kosovo has been deprived from a proper education system for almost twenty years, which was re-established only after the war. The education system is still being reformed whereby the quality of high school and university students is not at a satisfactory level, especially in terms of the link between education and market needs. Achieving EU quality standards in education represents one of the key and most important challenges for the authorities and educational institutions. Therefore, by 2020, we will **ensure that skills meet our market needs**.

- *Enhanced research and development*

Inadequate education system has a negative effect on our research and development capacities, especially those related to the market needs.

Our institutions prioritised this field and are consolidating the legal and policy framework. The National Programme for Research 2010-2015 is in force and a Strategy on innovation is expected to be adopted soon. Innovation centres are being consolidated as well. A “research and innovation mindset” in our society is yet to be developed. Research as well as university doctoral programmes have lately taken some pace, however mainly oriented towards rather academic ends with no clear links to strategic priorities and needs of specific economic sectors. Research and innovation outside universities is also limited and needs to be fostered. On the other hand, demand for research from the industry is at a very low level and cooperation between local and international research institutions and economic actors leaves room for improvement.

By 2020, we will **enhance research and development capacities**, as a cornerstone of knowledge based society, thereby supporting socio-economic development and nurturing the link between research and business communities. We will particularly focus on information technology as a horizontal priority that will serve innovation for more productivity and higher competitiveness of our market. Research will be restructured to direct targeted investments in prioritised industrial sectors toward achieving our further end of faster economic growth.

This requires significant investments for development of human capacities, motivation of researchers, development of appropriate physical infrastructure (laboratories, libraries and equipment) and sufficient funding to stimulate relevant research. Efforts will be made to strengthen research and development in terms of international cooperation in order to cope with the market forces of the region and the EU. In the globalised world firms in Kosovo cannot function in a closed environment. They will be supported to build the necessary connections with the unutilised research capacities of universities and institutions internationally.

- *Productive social dialogue*

A fully functioning and productive social dialogue will contribute to enhancing good economic governance and competitiveness of our economy. This will be achieved by creating the legal infrastructure that will be more attractive to FDI, but also by accelerating approximation with EU Acquis and standards on free movement of workers. This will, in the long run, facilitate free movement of Kosovo workers in the EU market by setting rules on equal treatment of workers, regardless of nationality, regarding employment, remuneration and working conditions. Social dialogue involves government authorities, trade unions and business interests. The right to join and organise in trade unions in Kosovo is a universal right guaranteed by the Constitution, applicable to both public and private sector.

As shown in the diagnostic phase, distribution of organised labour interests needs to be made more linear, while organisational effectiveness and representation of workers' rights significantly improved across the board. At the national level, trade unions need to become more legitimate through a new process for employers' and workers' unions. The private sector is beyond the reach of workers unions, making them powerless to improve the situation, resulting with an increase of violations of workers' rights in the private sector.

Therefore, we will **establish and foster a productive social dialogue**. Credibility and representativeness of trade unions across the territory and economic sectors will be strengthened and private sector employees included into the overall structures of trade unions, at all levels and across economic sectors. We will also improve oversight of the private sector, with a view to ensuring compliance with the legislation on workers' rights. Lastly, we will strengthen organisational capacities of social partners to represent their interests in the framework of the Socio-Economic Council.

### 3.3. Favourable investment climate

For small and developing economies like Kosovo, FDI directly contributes to economic growth, as well as to economic competitiveness and integration with regional and EU economies. As a starting point, a favourable investment climate provides the basic framework for all investors, both local and foreign, to ensure that their investments are protected and are made in a stable and reliable environment. Such a climate implies financially open markets, rule of law, available capabilities, economic predictability,

available infrastructure, internal markets and particularly efficient labour market.

Kosovo has so far managed to attract a small amount of FDI, only around 8.5% of GDP, mainly concentrated in the services and financial sectors (with much less potential to improve trade balance and generate jobs, compared to other sectors, such as agriculture, or manufacturing). The origin of FDI is mainly from EU countries, with Slovenia, Germany and Great Britain being in the lead.

A number of policy measures to attract foreign investors have been undertaken over the recent years. A fairly modern legislation protecting foreign investors and a number of mutual investment protection agreements are in place. Moreover, trade liberalisation and improvement of the overall business environment also have contributed to improving the investment climate. However, more stable, transparent and predictable conditions for investors are needed. In this context, there are still legal flaws with regard to the creation of conditions for investments and promotion of opportunities for investments and facilitation of doing business. Furthermore, there is still room for making the administrative and similar obligations easier concerning operation of enterprises.

In addition to measures aimed at improving economic governance and competitiveness, as well as those targeting the education system, SMEs and industrial policies, by 2020 we will ensure a favourable climate for investments and ensure that investment promotion policies and other relevant policies are implemented at all levels. We will also ensure that tax policies are more supportive for investments including through tax incentives.

- *Enforcement of the rule of law*

Effective rule of law, contract enforcement and an efficient judiciary as well as fight against corruption and organised crime are the foundation for development of a functioning market economy. This is crucial for any investor, thus we will **further enforce the rule of law that would create a climate conducive to investments** (see chapter 2).

- *Modern infrastructures*

Suitable infrastructures are also essential for local and foreign investments, for they are unlikely to take place in absence of inappropriate roads, stable supply of electricity and water and other basic services. To this end, Kosovo's infrastructures will be modernised in terms of road and railways, enhance electricity supply and improve other necessary services that would contribute to attraction of foreign investments (see chapter 5).

### 3.4. Free movement of citizens

Free movement of people is one of the four freedoms of the EU, which is crucial for a functional internal market. In this light, the objective is to achieve free movement of Kosovo citizens in the EU market by 2020. Kosovo recognises the importance of free movement of people in the context of development of a functioning market economy fostering faster economic growth. Citizens of Kosovo are facing limited mobility, thus

there is a need to undertake measures to facilitate their mobility in terms of Visa Liberalisation, recognition of personal and professional documents as well as employment agreements and conclusion of agreements.

- *Visa Liberalisation granted*

Kosovo is the only country in the Western Balkan region that has not yet been granted Visa Liberalisation to the Schengen area. Visa free movement of our citizens is very important at two fronts.

Firstly, it would enable our entrepreneurs to travel to the Schengen area to participate in business community meetings, to exchange knowledge and to conclude new contracts. Easier cooperation with EU businesses has the potential to attract foreign investments with new technologies for production purposes that would contribute to generation of jobs and reduction of our high trade deficit.

Secondly, free movement will enable easier and cheaper access to high level education in the Schengen member states. Visa Liberalisation itself is not related to education but will enable easier and cheaper exploration of opportunities by Kosovo students and researchers.

The Government of Kosovo has undertaken unilateral measures since 2009 but entered the process of Visa Liberalisation with the EU only at the beginning of 2012. Our objective is **to finalise this process and gain Visa Liberalisation** with the aim to enable free movement of our citizens to the Schengen area.

It is expected that this will facilitate access to development of our research and production capacities, especially in the areas where we have shortfall of professions and expertise in relation to our market needs. To this end, we are committed to implement the Roadmap for Visa Liberalisation by paying special attention to fighting corruption and organised crime, migration policies including readmission and re-integration of repatriated persons, document security and procedures for issuing biometric documents, border management in compliance with Schengen Border Code and strengthening respect for human rights and protection of minorities.

- *Recognition of personal and professional documents*

Personal and professional documents entail personal civil documents as well as academic and professional qualifications.

Personal documents include documents such as IDs, passports, vehicle registration which are crucial for mobility and free movement of our citizens. This has a particular effect not only on the mobility of entrepreneurs, but also free movement of goods, which if restricted hampers export of our goods and services. A number of countries have not recognised our personal documents, this way creating barriers and increasing the production cost of our firms. This also creates unfavourable conditions for potential foreign

investors, who are inclined to invest in a place that has no free access to the market of the region.

Therefore, we will **strengthen cooperation and partnership with these countries with the aim to have Kosovo personal documents recognised** (see chapter 5).

Furthermore, mutual recognition of professional qualifications and titles is also important. Pure academic recognition applies largely for continuation of studies in the EU. Kosovo students can freely undertake studies in the EU Member States and we aim to further develop mobility of our students and researchers.

The recognition of professional qualification and titles, on the other hand, is a necessary measure to practise a professional activity in the EU. In terms of professional qualifications, it is the mandate of EU Member States to decide whether or not to recognise qualifications obtained outside their country. This is necessary for the EU internal market, as a professional activity can only be practised if the host member state recognises the qualifications. Access to jobs in the internal market is restricted and mutual recognition of qualification does not imply an automatic right to employment in the EU Member States. For this purpose, employment agreements between Kosovo and individual member states will be concluded.

- *Conclusion of employment agreements*

As one of the main driving forces of an open and competitive market economy in the EU, free movement of workers is fundamental to economic growth and competitiveness. It also greatly contributes to economic integration with the EU by enhancing labour mobility and transfer of skills and technology. This requires the abolition of any discrimination based on nationality regarding employment, remuneration and other conditions of work. As in any other country that is not an EU Member State, currently any foreign person seeking work permit in Kosovo is considered a foreign worker.

Nevertheless, for small economies, access of workers to the EU market would in particular directly contribute to tackling unemployment. The area of free movement of workers covers access to labour market and coordination of social security schemes. While there is no agreement with any EU Member State or European Economic Area (EEA) countries on access to labour market, on coordination of social security schemes, there are few bilateral agreements with some EU Member States inherited from the former Socialist Federal Republic of Yugoslavia, currently being enforced only within the area of retirement pensions, family pensions and partially for disability pensions. Kosovo is making efforts to renew such agreements, throughout their scope, with Switzerland, Austria and Germany.

At this stage, one way to achieve this would be through conclusion of bilateral employment agreements with EU Member States. Thus, by 2020 we aim at **concluding employment agreements with EEA countries**. On coordination of social security schemes, we

will create the legal framework and implement mechanisms for a uniform social security schemes and ensure sufficient funds to finance it. We also aim at concluding bilateral agreements on coordination of social security schemes in order to facilitate access of our workers to markets of these countries.

#### 4. Engagement of stakeholders

The European Integration process should not be considered as a bureaucratic exercise managed by state institutions only. The involvement of all relevant stakeholders in the policy planning and implementation is crucial, as the integration agenda triggers deep reforms in all spheres of society. As a core element of good governance in general, as well as for the European Integration process in particular, this Strategy emphasises the importance of engagement of stakeholders in the policy planning of Kosovo.

The term “stakeholders” refers here to a wider definition comprising all actors taking part in policy making processes, including state institutions and non-state actors, such as Civil Society Organisations (CSOs), private sector representatives and trade unions, but also academia and media.

The involvement of a broad range of stakeholders in policy processes is one of the main foundations of the EU policy making. The EU promotes the involvement of stakeholders in many ways and at many levels, formally and informally: many interest groups, trade unions, corporate interests, CSOs at EU and national levels are part of the EU policy making process. In Kosovo, the European Commission involves national non-state actors in the SAP dialogue and invites them to contribute to the annual Progress Reports.

The process of engagement of stakeholders in policy planning and implementation has a relatively short history of development in Kosovo, and the cooperation between various actors needs further improvements. On the one hand, the Government faces challenges in policy making and in the implementation of regulations which must meet the needs of its citizens. On the other hand, conditions should be created for non-state actors to be involved more in the policy making. The diagnostic phase has shown that, under these circumstances, stakeholders in Kosovo are not sufficiently engaged in the joint development of policies, leading to weak implementation and insufficient reflection of the needs of society.

On this basis, the objective is that by 2020 **all relevant stakeholders will actively be engaged in the making and monitoring of policies in Kosovo**. Such an ambitious objective can only be reached when participation mechanisms are in place and operational, and when all stakeholders participate and make full use of those mechanisms.

##### 4.1. Operational consultation mechanisms

Effective engagement of stakeholders in policy development cannot be achieved without having operational consultation mechanisms and platforms of dialogue in place.

The diagnostic phase has highlighted several relationships that need to be strengthened in order to ensure stronger contribution of all stakeholders. This section is focused on the relationship of Government and CSOs, the cooperation between central and local level government as well as on public-private dialogue.

During the last decade, a considerable shift has been made towards an increasing attention of policy makers to stakeholders' involvement and consultation in the policy making process. Compared to previous and rather restrictive regulations, the Regulation on Rules and Procedure of the Government of the Republic of Kosovo (No. 09/2011) has advanced the issue of consultation and coordination with all stakeholders in respect to legislation and policy initiatives. In addition, a Handbook on Public Consultation was published in September 2011 which describes the whole process of policy and legislation processes and public consultation. The Assembly Regulation on Rules and Procedures 2010 also foresees rules on participation of stakeholders in parliamentary committee meetings and public hearings. Moreover, there are a number of formal mechanisms, which tend to ensure engagement of stakeholders and better consultation and coordination processes.

Despite the progress made so far, the quality of stakeholders' involvement varies substantially depending on the areas, sectors and levels. Even where involvement is requested and consultation opportunities exist, participation is often rather poor.

Therefore, additional efforts need to be made to foster fully fledged stakeholder involvement. In our path towards the EU we will **strengthen and make fully operational stakeholder involvement mechanisms**. This will be achieved by using the legal basis and promoting the use of the existing mechanisms. New stakeholder mechanisms will be established in the areas where they are still missing. Partnership with stakeholders will be fostered also through informal consultation mechanisms.

- *Cooperation between state and non-state actors*

One aspect of strengthening and operationalising mechanisms for stakeholder involvement is cooperation between state and non-state actors. In this light, three fundamental ways of stakeholder participation and consultation will be addressed in this strategy:

First, pursuant to the legal framework outlined above, public consultation is a mandatory step in the legislative process, which is welcomed also by the EU Commission. Not only the OPM but all ministries as well as the Assembly have to comply with this requirement. However, the way how to conduct a public consultation can vary from written feedback to roundtables, workshops and hearings. In this regard, the Government jointly with the civil society platform CIVIKOS have developed the Government Strategy for Cooperation with the Civil Society 2013-2017 which aims to ensure participation of civil society in policy/legislative making and implementation.

Second, stakeholders' participation and consultation on policy making is possible

through mechanisms such as the National Economic Council, National Statistical Council, Socio-Economic Council, National Council for European Integration, the Task Force for European Integration, the National Council on Anti-Corruption, the National Council on Research, Central and Local Youth Action Councils, Council for Vocational Education and Training and other similar structures. These structures, apart from state bodies also include business communities, academia, non-governmental organisations and can serve as good examples of formal mechanisms. However, not all mechanisms are fully operational and active engagement and substantial contribution of stakeholders in policy making still did not reach an adequate level. It depends a lot from the non-state stakeholders themselves to persuade the public institutions for the utmost importance to consult them.

Besides the above mechanisms, initiatives have been taken also by civil society to have a structured and formalised civil society-government consultation, supported by a number of platforms. However, such mechanisms should be further promoted to become fully operational and effective.

Third, besides the policy making, stakeholder involvement in monitoring processes is crucial. Some existing mechanisms can be used also for the purpose of exchanging information and hence monitoring.

Civil society is relatively active in monitoring the implementation of policies, mostly supported by donors. There are a number of platforms and networks which are functional and do play their role as representatives of their members. Examples include Kosovo Women's Network or the Democracy in Action, which is a formal cooperation of a number of organisations that monitor the election process and aims at contributing to electoral reform in Kosovo. However, in absolute terms only few CSOs in Kosovo gather in networks. In 2007, a platform run by a large group of CSOs signed a Memorandum of Cooperation with the Government, which represents the first formal document showing mutual commitment for institutional cooperation and true partnership between Government and civil society. However, these types of initiative need to be further developed and strengthened.

With this in mind, the objective is that by 2020, **consultation mechanisms between state and non-state actors will be established, made operational and sustainable**. This will be ensured through more structured and formalised partnerships. Such mechanisms will structure and will make the process of stakeholder's participation and consultation more sustainable.

- *Central-local level government cooperation*

Although the policies and laws are made at the central level, most of the implementation takes place at the local level. Therefore, involvement of local stakeholders is crucial to this process. The diagnostic phase has shown that cooperation and coordination among central and local bodies in policy and legislation making and implementation is inadequate and insufficient. Inadequate consultation of local and central level in turn was

identified as one of the main reasons why many policies and legislation faced real challenges in implementation on the ground.

In 2001, the Association of Kosovo Municipalities (AKM) has been established as the representative of the general interest of local authorities. This mechanism plays a role in consultation among the municipalities themselves as well as in addressing the main challenges of the local level to the central level. The AKM as the main representing body of municipalities also serves as a front door to all other stakeholders in consultation processes.

Nevertheless, the level of cooperation and coordination of central level institutions with respective municipal departments is insufficient. Furthermore, municipal departments in many cases lack the capacities to actively participate in policy making. As a result they often play a rather reactive than proactive role in policy processes.

The aim is, that by 2020, Kosovo will reach an **adequate inter-institutional cooperation among central and local level** contributing to appropriate and realistic policy making and effective policy implementation. Efforts will be made to establish and strengthen cooperation with the newly expected association, deriving from the agreement with Serbia. To this purpose, we will enhance and improve the communication chains and mechanisms in order to ensure regular consultation and cooperation among the two levels. In addition, we will enhance the capacities of the institutional stakeholders, in particular local level, to be able to participate in planning, implementation and monitoring of policies.

- *Public-private dialogue*

Public-private dialogue is an important instrument for promoting private sector needs by giving the private sector the opportunity to raise their voice in policy making. At the same time, it is one of the best ways for the Government to learn about private sector's needs. This is crucial in order to foster the private sector growth and development. Dialogue will contribute to fostering good business climate by supporting operation of firms. Moreover, the involvement of stakeholders representing entrepreneurs, employees and consumers in designing public policy is critical to improving transparency, as well as quality and effectiveness of policies. It will thereby consolidate institutional legitimacy and performance.

Regular quarterly meetings of the Business Consultative Council continued to take place until 2012. Due to the fact that this format did not serve effectively the needs of public private sector dialogue, the Ministry of Trade and Industry now aims to find and establish a better format that will make Public-Private dialogue much more effective. This is also foreseen by the new draft Law on the Establishment of an Agency for the Development and Promotion of Private Sector.

Making public institutions responsive to the needs of the private sector requires a

healthy and productive dialogue between the two. The diagnosis points out that further efforts are needed to enhance communication, cooperation and coordination among and between the relevant actors.

By 2020, Kosovo will have a **functioning public-private dialogue among relevant stakeholders**. To this purpose, we will ensure better representation of all relevant stakeholders and interests in respective structures across economic and related sectors. We will also foster enhancement of professional capacities of the relevant stakeholders to better contribute to policy making, institutional development and implementation and monitoring. Moreover, we will promote further specialisation of relevant stakeholders so as to ensure that all economic sectors that contribute to growth and competitiveness are able to effectively represent their interests.

We will support creation of conditions for stakeholder networking and cooperation with counterparts in the region, EU Member States and EU level. This will contribute to strengthen their professional capacities. We will ensure that stakeholders play a significant role in information sharing and public awareness, with the view to accelerating approximation with EU standards as well as effective compliance, implementation and enforcement of legislation and policies.

#### 4.2. Stakeholders' participation

In addition to the establishment of sustainable consultation mechanisms, stakeholders need to be able to conduct and participate in consultative processes as well as to substantially contribute to decision-making and implementation of policies. Stakeholders' engagement and active participation, is also to a great extent a learning exercise, for continuous participation enables more qualitative input and higher influence on the policy making process. One of the crucial aspects in this regard is access to official documents, which if fully implemented would support the effectiveness of stakeholders' participation.

Most stakeholders in Kosovo, be it state or non-state, need to further profile and enhance their abilities as a fundamental pre-condition for a more effective participation.

Mandate and role of state institutions is defined by respective legal acts and their strategic development plans (where existing). However, the diagnostic process showed that longer-term institutional vision as well as consultative capacities need further development.

Considering the wide definition of non-state actors, it is very difficult to generalise their participation in policy making processes. Non-state actors are very diverse in Kosovo, which provides a good basis for enhancement of the policy making, as they provide different values and interests in the process of decision-making and monitoring of policies. However, the diagnosis showed that the latter should also make efforts to enhance their capacities and further profile their scope of activity. This is required for a more content

oriented consultative process and maximisation of their potential to influence the policy making to the benefit of the society in general. Equally, they should strive to become more independent from donor-driven projects, especially organisations that have difficulties in maintaining basic operations.

To this end, by 2020, **participation and the quality of stakeholders' contribution in the consultative processes will increase**. This will be achieved by means of a consolidated strategic framework and structured capacity building of state-institutions. Focus will be put on creating the pre-conditions for engagement and participation as a way of exerting influence on policy making and implementation. This applies in particular to non-state actors, which will be able to participate more effectively in the consultative processes through increased access to information, better focused scope of activities and capacities.

- *Civil service*

Civil Service plays a major role in stakeholders' involvement in decision making. Meanwhile the attitude of state officials towards stakeholders' involvement and civil dialogue in general is shifting from ad-hoc towards a more structured cooperation. Nevertheless, the number of civil servants understanding the need and benefit of cooperation with other stakeholders is still limited. In this regard, the majority of institutions at all levels struggle with insufficient capacities to comply with the current requirements.

The diagnostic phase has also shown that civil servants often lack the capacity and necessary knowledge to carry out proper consultation with relevant stakeholders. This lack often results in fear of civil service from consultation, in superficial consultation or even in no consultation at all. Furthermore, a great problem is that stakeholders are not provided with information in advance, in order to prepare. Another issue is inadequate follow up by the civil service with the relevant stakeholders, which in many cases led to disinterest of the stakeholders to participate.

By 2020, Kosovo civil service will have **advanced capacities to carry out proper consultations**. In order to reach this objective, we aspire that the civil service will be open and well prepared to discuss policy and legislation proposals with other stakeholders. That means that we will foster recognition of stakeholder involvement as a source of information and expertise and thus as a contribution to develop good and realistic policies.

- *Non-state actors*

Even though many capacity building activities were implemented during the last decade, the diagnostic process has shown that insufficient engagement and consultation is related to capacities of non-state actors, including media, to substantially participate in policy making and monitoring processes. Many non-state actors are under consolidation in terms of financial and human resources, and with time will increasingly fill the gaps in policy making of public institutions.

Media is a very important actor to foster their role of counter-power and information source for the citizens. As such, media should exert influence in monitoring the work of the state institutions. In addition it plays also an important role in shaping public opinion. Constructive cooperation and partnership between the policy makers and media still needs to be developed. Such partnership is crucial as it can lead to better public information and more transparent public policy.

Our objective is that by 2020, **non-state actors contribute meaningfully in the policy making, implementation and monitoring.** While the development of non-state actors and media to influence the policy making process belongs to the “third pillar” itself, the Government shall undertake all necessary measures to create more opportunities for their development. In addition, non-state actors shall be encouraged to establish new relationships with their counterparts in the EU countries. This would provide the opportunity to exchange experience and hence strengthen their role. Moreover, constructive and regular relations and partnership will be established with the media in order to ensure that media is involved and informed properly aiming to ensure effective media engagement and participation.

## 5. Advanced (contractual) relations with the European Union

Five years after declaration of its independence, relations between Kosovo and the EU have advanced with a slow pace. Kosovo has a formal relationship with the EU: it continues to participate in the Stabilisation Association Policy Dialogue and has thus far been reporting regularly on the progress achieved in the European Integration process. In January 2012 a Visa Liberalisation Dialogue has started while a Roadmap for Visa Liberalisation has been handed over to Kosovo institutions in June 2012. However, Kosovo has no contractual relationships with the European Union, even though SAA negotiations are expected to start in the near future. At the same time, Kosovo is the only country in the region that has not yet been granted a visa-free travel regime.

There are a range of major internal and external factors which lead to this situation. Internal factors relate to slow progress of Kosovo in implementing the necessary reforms in respect to fulfilling the EU integration standards which would get Kosovo closer to the EU. As a young country Kosovo has to engage simultaneously in various processes such as with state consolidation, economic development and an overarching objective of European Integration. These three major objectives are drawing on the scarce resources already available. Therefore, Kosovo institutions often face the pressure of handling competing priorities.

With regard to external factors, non-recognition by five EU Member States, respectively lack of EU consensus on Kosovo, poses a great challenge for Kosovo’s progress in the European Integration process. In this context, Kosovo’s EU path becomes more complex and unique comparing with other neighbouring countries. In addition, non-recognition by other countries and lack of membership in International organisations, in particular United Nations and World Trade Organisation, is also contributing negatively to Kosovo’s capacities to engage in contractual relationship with different international actors

and organisations, in particular with the EU.

Additional external factors that contribute to the slow progress are thought to be issues around stereotypes and the image of a transition and a post war country which is considered to have a negative impact on Kosovo's international relations.

Kosovo will **advance relations with the EU** firstly by accelerating its reform process in light of meeting the objectives specified in the Feasibility Study, which will lead to signing of a SAA with the EU. Kosovo will make the utmost to advance the implementation of the agreement timely and qualitatively. In addition, after an intensified Visa Liberalisation Dialogue with the EU in 2012, Kosovo is on the path to implement relevant criteria specified in the Roadmap for Visa Liberalisation which will lead to visa free travel of Kosovo citizens to Schengen area.

Moreover, Kosovo will be able to benefit considerably from EU programmes in the respective areas by first increasing the capacities to benefit from the respective programmes and dedicate the necessary budget for membership to those programmes. Specifically, we will undertake measures to improve our image internationally and will improve cooperation with the neighbouring and regional countries and EU Member States while seeking recognition by five EU Member States.

The above mentioned implies that for Kosovo to be able to achieve the objective of getting into an advanced stage of contractual relations with the EU, International Organisations and other subjects, we will take a three pronged approach: effective fulfilment of necessary criteria, enhancing regional cooperation as well as addressing external political factors that are impeding Kosovo's progress towards the EU.

### **5.1. Effective fulfilment of integration criteria**

A country aspiring accession in the EU needs to fulfil and live up to certain accession criteria that are mainly known as the Copenhagen Criteria reflected through EU Acquis. Fulfilment of such criteria requires significant reforms that one country has to make if it wishes to become a member state of the EU. The speed and effectiveness of fulfilling criteria depends to a great extent on the commitment and capacities to undertake and implement reforms. The Lisbon Treaty states that any European country may apply for membership if it respects the democratic values of the EU and is committed to promoting them.

As a young state, Kosovo has managed to undertake a number of considerable reforms in terms of adoption of legislation and reform of institutions. However, this has not been followed with a satisfactory and efficient implementation on the ground. Planning and implementation of the necessary reforms is hampered by a weak public administration characterised by limited human capacities and poor performing institutions. In addition, the diagnostic process has shown that there is a need for persistent commitment of Kosovo institutions to undertake the necessary reforms in the process of European Integration.

Major challenges remain in the area of democracy and rule of law, judiciary and fight against corruption, whereby EC Progress Reports constantly highlight limited progress. Furthermore, besides implementation of the initial essential reforms, Kosovo faces major challenges to ensure a fully functioning market economy that is capable of coping with market forces within the Union.

Our aim is to **ensure effective fulfilment of EU criteria** in order to speed up and advance in the process of EU integration. We will increase the capacities of civil servants in order to have an effective public administration which is able to undertake and implement the necessary reforms (see chapter 1). We will make substantial progress in the area of Rule of Law, judiciary and fight against corruption (see chapter 2). At the same time, we will implement the necessary reforms in order to ensure a functioning market economy achieving economic growth (see chapter 3). We will increase the commitment of Kosovo institutions to the EU Integration process by improving the accountability and strengthening of monitoring mechanisms.

## 5.2. Regional cooperation

One of the criteria to be fulfilled on the path towards EU Integration is good regional cooperation. Even though Kosovo participates in some regional bodies and the situation is improving, the overall state of affairs remains unsatisfactory. Kosovo has consistently showed its readiness to actively participate in regional initiatives. However, due to political dimensions this was not always rewarded. In order to overcome this situation, Kosovo accepted a proposed formula for participation in regional cooperation, arrangements and other initiatives. This is expected to enhance and increase its participation.

We will further be **engaged in good will to strengthen the regional cooperation**, both bilaterally and multilaterally and good neighborly relations. This objective will be reached through: Improved regional cooperation, achieved implementation of agreement on regional representation and cooperation, participation in territorial cooperation programs, better regional infrastructure, addressed, non-tariff barriers.

- *Improved cooperation with neighbouring and regional countries*

One of the criteria for EU membership is good neighbourly relations. The Western Balkans in the end of the 20<sup>th</sup> century was characterised by fierce animosities that erupted into several regional conflicts or wars. Thus, the transition of Western Balkans countries from post-war relations to normalised and constructive relations is a factor that plays a major role. The experience shows that lack of communication and/or miscommunication between Western Balkan countries has contributed to a situation characterised by political and inter-ethnic tensions. These tensions continue to be present in various parts of the region and the legacies of these historic animosities are present in our days, albeit at much lower levels.

Regardless of the above obstacles, almost all countries in the region formally declare

and admit the need and importance to improving cooperation. However, in practice the cooperation is often slow and hindered because of political differences. In our context, ongoing negotiations with Serbia, mediated by the Special Representative of the EU, already resulted in a number of essential agreements in terms of bilateral cooperation, certainly positively affecting the daily life of many citizens on both countries. In this context, a specific milestone is the agreement on regional representation, whereby modalities have been agreed for Kosovo's participation in regional initiatives. Our institutions are trying to foster improvement of relations with the neighbouring countries and beyond in the region, however obstacles posed specifically by Serbia are persisting making it very difficult for Kosovo to be a regional partner on equal footing.

Our path towards European Integration is dependent on normalising the neighbourly relations with Serbia and solving bilateral outstanding issues as two sovereign states. In this context, we aim to **improve cooperation with neighbouring and regional countries**. We are committed to enhancing our good neighbourly relations. Despite our difficult past, we are seriously committed to improving neighbourly relations through the negotiations with Serbia. This is expected to be followed up with full implementation of all agreements in practice by all parties in order to provide better conditions for a more prosperous living for our citizens. Concretely we are fully focused to improving our regional cooperation through intensification of territorial cooperation programs and improving the infrastructure.

- *Improved regional cooperation*

Besides having good political neighbourly relations, part of the regional cooperation is also the cooperation in an economic dimension including development of infrastructure, development of better trade relations, improving the regional business environment to create conditions for foreign and national investments, all with the aim of increasing prosperity and economic growth. Also the security dimension in fighting corruption and organised crime, integrated border management and illegal migration represent an important part of regional cooperation. In order to further enhance its regional cooperation Kosovo needs to reach the following objectives: Achieved implementation of agreement on regional representation, territorial cooperation programs implemented and intensified, better regional infrastructure, access to pan European corridors, non-tariff barriers adequately applied reduced.

- *Agreement on regional representation and cooperation*

After the declaration of independence, the Government of Kosovo requested to be directly represented in the regional structures, which was persistently hampered by the Government of Serbia. The agreement between Kosovo and Serbia on regional representation and cooperation reached in February 2012 stipulates that Kosovo participates on its own account and speaks for itself at all regional meetings. However, implementation of the agreement is not running smoothly. For example KOSTT (Kosovo Transmission, System and Market Operator) faces obstacles from Serbia in regard to membership in international organisations and payments for using the interconnection for the transit energy. Another example is Serbia's restriction for flights from/to Pristina over their

aviation territory.

Thus, our objective is to **implement this agreement and participate in all regional initiatives** on equal footing. For this to be achieved there should be full political commitment from both countries. We shall take a more proactive approach to improve inter-institutional coordination for full representation and cooperation and call upon the EU as a monitor and guarantor for the implementation of the agreement. An important step forward towards the implementation of the agreement is Kosovo's membership in the Regional Cooperation Council achieved in February 2013. However, special efforts will be made to ensure membership of Kosovo in other regional initiatives such as the transport community treaty, judicial cooperation, framework on SEE Employment and Social Policy Network and Health Network.

In addition, Kosovo will continue to proactively promote its role in other initiatives where it participated before, such as the Regional Cooperation Council, the Regional School of Public Administration (ReSPA), Network of Associations of Local Authorities of the SEE, Central European Free Trade Agreement (CEFTA), South East Europe Transport Observatory (SEETO) forum, Regional Environmental Network for Accession, Energy Community Treaty, SEE Centre for Entrepreneurial Learning, Regional Rural Development Standing Working Group in the SEE.

- *Territorial cooperation programs*

An important aspect of regional cooperation is participation and implementation of joint territorial cooperation programs. Kosovo benefits from programmes which aim to promote and establish Cross-Border Cooperation (CBC) and socio-economic integration between Kosovo border regions and adjoining regions in neighbouring countries by strengthening economic, social, environmental and cultural ties.

To facilitate Cross-Border Cooperation, the IPA component II was activated in 2010 whereby 1.2 million Euros have been divided for that year, while for 2011 and 2012 an additional sum of 1.8 million Euros was made available. In order to engage in this IPA component, cooperation agreements with countries in the region as well as programming and implementing structures were initiated. Therefore, Kosovo is participating in joint implementation of the CBC programs with Albania, Montenegro and Macedonia. Bilateral financial agreements for the implementation of programs have been signed and joint operating structures established for programs with Albania, Macedonia and Montenegro.

To ensure better programming and participation in regional projects, five regional development agencies in Kosovo which form the programming areas for the current three cross-border projects with Albania, Macedonia and Montenegro. However, due to challenges in the implementation process, our objective is to intensify efforts to **fully implement regional projects**. There is a need for more commitment from all regional countries for more intensive initiatives for joint regional projects. Municipalities should

be more proactive to identify needs and engage into common projects.

To achieve this, we need to strengthen human capacities of the local and national institutions to manage EU programmes and future Structural Funds under the European Territorial Cooperation objective. In line with the EU requirements, we also need to define internal regions of Kosovo according to the Nomenclature of Territorial Units for Statistics (NUTS) criteria taking into consideration the specific geographic features, resources and number of citizens. It is necessary to profile our regions and define industrial, protected touristic areas in order to have the best utilisation of the available resources.

- *Better regional infrastructure*

Infrastructure development is one of the main elements to improve regional cooperation and thus contribute to economic growth. As indicated in the diagnoses Kosovo has achieved important progress in building necessary infrastructure conducive to business operations and regional cooperation. However, much more needs to be done in upgrading the physical infrastructure to the competitive levels and have access to the main regional road corridors providing easier land access to the EU.

Our objective is to **modernise our road and railway infrastructure** (see chapter 3) by connecting to the Pan-European corridors. One of the main Kosovo Government priorities is investment in the road infrastructure.

Works are ongoing on the Kosovo-Albania highway, which on the one hand enables faster access to the sea through the port of Durrës and on the other hand provides connection with the European E851 route and the Pan-European Corridor X. We will initiate another major highway project linking central and southern part of Kosovo and connecting with Macedonia. An important element of investments is maintenance of the new infrastructure and we shall ensure that sufficient funds are allocated in budget appropriations for this purpose.

Railway infrastructure in Kosovo is in a poor state. The Railways of Kosovo through Leshak and Podujevë in the north and east respectively are connected to Serbia, whereas through Hani i Elezit in the south to Macedonia. The feasibility study conducted in 2010 stressed the need for major investments in this area. Therefore, our aim is to modernise line 10 which connects Kosovo with Serbia and Macedonia, a route used for most of railway transport. We will pay special attention to the proper distribution of existing human and financial resources to maintain the modernised infrastructure.

In addition, we shall also address energy and environment and other sectors which will equally contribute to the improved regional cooperation.

- *Non-tariff barriers, administrative and technical barriers*

The reduction of non-tariff barriers and removal of administrative and technical barriers has been identified as one of the most important elements contributing to regional

cooperation. This will contribute to fair competition in the market and integration with regional and EU market (see chapter 3).

### 5.3. External political factors

In order for Kosovo to accelerate its progress towards further integration into the European Union, Kosovo needs to devote substantive attention and resources to address external political factors. Therefore, Kosovo needs to **continue strengthening and streamlining its efforts towards the non-recognizing countries** by having target oriented policies towards these countries and through identifying important supporting elements that would engage in changing the opinion of the non-recognising countries.

Another impediment that Kosovo is not moving fast enough towards the EU is the fact that, for political reasons, Kosovo is not able to ensure membership in international organisations. Therefore, Kosovo needs to explore modalities to **cooperate and subsequently become a member of international organisations**.

Finally, the perceived negative image of Kosovo in the EU Member States needs to be analysed seriously and addressed in order to improve Kosovo's reputation.

- *Kosovo recognized by all EU countries*

Right after the declaration of independence, countries from around the world reacted swiftly with recognitions. EU Member States played a significant role. However, five EU Member States have not yet recognised Kosovo as an independent state. Considering that recognition of statehood is a sole responsibility of a country, the EU itself abides to the principle and tries to find creative solutions for practical inclusion of Kosovo in the EU integration process.

Kosovo is committed to improving relations with all EU Member States including the five non-recognising countries. Through various diplomatic means, we will demonstrate that recognition of Kosovo's independence and sovereignty serves our joint interests in the framework of the EU enlargement process and the European peace and stability.

We are aware that we cannot exercise direct influence on these five EU Member States. However, their support is crucial in order to ensure fully fledged EU integration process in the future. To this end, we will **undertake all necessary reforms in order to demonstrate that Kosovo is a democratic society internalising European values and principles**. We shall also foster the role of Kosovo as a promoter of these values and principles and contribute to the long-term stability of the region. We hope that higher mobility of our citizens in the Schengen area as part of the expected Visa Liberalisation will also help improve our image in these EU Member States which would potentially influence the recognition process.

- *Membership and cooperation with international organisations*

Kosovo remains committed to gaining membership to international organisations and institutions. Membership in international organisations plays a very important role in terms of international perception of a country. It is especially important for Kosovo which still faces the challenge of its statehood and recognition. In this regard membership of Kosovo in international organisations helps to improve the international credibility which may ease many important processes for Kosovo, among which also the European Integration process.

To date the Republic of Kosovo has been recognized by 100 countries, with 21 Diplomatic and 15 Consular Missions established, and more than 100 bilateral and multilateral agreements signed. Kosovo became a member of a number of important international organisations, such as the World Bank and the International Monetary Fund (IMF), both United Nations specialised agencies. However, Kosovo is not yet a member of the United Nations and other relevant European and international organisations such as the Council of Europe, the Organization for Security and Cooperation in Europe (OSCE) and World Trade Organization (WTO).

Non-membership to the United Nations presents major challenges for Kosovo to get membership in many other international organisations, such as for example international sport organisations, culture, education, etc. A Kosovo membership to United Nations may trigger also the recognition of five EU Member States.

Our aim is to get **membership in international organisations** firstly by substantially increasing the efforts to get membership to United Nations, which will trigger cooperation and membership to other international organisations. Kosovo will work heavily on making substantial reforms and on internal consolidation as a key factor to create positive external perception. In addition we will intensify our international actions and will promote good relations with foreign countries. In particular we will strengthen our partnership and cooperation with our allies and make the best use of their influence to improve the international dimension of our country.

- *International image of Kosovo*

Due to the war and transition period, Kosovo's image has been damaged. It is associated among others with unresolved political issues, corruption and human trafficking. The most famous media in Europe considerably present a bad image of Kosovo. This, of course, has a huge influence on the respective countries and their public opinion. Many known international organisations such as Transparency International, Freedom House and Council of Europe, rank Kosovo low level in terms of political rights and freedoms, high levels of corruption and human trafficking and so on.

Being aware that much more needs to be done in these and other important areas, the diagnostic phase reflects that the situation presented in different international reports and media does not match with the realities on the ground. Kosovo is no longer a coun-

try emerging from conflict. For example, murders and forced prostitution in Kosovo is lower than in many EU countries, while combating human trafficking has been quite effective and the number of victims is declining.

The international reputation of a country affects its ability to engage internationally, to attract investments, business and tourists. This is important also in terms of the relationships with the five EU Member States that have not recognised Kosovo's independence.

The objective of the strategy is that Kosovo will develop **a good image**. The government authorities, civil society, media community and businesses shall create joint efforts and strategies to improve the image abroad. To increase the number of countries recognising Kosovo, to change public opinion in Europe and to operate effectively on the international stage, Kosovo shall first understand its image problem and develop a so called "new national brand".

One way to achieve this objective is through initiating more educational and cultural exchange programmes for students, reducing the number of illegal migrants and ensuring sufficient and visible progress in fighting organised crime and corruption. In this regard, Kosovo will address recommendations deriving from the different assessment reports from international organisations.

Moreover an important factor that will contribute in improving the country image is the engagement of the diaspora. The unique history of Kosovo has produced a robust and engaged diaspora. Diaspora contributions before and during wartime were crucial for us. Remittances as well as professional experience are vital to Kosovo's economy today and investments of the diaspora will be important for many years in the future. We are aware of the need to engage the diaspora as a valuable asset, crucial to our current economy and long-term growth. Therefore, Kosovo will learn from the diaspora and seek its support in improving relations with the countries in which they live.

In addition, Kosovo will give maximum efforts and will make substantial improvements with regards to internal reforms, such as the rule of law and judiciary. Kosovo will aim at reducing the number of illegal migrants and ensuring sufficient and visible progress in fighting organised crime and corruption.



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