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THEMATIC ROUND TABLE ON ENVIRONMENT, ENERGY, TRANSPORT AND REGIONAL DEVELOPMENT KOSOVO 2020

REPORT

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This Report has been developed based on series of meetings conducted by the Thematic Round Table on Environment, Energy, Transport, and Regional Development.. As such this Report is part of a set of documents endorsed by Task Force for European Integration. The work of the Task Force for European Integration and its Thematic Roundtables, including the preparation of this Report has been supported by Deutsche Gesellschaft f • Internationale Zusammenarbeit (GIZ) through the Project “Support to the European Integration Process in Kosovo”. The views, information and/or arguments do not necessarily reflect the official opinion of the MEI, GiZ or any other stakeholder to every detail.

TABLE OF CONTENT

INTRODUCTION.....	4
1. Environment	5
1.1. Air	5
1.1.1. Laws and administrative instructions for the sector.....	9
1.1.2. Basic documents for the sector	10
1.2. Climate Change	11
1.2.1. Legal framework.....	14
1.2.2. Strategic documents.....	14
1.2.3. Objectives and priorities.....	14
1.3. Waste	15
1.3.1. Legal framework.....	17
1.3.2. Strategic documents.....	18
1.3.3. Institutional framework.....	20
1.3.4. Challenges	21
1.4. Chemicals.....	22
1.4.1. Legal framework.....	23
1.4.2. Institutional framework.....	24
1.4.3. Strategic documents:.....	24
1.4.4. Challenges	25
1.5. Water	25
1.5.1. Legal framework.....	27
1.5.2. Core documents for the sector.....	29
1.5.3. Objectives and priorities.....	30
1.6. Nature conservation.....	31
1.6.1. Legal framework.....	33
1.6.2. Strategic documents.....	34
1.6.3. Institutional framework.....	35
1.6.4. Challenges	36
Land Protection.....	40
1.6.5. Legal and institutional framework	42
1.6.6. Strategic documents.....	42
1.6.7. Challenges	43
1.7. Control of industrial pollution and risk management.....	43
1.7.1. Legal framework.....	44
1.7.2. Intervention plans in case of an environment accident	46
1.8. Objectives and priorities for industry sector.....	46
1.9. Protection from noise.....	47
1.9.1. Laws and administrative instructions for the sector.....	48
1.9.2. Basic documents for the sector	48
1.10. Challenges	49

2. Energy	50
2.1. EU requirements in the energy sector	52
2.2. Legislative framework	56
2.3. Institutional set-up	57
2.4. Strategic documents	59
2.5. Security of Supply	60
2.6. Internal Energy Market	66
2.7. Renewable Energy	71
2.8. Energy Efficiency	77
2.9. Nuclear Safety and Radiation Protection.....	83
2.10. Main Challenges and recommendations	85
2.11. Annexes.....	88
3. Transport in Kosovo.....	112
3.1. Legislation	114
Harmonization of transport legislation.....	114
3.2. Coordinated strategic planning in transport.....	116
3.3. Institutional Framework: Regulatory and monitoring authorities in transport sector.....	121
3.4. Road transport and market access: challenges for harmonization of standards.....	122
3.4.1. Transport of dangerous goods – standards applied in Kosovo	124
3.4.2. Tariffs applied on vehicles in Kosovo road network	125
3.5. Railway Transport: market access and safety certificates	126
3.6. Water transport and Kosovo.....	128
3.7. Air Transport.....	128
3.8. Challenges of the transport sector	132
4. Regional Development.....	134
4.1. Legal and institutional framework	134
4.2. Strategic Documents	136
4.3. Current state of affairs	138
4.4. Programming	141
4.5. Monitoring and Evaluation.....	144
4.6. Management and Financial Control	145
4.7. Main challenges and recommendations.....	145
Conclusions of the Working Group meeting of the 9th March 2013	146

I. INTRODUCTION

The purpose of this report is to diagnose the current situation in the area of environment, energy, transport and regional development in Kosovo. The report is a summary of the discussion papers presented at the workshops organised within the Thematic Roundtable 6 on Environment, Energy, Transport and Regional Development, part of the Task Force for European Integration of Kosovo.

The Thematic Roundtable 6 included a number of workshops organised to discuss and agree on the current state of affairs in the areas of environment, energy, transport and regional development. The draft discussion papers were presented and discussed amongst different stakeholders including representatives of Kosovo Government, civil society including business and non-governmental organisations, as well as representatives of different international organisations working in the relevant areas. In addition the discussion papers were followed by a number of presentations from other stakeholders mainly representatives of the Government institution, while the discussions were focused on identifying strength and weaknesses in the sectors.

The first chapter includes an overview of the situation on environment. The report is divided into several sub-chapters presenting the current state of affairs in environment sectors: air, water, waste, climate change, nature protection with special focus on land protection, protection from noise and chemicals and control of industrial pollution and risk management. Each of the areas is presented in terms of the developments on legislation, strategic documents, institutional framework, and the current developments including the challenges.

The second chapter is an overview of the current state of affairs in the energy sector including legislative and institutional developments in issues such as the security of supply, internal energy market, renewable energy, energy efficiency, nuclear safety and protection from radiation. The last section presents main challenges that need to be addressed.

The third chapter presents the situation on transport sector. It describes the current state of affairs on legislative framework including achievements to fulfil the EU requirements in the sector, and the institutional framework in areas such as road, railway and air transport as well as challenges faced in the sector.

The last chapter includes an overview of the situation on the regional development. It concentrates on explaining mainly the institutional framework and division of responsibilities on this sector amongst the central and local authorities, as well as on the regional initiatives and projects undertaken. It also presents the main challenges on the way forward in terms of legislative and institutional gaps to have a more proactive approach on regional development.

1. Environment

1.1. Air

Air pollution level in urban areas and especially in industrial areas is estimated to be high. Currently, the largest contributors to the pollution are thermal power-plants (Table 1), plants with high-burning levels (metallurgy, mines, cement producers), transportation sector, plants with low-burning levels, agricultural activities, household waste and sites used for waste burning.

Even though the SESD (2005-2015) is being implemented, where a number of environment projects have been implemented or are being implemented in the energy sector, industry and mines, the air quality in urban and industrial areas continues to remain a problem. An obvious progress was made with approval of the Law on Protection of Air from Pollution and other by-laws, the strategy for protection of air and capacity building of human resources at both central and municipal levels. However, weaknesses are obvious in implementation of legislation. The main challenge for reducing loads of emissions to the air include financial constraints of the companies in both public and private sector. Also, there is a lack of coordination and harmonization of plans and programmes among competent authorities and entities for implementation of legislation.¹

Tab. 1: Emissions from TCA TCB (KEK-Department of Environment, 2009)

Emissions calculated for Kosova A													
	Prodhimi (MWh)				SO ₂			NO _x C			O ₂		
		mg/Nm ³	kg/MWh	1/vitmi	g/Nm ³	kg/MWh				kg/MWh	1/vitmi	g/Nm ³	kg/MWh
A3	631930	2569.7	6253	.703	2446.3	3573	.315	2653.7	6593	.556	1011787	203323	1475
A4	755043	2927.2	3374	.094	2526.7	6003	.456	2948.2	6953	.928	1131731	262783	1509
A5	557677	2645.5	10394	.690	1735.2	6613	.728	2055.4	6923	.569	502945	264285	1477
ΣA	1997699	5033.9	9174	.163	6758.1	6163	.499	7690.3	655.6	3.534	2946463	263463	1487
Emissions calculated for Kosova B													
B1	1546661	2666.2	4691	.644	4306.3	6352	.809	5392.3	7882	.70	1803114	262817	1165
B2	1490016	2536.3	4661	.583	4239.3	6062	.151	5035.9	7933	.407	1663915	263200	1132
ΣB	3036677	5202.5	464.5	1.613	8545.6	6202	.78	104313	790.5	1.703	3467029	263005	1148

According to TKE, limits that must be achieved by 2017 are: Ash 50 mg/Nm³, SO₂ 400 mg/Nm³, NO_x 500 mg/Nm³

Power-plants in Kosovo use lignite and fuel products with high levels of sulfur as a fuel for starting the process of energy production. Heating companies use crude oil as fuel. In the majority of cases, existing industrial companies have outdated equipment. Transportation sector features a large number of old vehicles and use of low-quality fuels. Low-burning level plants and agricultural sector use coal and biomass as fuel, which further contributes to air quality.

Industrial waste produced by technical and operational processes of Trepça Plants are considered to be some of the major sources of pollution in Mitrovica area (Table 2). Ar-

¹ Revision of Strategy on Environment and Sustainable Development (2005-2015)

eas for dumping urban waste as well as their uncontrolled burning also pose a serious problem to air pollution. Besides, the low level of awareness of entrepreneurs, consumers and citizens affect the current situation of air quality.

In the majority of cases, pollution is from emissions of sulfur dioxide (SO₂), Nitrogen oxides (NO_x), lead (Pb) and other heavy metals, Carbon Monoxide (CO), smoke, particles, volatile organic compounds (VOCs), dioxides and furans.

Tab. 2: Chemical composition of air ash, collected in several locations in Mitrovica (“Trepca”)

Sample collection location	Particle size	Cd	Cu	Pb	Zn	Mn
		(ng/m ³)(ng/m ³)(ng/m ³)(ng/m ³)(ng/m ³)
Battery industry –PIM	PM 2.5	8.547	20057.1	4302.84	3215.546	2140.209
	PM 107	.013	29.895	251.54	322.571	91.151
Primary School “Migjeni”	PM 2.5	1.1	4251.08	776.08	332.562	9.306
	PM 101	.684	15.432	489.198	67.361	43.472
Special Education School “Nënë Tereza”	PM 2.5	50.754	40357.79	5226.131	7618.09	1326.633
	PM 101	.719	339.698	66.985	50.251	27.452
Primary school “Bedri Gjina”	PM 2.5	23.346	109.859	3776.338	172.507	1153.239
	PM 100	.563	849.014	101.296	146.648	367.155

Range of values of emissions and concentration of metals on air: Cd 5ng/m³ (WHO, 2001) Mn 150ng/m³ (WHO, 2001) Pb 1500ng/m³ (EPA criteria).²

Data on air pollution in Kosovo is mainly collected from a limited number of sources. However, it is known that these sources have a considerable contribution on general pollution levels.

Main polluters:

- Power-plants (Kosova A and B);
- Open lignite mines;
- Industrial complex in Mitrovica;
- Ferronikel company in Gillogovc;
- Cement Factory Sharrcem in Hani i Elezit;
- Central heating systems (Prishtina, Gjakova and Mitrovica);

Basic heavy industry (currently non-operational) in Gjakova, Peja and Gjilan;

² Revision of the Strategy on Environment and Sustainable Development (2005-2015);

Production of raw materials of asphalt and quarries;

Transport;

- *Air quality assessment*

Air quality assessment in Kosovo was done using available data comparing with EU standards as benchmarks (EU Directive 2008/50/EC). Data analyses show a mismatch to these standards. Therefore it is necessary to undertake measures not only to control and monitor emissions systematically but also to reduce them. To achieve this, it is important that the main polluters meet the requirements posed by legislation, by respecting range of emission values allowed tolerance limits.

- *Air quality monitoring network*

The Ministry is completing installation of air quality monitoring network in entire territory of Kosovo. Number of monitoring stations is based on a study, in compliance with the EU directive 2008/50/EC.³

The first automatic air quality monitoring station was installed at IHMK, which is equipped with an automatic analyzer of sulfur dioxide (SO₂), Nitrogen oxides (NO_x), Carbon monoxide (CO), Ozone (O₃) and ash particles (PM₁₀, PM_{2.5}). The second station, a donation of the Slovenian Government is located in the yard of the Government Building (at Rilindja), which is equipped with an analyzer that has three optic channels (Grim Model 180), configured to measure particles (PM₁₀, PM_{2.5}) and other meteorological parameters. By the end of 2010, three automatic air monitoring stations were set up in Mitrovica, Drenas and Prishtina. They are still non-operational, but their details are as follows.⁴

Mitrovica: It is located in north-eastern part of the city close to River Ibri at the meteorological station. Analyzers for monitoring CO, O₃, sampler for particles PM_{2.5} and meteorological parameters (wind velocity and vector, pressure, air temperature and humidity) are configured in the station.

Drenas: It is located near the municipality building. Here, analyzers for monitoring SO₂, monitor for particles PM₁₀, sampler for particles PM₁₀ and meteorological parameters (wind velocity and vector, pressure, air temperature and humidity) are configured in the station.

Prishtina: It is located at Government yard (former-Rilindja building), a donation of Slovenian Government. This station possesses monitoring for particles PM₁₀ and PM_{2.5}, which will be supplemented with analyzers of NO₂/NO_x.

³ SESD (2005-2015);

⁴ Draft strategy on air quality; DMM; Environment Situation Report (2010/AKMM)

During the year, it is expected that stations in Peja, Gjakova, Prizren, Shtërpçë (Brezovicë), Han i Elezit and Gjilan will become operational. The network will be composed of nine (9) static monitoring stations and one mobile station.



Fig. 1: Kosovo map that shows locations of air monitoring stations

Table 3: Air quality monitoring network in Kosovo

No.	Municipalities	Station ID	Location	Type of area	Type of station
01	Prishtina	RKS01SU01?	IHMK-Prishtina	Sub-urban	Background
		RKS02UT01	Former-Rilindja Building	Urban	Traffic
02	Mitrovica	RKS03UBM	Meteorological Station in Mitrovica	Urban	Background
03	Drenas	KS04UB/IBD	Yard of municipality building	Urban/Industrial	Background
04	Hani i Elezit	KS05UB/IBHE	Primary School "Ilaz Thaqi"	Urban/Industrial	Background
05	Peja	KS06UBPE	"Luan Haradinaj" Square	Urban	Background
06	Gjakova	KS07UTGJK	KLA Street	Urban	Traffic
07	Prizren	KS08UBPZ	Yard of municipality building	Urban	Background
08	Gjilan	KS09UTGJL	Yard of municipality building	Urban	Traffic
09	Shterpce	KS10RBSHP	Tourist area in Brezovica	Rural	Background/reference

1.1.1. Laws and administrative instructions for the sector

That have been drafted:

- The Law on protection of air from pollution, No. 03/L-160 2010, 10.8.2011
- Law on protection of environment, No. 03/L-025 2009, 10.8.2011
- Administrative Instruction on criteria for determination of monitoring stations on air quality, number and frequency of measurements, classification of polluters that are monitored, methodology of work
- Administrative Instruction No. 04/2009 on control of emissions of volatile organic compounds during waste landfill, loading and transportation of fuels
- Administrative Instruction No. /2007 on rules and norms of loads to air from immovable sources of pollution

To be drafted

- Other environment indicators of air quality are determined by a by-law of the Ministry, which then informs physical and legal entities.
- Other environment indicators of air quality for special areas and depending on the nature of loads to air are defined by the Government with a by-law upon proposal of the Ministry.
- Value limits of air quality, targeted values and alarm thresholds for polluting matter and data of entry into force are determined by the Government with a by-law upon proposal of the Ministry.
- The Government, upon a proposal of the Ministry will regulate with by-laws issues of administration of new sources of pollution unknown so far.
- Air quality value limits, targeted values, alarm threshold for pollutants and date of entry into force are determined by Government with a by-law, upon proposal of MESP
- The Government, upon proposal of the Ministry, will regulate with by-laws issues of administration of new sources of pollution unknown so far.
- The government, with proposal of the Ministry, determines emission value limits (EVL) on air, in compliance with EU and World Health Organization standards.
- Temporary emissions value limits, way of establishments and duration of their implementation are determined by the Government with a by-law, upon proposal of the Ministry.
- The Government, upon proposal of the Ministry, with a by-law determines EVL and requirements for monitoring industrial sector polluters.
- EVL for plants for burning of waste are determined by the Government with a by-law, upon proposal of the Ministry, in compliance with the law.
- Norms of emissions from movable sources are defined by the Government with a special by-law.
- The Ministry with a special by-law and in compliance with the law determines EVL and requirements for monitoring polluters of small sources.
- The Government, upon proposal of the Ministry, with a special by-law deter-

- mines the allowed substance of sulphur allowed in burning fuels and oils.
- Vehicle fuels must be in line with quality standards that are determined with a by-law of the Government, upon proposal of the Ministry.
- Deposition of fuel, oil and oil products is regulated with a special by-law of the Government, upon proposal of the Ministry.
- The Government, upon proposal of the Ministry, determines EVL and VOC with special by-law.
- Conditions, requirements and procedures for reduction and gradual elimination of the use of substances that harm Ozone layers and their replacement are determined by the Government with a by-law, upon proposal of the Ministry.
- The Government with a special by-law, upon proposal of the Ministry, determines the way and methodology for tracking emissions of greenhouse gases and reduction of the quantity of these gases.
- Criteria, conditions and procedures for stimulating clean development measures are determined by the Government with a special by-law, upon proposal of the Ministry.
- Rules, procedures and reporting timelines are determined by the Ministry with a special by-law.
- Criteria, conditions and procedures for projects for funding are determined by the Government with a special by-law, upon proposal of the Ministry.

The Government and the Ministry in a period of eighteen (18) months from entry into force of the law must adopt provisions for which they are authorized by the law.⁵

1.1.2. Basic documents for the sector

That have been drafted:

- Strategy on air quality;
- Action plan on air quality;

To be drafted:

- Local action plans on air quality;
- Reports on implementation of plans on air quality

Objectives

- Completion of legislation in line with EU acquis;
- Clean air, environment free of negative effects to human health, nature and cultural heritage;
- Monitoring of air quality in line with the EU standards;
- Systematic development for improvement of air quality in entire territory of

⁵ Law on protection of air from pollution, No. 03/L-160 2010, 10.8.2011

- Kosovo;
- Provision of a legal and institutional framework for protection of air quality in cooperation with all communities;
 - Ensuring better review of air quality parameters by Government institutions, municipalities, residents and organizations when they take decisions for their activities;
 - Promotion of relevance of air quality as a critical parameter for population health and welfare;
 - Effective implementation of legislation.

Priorities

- Gradual harmonization of legislation with European standards;
- Approval and implementation of legislation on air protection;
- Completion of air quality monitoring network;
- Cooperation of public authorities and coordination for development and approval of measures, standards and/or activities related to environment protection;
- Regional cooperation for meeting requirements that derive from EU acquis and international agreements on cross-border pollution;
- Prevention and reduction of loads of emissions to air;
- Impeding import of oil products with high concentration of sulfur;
- Improvement of public transportation system;
- Stopping movement of vehicles without catalyst;
- Increase of use of central heating systems
- At least once a month, the Ministry provides information on air quality that is made available to stakeholders and public.⁶

1.2. Climate change

Kosovo is a country with a predominantly continental climate. It has warm summers and cold winters with Mediterranean and Alpine influences. It has unequal latitudes which bring regional differences in temperature and distribution of precipitation.

Compared to neighbouring countries such as Albania, Serbia, Montenegro and Macedonia, Kosovo is less prepared to deal with climate change. This is reflected on the lack of institutional, human and financial capacities to face this challenge.

The Republic of Kosovo is not a member of the United Nations, and it is also not a member of the UNFCCC Convention. However, a series of steps were taken so that our country is prepared to face climate change. There was a number of actions that institutions of the Republic of Kosovo have undertaken as part of a strategic approach to bring it in line with the EU and UNFCCC.

⁶ Revision of SESD (2005-2015); Draft Strategy on air quality and action plan; Environment Situation Report (2010 / AKMM)

Kosovo has signed TKE for South-Eastern Europe, which entered into effect as of July 1, 2006.

Kosovo, even though relatively small in terms of territory and population, is a contributor to various climate processes. Maybe due to its size, it has a high per capita contribution. There are four main areas to which it contributes in terms of climate change on earth: Energy sector, Transport, Deforestation, and Waste.

It is estimated that Kosovo has 14.7 billion reserves of lignite and it is ranked the 5th in the world in terms of proven reserves. The use of these resources to produce energy will increase economic development and contribute to the rest of the region through export of energy surplus. On the other hand, it will increase largely gas emissions. For now, energy sources in Kosovo (98%) come from existing power-plants that operate based on lignite (Kosova A and Kosova B). According to Strategic Environment Assessment funded by the World Bank, Kosova A and Kosova B have emitted 5.8 million tons of CO₂ in 2005. In 2006, Environment Department at the Kosovo Energy Company (KEK) has reported that Kosova A has emitted about 1.5 million tons of CO₂ and Kosova B about 3.6 million tons.

New vehicles and trucks possess technologies to reduce harmful emissions. However, the majority of vehicles in Kosovo are old models that emit large quantities of gases through their exhaust systems. General estimates show that 10% of all emitted gases come from vehicles. Unofficial estimates of the Kosovo Agency for Environment Protection show that approximately 5.5 million tons of CO₂ are emitted by Kosovo vehicles.

About 40% of Kosovo's territory, which is 10,904km², is forested. However, since 1990 a considerable deforestation occurred as a result of cutting – a large part of it illegal and unsupervised – for heating and construction. According Kosovo Forestry Department, about 222,000m³ of tress are exploited every year.

Reduction of forest areas results with high levels of CO₂ in the atmosphere, which in turn results in higher temperature. In addition to deliberate deforestation, Kosovo loses approximately about 40km² of forest areas from wild fires every year. If temperatures increase significantly, the frequency and damage from these fires will increase.

Waste management, despite investments, is not at satisfactory levels yet. Even though there is no complete information, considerable quantities of gases that affect climate change are emitted from uncontrolled burning of waste in “illegal” landfills.

Anyway, Kosovo has already started its efforts to harmonize environment legislation in line with the EU in order that it reaches EU benchmarks so that by 2020 it reduces gas emissions and energy consumption by 2020. For this purpose, development of a strategy on climate change is envisioned which will be in line with UNFCCC objectives. To develop this strategy, the need for financial assistance is inevitable as well as professional assistance from the side of donors.

Such a strategy for next 20 years would be the compliance with UNFCCC principles as if Kosovo were a member of the organization and would aim at achieving those goals:

- Reduction of emissions of CO₂ and greenhouse gases (GHG) mainly from energy power-plants running on lignite (both the existing ones and those planned),
- Implementation of clean environment-friendly technologies,
- Development of alternative and renewable sources of energy,
- Development of state and regional programmes for mitigation and adaptation,
- Increase of energy efficiency,
- Development of equipment for monitoring of CO₂ emissions,
- Creation of a state inventory of GHG (prepared through the project assisted by UNDP and it will be promoted at the beginning of October of this year.)
- Creation of a tax regime in order to encourage citizens that drive vehicles that pollute less.
- Increase of political and population awareness over the importance of Kosovo forests, etc.

Climate change is a dominant global problem of the environment in the 21st century. Climate change effects are becoming more evident ever more, which are being manifested through a number of phenomena such as: temperature change, quantity of precipitation, water sources, extreme frequencies of climate conditions, changes in ecosystems and biodiversity, agriculture, forestry, health, economic damages, etc.

Rio Declaration (1992) requires sustainable development, UN Convencion on Climate Change (UNCCC, 1994), for reduction of emission of greenhouse gases to air and Kyoto Protocol (1997) poses an important step to limiting these emissions.

Scientific Community and Inter-governmental Panel on Climate Change (IPCC) predict that climate change will be more significant in the future. In this sense, it is necessary to reduce pressures and to make efforts to facilitate negative consequences.

Data on climate change in Kosovo are scarce. This year, with UNDP support, the first inventory of greenhouse gases for years 2008-2010 was prepared, therefore a lot more work remains to be done to complete inventory for other years.

Kosovo has a low rate of economic development and it belongs to developing countries. Since the main source of energy is coal, with economic growth one must expect increase of general emissions of greenhouse gases. In order to propose measures and concrete actions that need to be taken by the Government, it is a priority to prepare the Strategy for Climate Change at National Level.⁷

⁷ DEP priorities;

1.2.1. Legal framework

Laws that have been drafted:

- Law on protection of air from pollution, No. 03/L-160 2010, 10.8.2011

Laws that have to be drafted:

- AI on the format and methodology for tracking emissions of greenhouse gases.

1.2.2. Strategic documents

Documents that have been drafted:

- Revision of Kosovo Environment Strategy Kosovo Environment Action Plan 2011-2015
- Draft Strategy and Action Plan on Air Quality, 2012- 2021/ 2012- 2016

Documents that have to be drafted:

- Drafting of Strategy on Climate Change

1.2.3. Objectives and priorities

- Gradual mitigation of climate change in line with general principles of UNCCC (1994);
- Establishment of the system for assessment and selection of suitable measures for reduction of emissions of greenhouse gases;
- Legal, institutional and technical capacity building for systematic solutions for climate change issues;
- Implementation of KES and KEAP (2011-2015) to reduce climate change issue in Kosovo.

Priorities:

- Explaining legal status in relation to Kosovo's membership as an active partner to international conventions on climate change;
- Institutional capacity building on climate change;
- Preparation of inventory for greenhouse gases;
- Assessment of emissions of air pollutants for the period 1985-1990, in line with Kyoto Protocol requirements according to PKIN methodology for 6 economic sectors;
- Use of financial opportunities and market regulations for greenhouse gases;
- Spatial planning, considering adaptation to climate change (for example,

floods).⁸

1.3. Waste

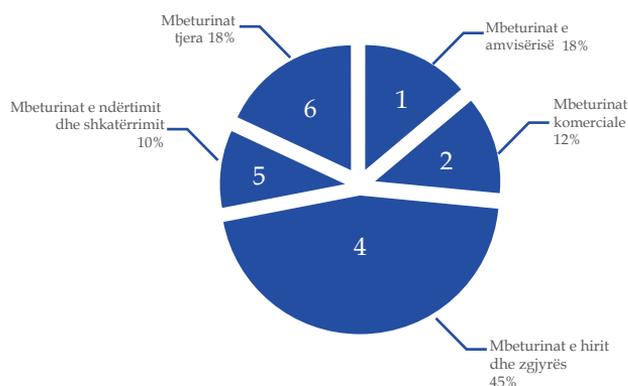
Waste management system is underway. This system still does not provide complete and safe data for waste generation, treatment and deposition. Services for waste collection are at about 42% (2009).⁹ Prishtina is best covered with the service at 64% (2007), while the lowest rate is in Mitrovica with 30% (2009).

About 90-95% of urban population in Kosovo are served by the waste collection system. All services are of low standard due to lack of adequate equipment and facilities. Rural areas are served only with about 30 % and there is growing trend.¹⁰

Municipal waste collection is done by seven regional public companies, which are organized in 37 municipalities of Kosovo through operational units. All old landfills for municipal waste were rehabilitated and ultimately closed down with support of donors and Kosovo budget.

Table: Type of waste produced from the environment situation report 2008-2010 AMMK

Type of waste	Daily average / kg/capita	Annual average /kg/capita	Annual quantities /ton
Household waste	0.277	101	232,541
Commercial waste	0.250	91.25	209,875
Medical waste	0.0024	0.876	2,014.5
Ash and smog waste	0.907	331	761,426.5
Construction and destruction waste	0.200	73	167,900
Other waste (packing, plastic, rubber, pesticide, electronics, wood, etc.)	0.360	131.4	302,220
Total	2.05	729	1,675,977



⁸ Revision of SESD (2005-2015)

⁹ Environment Situation in Kosovo 2008-2012, p. 72

¹⁰ Strategy of the Republic of Kosovo for Waste Management 2012-2020, p. 25

Municipal waste collection is done by seven (7) regional public companies, which are organized in 37 municipalities of Kosovo through operational units. And about 10 private companies that operate in entire territory of the Republic of Kosovo. All old landfills for municipal waste were rehabilitated and closed down.¹¹

Table: Sanitary Landfills in the Republic of Kosovo

Landfills	Covered municipalities	Type of landfill	Area in ha.	Time period/ years
Prishtinë	Prishtinë, F. Kosovë, Lipjan, Obiliq, Gllgoc,	Regional	40	15
Gjilan	Gjilan, Kamenicë, Viti, Ferizaj, Novobërdë	Regional	24	15
Prizren	Prizren, Suharekë, Malishevë, Rahovec, Gjakova	Regional	24	15
Podujevë	Podujevë	Municipal	5	15
Mitrovicë	Mitrovicë, Vushtrri, Skenderaj	Regional	7	15
Pejë	Pejë, Deçan, Klinë, Istog	Regional	3.6	
Sharr	Sharr	Municipal	1.2	16
Ferizaj	Ferizaj, Shtime, Kaçanik, Shtërpc, Hani i Elezit	Transfer station		
Zveçan	Zveçan	Municipal		15
Total				

If we compare data on waste dumped on sanitary landfills for years 2007- 2010, it is observed that in all regional and municipal landfills there were large quantities of waste. Generated waste quantity was the largest during 2010, and this resulted with the increase of quantity of waste collected and deposited. Based on these data, it can be stated that public companies for waste collection were more efficient in offering their services.

Quantity of generated waste per person in Kosovo for the year 2008 was 393,8 kg while in 2009 it was 454,4 kg, which shows a considerable increase of waste quantity per capita. Daily average of generation of municipal waste in 2008 was 1.1 kg while in 2009 1.2kg/day per capita.¹²

¹¹ Questionnaire on feasibility study 5.06. 2012 p. 10

¹² Environment Situation in Kosovo 2008-2012 p. 75

Municipal waste	Include 18% of generated waste. From them, the most are organic waste 35.3%, glass 12%, wood 11%, plastic 9.4%, metals 9.3% etc. Collection system is “door to door”.
Waste of construction and demolition	Emerged as an issue especially after destructions of the war after 1999. It is estimated that 167,900 t/year are generated. It is expected that this quantity will increase later when de-commissioning of TC Kosova A starts.
Industrial and dangerous waste	There was an increase of this waste since 1999, when many plants stopped working. However, they are a legacy. KEK generates ash, ash dust, used oils, sinter (grime), furnace ash, chemical matter (phenols, tar, etc.), colour waste, tyres (bands, tyres of vehicles and others) metals (metallic parts) oils with PCB and equipment that contain PCB such as electrical stations. Only ash waste from KEK reaches about 700,000 tons of ash, which covers an area of 234 ha. It is estimated that Ferronickel New Co deposited 780,000 tons of waste in 2008.
Agriculture waste	There is no data for the generated waste from agriculture or food industry.
Hospitals waste	Within a day 5500 kg or 2014.5 tons within a year of hospital waste is generated. Even though there is no accurate measurement, it is estimated that 2 kg are generated per bed. To burn medical waste and expired medicaments, there are four incinerators which partially meet requirements.
Packaging waste	There is no data on generated quantity.
Vehicles waste	There are no accurate data on the number of wasted vehicles. Regarding tyres, it is known that based on the number of vehicles in Kosovo, there are more than 1 million tyres in use with a life duration of five years. It is estimated that about 25,000 tyres are out of use within a year, which generates 462,5 tons of wasted tyres. There is no recycling of them (besides a small quantity) and most of them end up being burnt thus creating large air pollution.
Electric and electronic waste	There are no data on produced waste, but is known that their quantity is increasing considering the import of new and used equipment.

Tariffs for collection of waste are on average at 4€/per family /month¹³. Billing and collection of bills by waste companies is low and unstable. Collection rate in 2011 was 59% or 2 % less than in 2010 (the reason being decrease of collection from businesses). But viewed in financial terms, there is an increase of financial value for 8.7% or 834,570 € that is related to increase of the consumer base for 20,000 as well as efficiency of collection of bills.¹⁴

1.3.1. Legal framework

Waste management is regulated by the Law on Waste. Contrary to many other laws, LW is supplemented almost completely with by-laws required by the law. 21 by-laws were adopted which cover and regulate municipal, dangerous and special waste administration:

¹³ Strategy of the Republic of Kosovo for Waste Management 2012-2020 p. 28

¹⁴ Committee meeting of the SAP Dialogue on Transport, Environment, Energy and Regional Development p. 13

1. AI No. 01/2009 Conditions for selection of location and construction of waste landfills,
2. AI No. 12/2008 on annihilation of waste of medical products,
3. AI No. 06/2008 on administration of dangerous waste,
4. AI No. 05/2008 on administration of medical waste,
5. AI No. 10/07 on administration of waste landfills,
6. AI No. 02/2011 on administration of waste from fluorescent pipes that contain mercury,
7. AI No. 08/2010 on administration of bio-degrading waste,
8. AI No. 09/2009 License on waste administration,
9. AI No. 07/2009 on administration of waste that contains asbestos,
10. AI No. 06/2009 on administration of waste tyres,
11. AI No. 05/2009 on administration of waste from public areas,
12. AI No. 04/2009 on sentences with mandatory fines,
13. AI No. 02/2009 on administration of thrown away vehicles and their waste,
14. AI No. 01/2009 on export, import and transit of waste,
15. AI No. 03/07 on administration of waste used oils,
16. AI No. 02/07 on waste from used batteries and accumulators,
17. AI No. 12/07 on administration of waste from electrical equipment and electronics,
18. AI No. 10/07 on administration of polychlorinated biphenyls and triphenyls,
19. AI No. 09/07 Packing and waste packaging,
20. AI No. 08/07 Competences of owner and operator of waste treatment,
21. AI No. 05/07 on waste from construction and demolition.

Based on each AI for administration of the different types of waste, producer and treater of the waste is required to report at least once a year to KEPA, which is required to draft reports on types and ways of waste treatment.

Law on waste, chapter III grounds classification of waste on European Waste Catalogue.¹⁵

In general, it is obvious that the Law was supplemented with accompanying legislation very well.

New draft-bill on waste has gone through the first reading and it is going through parliamentary commissions. This draft bill addresses issues such as: implementation of decentralization of competences, harmonization with EU legislation (Directive 98/2008/EC) and harmonization with other laws that pertain to the field of waste management.

1.3.2. Strategic documents

Kosovo Environment Strategy 2011-2020

This draft-strategy contains the following objectives regarding waste¹⁶:

- Completion of legislation and instructions on waste;
- Reduction of waste at source before collection, reducing waste quantity and re-

¹⁵ Questionnaire on Feasibility Study 2012 p. 8

¹⁶ Kosovo Strategy on Environment (2011-2020)

- ducing risk;
- Burning of waste for generation of energy;
- Development of infrastructure for the integrated system for waste administration (Reduction–Re-use–Recycling–Deposition);
- Gradual increase of inclusion of population in the waste treatment system;

Law on waste 02/L-30 envisions development of strategic documents for waste administration¹⁷ such as:

Kosovo Strategic Plan for waste administration.

- Municipal plan for waste administration.
- Plan for facilities and equipment for waste administration.
- Operational plan of operators of waste administration.

Kosovo Strategic Plan for waste administration for the period 2012 -2021, which is awaiting approval of the new Law on Waste that is going through approval procedures at the Assembly, for continuation of approval proceedings.

Main objective of the Strategy is development of a framework of measures and establishment of a sustainable system for waste management in the Republic of Kosovo, which would prevent and reduce the waste quantity that is currently produced at the source.

Strategy on waste management defines orientations focusing on measures for:

- Reduction of creation of quantity of waste at the source and reduction of waste quantity that needs to be deposited;
- Development of infrastructure for establishing an integrated waste management system (Reduction – Re-use – Re-cycling - Burning - Deposition);
- Reduction of risk from waste;
- Contribution to increase employment rate in Kosovo;
- Capacity building for waste management;
- Public education, training of officials;
- Completion of legislation and instructions for waste management.

Municipal plans for waste management

According to Article 8 of LW, municipalities are required to approve plans for waste administration. So far, only 2 municipalities have approved them: Municipality of Prishtina for the period 2012-2016 and Municipality of Hani i Elezit for the period 2012-2015.¹⁸

¹⁷ Article 8 of Law on waste

¹⁸ Committee meeting of the SAP Dialogue on Transport, Environment, Energy and Regional Development 22 – 23 May 2012, Brussels p. 9

1.3.3. Institutional framework

The below provides framework of institutions in charge for waste management:¹⁹

Institution	Responsibilities
The Government of the Republic of Kosovo	Approval of Strategy for Waste Management; Adoption of government administrative instructions;
Ministry of Environment and Spatial Planning (MESP):	Drafting legislation; Development of Strategy and Action Plan on Waste Management; Preparation of monitoring programmes; Preparation of reports on situation with waste; Issuing environmental consent - to companies based on environment assessment impact; Issuing the license for waste management; Issuing licenses for export, import and transit of waste; Inspection supervision of law and by-law implementation; Management of dangerous waste;
Kosovo Environment Protection Agency	Monitors the situation of regional and local landfills of municipal waste, Collects and processes data on regional and local landfills, Collects and processes data for dangerous, non-dangerous, inert, etc., waste Creates the database and information system for waste management; Prepares and drafts reports on situation with waste management and reports about situation, forecasts and developments related to waste. Assesses risk from waste landfills for the possibilities of polluting underground and surface waters.
Municipalities	Adoption of local plans for waste management Determination of location for waste management needs according to spatial plan; Setting fees for services of collection and deposition of municipal waste; Collection and reporting of information. Supervision of implementation of Consumer Charter; Setting and supervision of implementation of standards of service for companies contracted for collection of waste;
Water and Waste Regulatory Office - WWRO	Licensing of regional public enterprises for collection of waste; Determination of service fees for providers of services licensed by WWRO
Kosovo Landfill Management Company - KLMC	Management of sanitary landfills of municipal waste.
Regional public companies (7 of them)	Collection and transport of municipal waste, Development of operational plan for collection and transportation of municipal waste, Establishment and maintenance of quality of infrastructure for collection of municipal waste, Expansion of services in uncovered areas for collection of municipal waste, To report on collected types and quantity of municipal waste, To organize submission for final treatment / deposition of waste to companies licensed for treatment of waste.

¹⁹ Kosovo Draft Strategy on Waste 2012-2020

Private sector through licensed companies has become very active in the area. They deal with provision of waste services to municipalities as well as bill collection, treatment, recycling, transportation and deposition of different types of waste.

Economic instruments for waste management

There are no economic instruments besides waste legislation. Based on Law on waste, revenues are generated through the fee on license for administration of waste, fee for permits to import and export waste, fees for collection and deposition of waste and fees from fines.

In the law on waste, there are two levels of administration of waste: MESP and municipalities. However, regional level is also mentioned, even though it is undefined, but this alludes to regional waste companies and regional landfills.²⁰

Article 4.14 of the Law on waste identifies the municipality as a responsible body for establishment of fees for waste collection.

WWRO, with Regulation 2004/49 is the competent authority for setting tariffs for waste services, collection and deposition of waste.

New draft bill, regional landfills will be transferred under management of municipalities, which have the right to set fees for waste deposition.²¹

1.3.4. Challenges

Feasibility Study 2012, under prevention of criminal activities and combating organized crime, stated that Kosovo needs to cooperate under SAA to prevent trafficking, among other things, of industrial waste.²² Under SAA, Kosovo needs to strengthen cooperation with the EU to fight degradation of environment, including waste management. Also, to meet SAA requirements, Kosovo has to approve the law on waste and complete secondary legislation.²³ In SAA context, Kosovo expects to allocate much larger resources and address medical challenges with regard to investments in the field of water quality and waste management.

Below is a description of developments in the sector during 2008-2012 based on EC Progress Reports and feasibility study.

²⁰ Pyetsori per studimin e fizibilitetit 5.06. 2012 p. 12

²¹ Pyetsori per studimin e fizibilitetit 5.06. 2012 p. 12

²² Commission Communication on a Feasibility Study on SAA agreement between EU and Kosovo p. 34

²³ Commission Communication on a Feasibility Study on SAA agreement between EU and Kosovo p. 46

Year	2008 ²⁴	2009 ²⁵	2010 ²⁶	2011
Status	Little progress	No progress	Little progress	Little progress
Comment	<p><i>Progress:</i> Rehabilitation of 3 landfills</p> <p><i>Shortcoming:</i> low rate of collection of fees</p>	Low rate of collection of fees	<p><i>Progress:</i> decentralization of competences with the new law; approval of by-laws</p> <p><i>Shortcoming:</i> lack of an integrated system for waste; low rate of collection of fees</p> <p>Non-application of “polluter pays”</p>	<p><i>Progress:</i> Collection of fees has increased but it is still low. PLVM- contains waste sector</p> <p><i>Shortcoming:</i> non-approval of new waste law; recycling and classification of waste still unexplored.</p>

Some of the main challenges may include:

- The system for management of waste is not efficient and there are weaknesses in many aspects;
- Collection rate of municipal waste still remains under 50%;
- The situation at landfills still not good and there is still a large number of illegal landfills;
- There is a lack of monitoring system of situation with waste and there is a lack of efficient mechanisms for separation and classification of waste;
- Lack of projects for recycling waste and the need for investments in waste sector;
- Low rate of collection of fees for waste management;
- Insufficient cooperation between competent institutions in waste sector.²⁷

1.4. Chemicals

Kosovo produces small quantities of chemical substances and mixtures. In general, chemical industry has been little active since 1999. Chemicals are mainly imported for the needs of industry and other activities. The largest quantity of imported chemicals is used for treatment of drinking water and industrial water, refrigerant, biocide products and plant protection products. There is no supervision on import and use of dangerous chemicals.²⁸

²⁴ Kosovo Progress Report 2008 p 44

²⁵ Kosovo Progress Report 2009 p. 37

²⁶ Kosovo Progress Report 2010 p. 42

²⁷ State of Environment in Kosovo 2008-2012 p. 79

²⁸ Strategjia e Kosovës për Mjedisin SKM (2011-2020) f. 39

Type of chemical	Unit	2007	2008
Fuel oils and oils obtained from bitumen minerals	Liter	1.397.440	1.588.620
Fuels with an octane number (RON)	Liter	4.040.761	961.092
Petroleum, paraffin polish, peaty polish and other chemical substances (coloured or colourless) obtained from synthesis or other chemical processes	Liter	120.003	96.312
Chemical products for protection of animals and plants (mixed, joint or treated chemically) Chemical compositions produced by mixing or treating chemical products of animals or plants	Liter	196.848	59.645
Other chemical substances similar to previous four groups	Liter	753.580	204.580
Nitrate ammonium	Kg	258.170	854.896
Mixtures of Nitrate Ammonium with Calcium, Carbon or other inorganic substances	Kg	26.892.380	5.600.522
Other chemical fertilizers or minerals that contain Nitrogen, Phosphor or Kalium	Kg	32.406.342	24.121.055

Quantity of chemical substances and chemical fertilizers imported during 2007-2008²⁹

Large quantities of chemicals, industrial and mining waste with high content of heavy metals are inherited from pre-war Kosovar industry, which had not been treated yet. The very fact that processing technologies were inefficient and which did not manage to sufficiently use the raw material, has created the situation that the quantity of mining waste be larger, which currently create major damages in the environment by polluting air, land, surface and underground waters. To rehabilitate them it will take studies, financial resources and technological equipment.³⁰

1.4.1. Legal framework

Law on Chemicals No. 02/L-116, dated 27.04.2007 aims to regulate sustainable administration of chemicals, including measures for protection of environment and human health from harmful effects of chemicals.

The law regulates the rights and obligations of legal and physical entities, requirements and procedures for registration of chemicals, for notification of new substances and issuing of chemicals to the market, assessment of new substances, classification, packing and labelling of chemicals, national plan for safety from chemicals, supervision and control of chemicals. The law is partially harmonized with the European legislation and for this reason amendment of the law has started with the legislation programme for 2012. Registration of dangerous chemicals has not started yet.

So far, AI no. 10/2010 was approved, dated 09.02.2010 on Technical List of Safety for Chemicals and How to Fill it out (according to ISO 11014-1: 1997 and in line with Regulation 2006/1907/EC), and Draft AIs were drafted on notification for new substances and AI on CLP – classification, labelling and packing of chemicals (dangerous substances and mixtures).

²⁹ Gjendja e Mjedisit në Kosovë 2008-2012 p. 79

³⁰ Strategjia e Republikës së Kosovës për Menaxhimin e Mbeturisë 2012-2020 p.9

Laws that pertain to the chemicals area:

Law on products for plant protection No. 2008/03-L-042 (agriculture pesticides), aims to regulate placing products on market and control of active substances of products for protection of plants, authorization, circulation, use, remains in plants and plant products, keeping evidence for registry and registry of physical and legal entities involved in placement on market and use of products for plant protection, technical requirements for equipments used for application and their elements, responsibilities of competent authority for implementation of the law and its monitoring.

Law on biocide products No. 2009/03-L-119 (non-agricultural pesticides), defines procedures for registration/authorization of biocide products.

AI No. 4/2005 for classification of goods with regard to exports and imports regulates MESP permit for cases of import of dangerous chemicals. According to Article 2 for goods (which also includes chemicals), that are exported or imported permits may be issued by other Ministries as well, such as: MH, MTI, and MAFRD.

1.4.2. Institutional framework

MESP through its Inspectorate of Environment and Kosovo Customs at the border are in charge for monitoring, control of movement, placement to market and use of dangerous chemicals based on the law on chemicals. However, there are competences that also belong to Ministry of Health, Ministry of Finances, and Ministry of Labour.

Prior to import of any chemical, a permit must be issued by MESP. Kosovo Customs controls the movement of chemicals (especially the import of dangerous chemicals) while there is no export for the time being since Kosovo does not produce any dangerous substances.

1.4.3. Strategic documents:

- *Kosovo Environment Strategy (KES)*

KES has a special chapter on chemicals.

KES objectives on chemicals include:

- Completion of legislation in line with the EU acquis and “GHS” system
 - Creation of conditions for monitoring and control of chemicals;
 - Development of activities for integration and participation of administration of chemicals with international institutions.
-
- *KES priorities for chemicals*

The main priority is creation of a system with a general level for improvement of health

and environment from potential harmful effects of dangerous chemicals. This takes into consideration the EU Regulation 1907/2006 (registration, assessment, permit and limitation in the use of dangerous chemicals) and other mandatory international instruments such as implementation of the EU “SEVESO” Directives I and II.

Priorities: Development of legislation and harmonization with the EU acquis; Development of the registry for banned and limited chemicals for use; Establishment of a sustainable system in order to improve conditions for protection of human health and environments from harmful effects of dangerous chemicals; Establishment of a competent body for administration of chemicals; Signing of agreements of cooperation with the EU and international institutions related to dangerous chemicals; Development of a comprehensive plan for direct intervention and rehabilitation measures in case of accidents caused by dangerous chemicals; Monitoring and operationalization of control over producers, importers and users of dangerous chemicals; and Awareness raising of people and companies about dangerous chemicals.

Year	2008 ⁴	2009 ⁵	2010 ⁶	2011 ⁷
Status	Little progress	No progress	No progress	Little progress
Comments	<i>Progress:</i> approval of the Law on chemicals			<i>Progress:</i> approval of the AI on risk assessment

Feasibility study 2012 requires Kosovo to complete legislation on chemicals in line with the EU standards and strengthen cooperation with the EU as part of SAA.

1.4.4. Challenges

Supplement and amendment of legislation on chemicals

Amendment of the Law on chemicals is on legislative agenda for 2012 in order to respond to the required changes in line with the EU legislation in the field of chemicals. New law will transpose new EU directive and will address issues such as: definition of unclear competences at central level, implementation and monitoring, weaknesses in provisions on classification, labelling and packing of chemicals. TAIEX has assisted MESP to make these changes, which are expected to be approved at the end of 2012.³⁵

1.5. Water

The situation of water resources in the Republic of Kosovo is difficult in general. It is featured with uneven distribution in time and space, used irrationally and not-well

³¹ Kosovo Progress Report 2008 p 44

³² Kosovo Progress Report 2008 p 44

³³ Kosovo Progress Report 2010 p. 42

³⁴ Kosovo Progress Report 2010 p. 46

³⁵ Committee meeting of the SAP Dialogue on Transport, Environment, Energy and Regional Development f. 11

managed. There are significant changes between river basins, especially with regard to quality and quantity of water. Monitoring and data issue continues to remain challenging, and there are no sufficient data on quality and quantity of surface and underground waters as well as on their use. Underground waters are assessed as polluted, especially aquifers in alluvial sediments in river basin Drini i Bardhe and river Sitnica.

Even though there were several interventions in monitoring network of surface waters, we still don't have a regular monitoring system. Data on flows into Kosovo rivers remain only an estimate based on hydrologic observations reflected in Water Master Plan (1983-2000), however some data are available from several studies or projects funded by the European Commission and are implemented by various companies of the EU member states.

Quality of water at the source and upstream is good. This quality gets worse mid-stream and downstream of catchment area due to direct and untreated flux of polluted waters from urban areas, industries, agriculture, transport, etc. The existing network of the water-supply and sewage needs to get rehabilitated because a large part of this infrastructure is outdated and under-developed. Provision of drinking water service is offered by seven regional companies and they rely on surface and underground water. Water is processed at the plant and the largest portion of it is chlorinated. Interrupted (reduced) service of water and lack of adequate treatment is increasing the risk of pollution in supply pipelines by external biologic, chemical and microbial agents. In rural areas, residents are supplied with water from open wells and catchment of natural water resources (natural springs). Residents open wells without any criteria and monitoring of water quality or reference to hygiene-sanitary rules and standards.

Monitoring of quality of drinking water is a responsibility of the IKSHPK and according to reports of the Institute, the quality of water from the water supply meets standards of drinking water. Kosovo Hydro-meteorological Institute (IHMK) is responsible for monitoring of quality of surface, underground and accumulated waters.

Access to public sewage network still remains challenging. It is estimated that only 30-40 % of population has access to public sewage network. The largest portion of sewage network is in urban areas; in rural areas this issue is regulated with septic tanks, channels or without them.

Situation in treatment of polluted waters is critical in entire country. The only plant for treatment of polluted waters is built in the municipality of Skenderaj.

Flux of polluted waters from households, industry, and pollution from agriculture and transport is directly fluxed in rivers without any prior treatment.

In 2003/2004, Strategy for treatment of polluted waters was developed for the entire territory of Kosovo but it is still not applied due to budget limitations. During 2009-2011, feasibility study for treatment of polluted waters was completed.

Efforts with different projects were made to identify polluting sources (for example polluting sources from mineral remains, metallurgic and technological facilities, etc.). A large portion of data from these projects for the purpose continues to remain spread and unsystematic in various institutions.

Data on water consumption by industries are insufficient, with exclusion of operators who have been awarded with water permits such as KEK and NewCo Feronikeli, which are supplied from Ibër Lepenc Hydro-system. Also, data related to the quantity of water used for irrigation remain inaccurate. These data are partially provided by MAFRD.

Infrastructure for protection of waters still remains challenging. All data related to infrastructure for protection of waters refer to data in Water Master Plan (1983 - 2000). A large part of the existing infrastructure for protection was damaged. There is no maintenance for it, and there is also construction of facilities (homes, business facilities) over or close to infrastructure for protection of waters. In recent years some small projects were implemented, such as: cleaning of river Shushica - Istog, regulation of river Mirusha - Gjilan, River Trstena Vushtrri, River Klina - Skenderaj.

Data for erosion and streams are presented in Water Master Plan (1983 - 2000). During 1999 - 2012 no activity was undertaken related to erosion of streams.

1.5.1. Legal framework

- *Legal basis for water sector (Law on Kosovo Waters - purpose)*

Water sector guides its activity based on Law on Waters (No. 2004/24), Kosovo Spatial Plan, Kosovo Programme 2011-2014, MESP Dynamic Plan 2012. Law on Waters regulates issues that deal with administration, planning, protection and responsibilities of institutions in the field of waters and water resources.

The purpose of the law is to ensure development and sustainable use of water resources which are necessary for the public health, environment protection and Kosovo's economic development, to ensure protection of water resources from pollution, over-exploitation and abuse and to determine institutional framework for administration of water resources.

Processes of development, management, planning and reformation of water resources must be led by the following principles, in line with the Law on Waters:

- optimization (socio-economic aspects of environment);
- care;
- prevention;
- minimizing use of resources;
- integration;
- payments of polluters and users;
- cooperation and access to information;

- participation of stakeholders; and
- equity in terms of water use.

a) Drafted and signed (applicable)

So far, for implementation of these laws, the following administrative instructions were adopted:

- Administrative Instruction on Structure of Water Payments (No. 06/2006)
- Administrative Instruction for Determination of Evidence and Form of Legitimation of Water Inspectors (No.re.62 and No. of protocol 23/05)
- Administrative Instruction on Content, Form, Conditions and Way to Issue and Maintain Water Permits (No.re. 63 and No. of protocol 24/05)
- Administrative Instruction for Content of Water Infrastructure (No.re. 32 and No. of protocol 06/07)
- Administrative Instruction on Criteria for Determination of Water Protected Zones and Protective Measures for Sources of Water used for drinking (No.re. 40 and No. of protocol 13/07)
- Administrative Instruction for Limiting Values of Effluent the Flows into Water Bodies and Public Sewage Network (No. 13/2008)

b) By-laws that have to be drafted according to the law on waters 2004/24

- Article 11. Paragraph 11.5. Minister with a by-law will regulate declaration of loss of status from paragraph 4 of this article.
- Article 19. Paragraph 19.4. Minister will define with a by-law the procedure, content and structure of River Basin Regional Authorities.
- Article 25. Paragraph 25.5. Minister will determine with a by-law the content and format of preparation of River Basin Administration Plans.
- Article 38. Paragraph 38.2. Government, with proposal of the Ministry with a by-law, defines in more detail measures for protection from floods.
- Article 42. Paragraph 42.3. Within a timeline of twelve (12) months from the day of declaring an erosive zone, the Government with a Ministry proposal through a by-law will define in detail measures and action for protection from erosion.
- Article 44. Paragraph 44.2. Minister will classify surface water bodies with a by-law.
- Article 45. Paragraph 45.3. Minister will classify underground water bodies with a by-law.
- Article 54. Paragraph 54.1. Minister with a by-law determines zones for washing.
- Article 61. Paragraph 61.5. Minister with a by-law will define in more detail the work, format and other issues of relevance for the Water Information System.

Transitory and final provisions

Chapter XIII of the Law on Kosovo Waters (No. 2004/24) envisions the following transitory and final provisions.

- Article 79. Paragraph 79.1. Each person that exercises activity on water resources, upon entry into force of this Law must submit a request to the Ministry within a timeline eighteen (18) months for obtaining of a water permit.
- Article 79. Paragraph 79.2. The Government with proposal of the Ministry within a timeline of twenty-four (24) months must publish a list of water infrastructure.
- Article 79. Paragraph 79.3. All areas of land and water infrastructure defined as water property must be registered as public property within a timeline of thirty-six (36) months upon entry into force of this law.
- Article 79. Paragraph 79.4. Plans from chapter IV must be adopted in a timeline of thirty-six (36) months.
- Article 79. Paragraph 79.5. All water-related activities of all persons will be harmonized with requirements and procedures of this law within a timeline of thirty-six (36) months.
- Article 79. Paragraph 79.6. Municipalities will harmonize all their activities within a timelines of twenty-four (24) months upon entry into force of this law.
- Article 79. Paragraph 79.7. Harmonization of all spatial plans and sectorial plans with water administration plans will be done within a timeline of thirty-six (36) months.
- Article 79. Paragraph 79.8. All by-laws that derive from this law will be adopted within a timeline of twenty-four (24) months.

1.5.2. Core documents for the sector

Based on the Law on Kosovo Waters (No. 2004/24), Chapter IV – Planning, core planning documents (article 21) include:

- Water Strategic Plan;
- Water Administration Plan;
- Basin Administration Plan; and
- Floods Administration Plan;

The drafted planning documents include:

- Water Strategy (2007-2013, drafted as part of the process for development of Kosovo Development Strategy and Plan 2007-2013)
- Strategy for Treatment of Sewage Water (drafted in 2003 -2004)
- Master Plan on Sewage Waters in Basin of Morava Përendimore (River Morava e Binçës and Ibri, 2011)
- Feasibility Study for treatment of sewage waters in cities of Pejë, Gjakovë and Prizren (2011)
- Draft Plan on Monitoring of Surface and Underground Waters (2011+)
- Beginning of drafting of Kosovo Water Strategy (2012+)

Some other partial documents have also been drafted on water sector during implementation of various projects related to water sector.

1.5.3. Objectives and priorities

Objectives

- Completion and harmonization of legislation with the EU acquis;
- Cooperation with cross-border water management (memoranda of cooperation, etc.)
- Drafting of elaborations for determination of protected water zones for sources that are used for drinking water
- Drafting of strategies and plans for river basins;
- Construction of plans for treatment of sewage waters (ITUZ)
- Repairing and construction of new networks of drinking water supply;
- Protection and regulation of river banks and bottom;
- Improvement of monitoring of surface water networks;
- Creation of the network for monitoring of underground waters.

Priorities

- Drafting of by-laws;
- Drafting of strategy and plan for management of river basins;
- Improvement of water information system;
- Prevention of degradation of river ecosystem from extraction of sand and gravel;
- Provision of water through an appropriate strategy, including provision of dams and networks for water supply in order that biodiversity issues are addressed;
- Increase of cooperation among inspectorates of water and nature in implementation of legislation on nature conservation;
- Implementation of VSM and procedures of VNM, especially when activities are planned that need to take place in bogs and protected water zones;
- Urban and rural construction ITUZ and wherever possible, including informal settlements in public networks of sewage and water supply.

Financing and budget (water sector)

National sources include as follows:

- Revenues from Kosovo budget
- Revenues according to AI on structure of water payments

External sources

- European Commission (IPA programme)
- Grants and loans

International financial institutions

- World Bank

- European Bank for Reconstruction and Development (EBRD)
- European Investments Bank
- Stability Pact -REReP
- SIDA
- USAID
- SDC
- JICA (Japanese International Cooperation Agency)
- UNEP

1.6. Nature conservation

Overall situation

Despite small area of Kosovo, its territory contains several main centres of European and Balkan bio-diversity as well as wonderful nature landscapes. Thus, in Kosovo's territory there are two main centres of flora diversity in Europe³⁶.

Protected zones

National network of protected zones includes about 97 nature zones in area of 47.842.34 ha or 4.39 % of the Kosovo's territory, and more than 195 proposed zones for protection including the area proposed for the "Bjeshkët e Nemuna" National Park.

Based on the Law on Protection of Nature No. 03/L-233, dated 09.11.2010, categorization of protected zones is done according to International Union for Conservation of Nature (IUCN).

³⁶ Veselaj et al. . "Biodiversity conservation in Kosovo with focus on biodiversity centres" Journal of Environmental Biology Vol. 33, p. 307-310, 2012

Tab. Network of protected zones in Kosovo³⁷

Type of zone	IUCN category	Number of zones	Area/ha
Natural reserve	I	11	847
Plant		2	
Animal		2	
Special		2	
National Park	II	1	39,000
Natural monuments	III	83	6,296
Speleological		4	
Hydrological		15	
Geomorphological		6	
Botanic		55	
Memorial		1	
Forest park		1	
Natural museum		1	
Protected landscape	V	2	1,683
Total		97	47,842

There are plans for expansion of protected zones. Declaration of another national park, that of “Bjeshkët e Nemuna” is underway with 62.488 ha³⁸ as well as expansion of National Park “Mali Sharr” with 22,000 ha. With approval of these two laws, which have passed the first reading at the Assembly of the Republic of Kosovo, the total area of protected zones will include 120.273 ha or 11% of Kosovo’s territory. Meanwhile, 12 zones have been removed from the list of protected zones, mainly trees and sources that have lost their value for which they were put under protection.

In Kosovo, a preliminary inventory of zones has been done as part of “Natura 2000” and drafting of professional rationale for declaring of a such a pilot zone has started.

Tab. Protected zones compared to Kosovo’s territory and regional countries

Country	Territory in km2	Protected zones in km2	% of territory
Albania	28,745	2,619	9.1
Bosnia and Herzegovina	51,121	920	2.2
Kosovo	10,887	462	4.39
Macedonia	25,722	1882	7.3
Montenegro	13,812	1092	7.7
Croatia	56,628	5125	9.1
Serbia	77,471	5180	5.9

As the Table shows, only Bosnia and Herzegovina has less protected area than Kosovo.

³⁷ MMPH- AMMK “ Raporti për gjendjen e natyrës 2008-2010” Prishtinës

³⁸ Bjeshket e nemuna- natural pearl of Kosovo- analysis of the process of national park designation” REC and KFOS, 2010, Prishtina

Flora and fauna

Based on research so far, Kosovo has identified about 1800 types of vascular flora, but this number is assumed to be bigger and reaches up to 2500 types. Therefore, we still do not have a complete inventory of flora and vegetation. An important feature of Kosovo's flora is represented by endemic, relic and endemorelictic types, as well as a considerable number of endemic and endemorelictic flora sets. Number of endemic types of flora in Kosovo is about 200, while steno-endemic types in Kosovo include: *Aconitum pentheri*, *Achillea alexandri-regis*, *Diathus scardicus*, *Bornmuellera dieckii*, *Sempervivum kosanini*, *Sedum flexosum*, *Saxifraga scardica*, *Potentilla doerfleri*, *Verbascum scardicum*, *Thymus dorfleri*, *Thymus rohlanae*, *Centaurea albertii* and *Cynoglossum krasniqii*.

Kosovo's vegetation is represented with 139 flora sets grouped into 63 alliances, 35 orders and 20 classes. A feature of Kosovo is flora sets of endemic nature.

So far, about 104 types of high mushrooms were described (Ascomycetes and Basidiomycetes). Flora biodiversity centres in Kosovo include "Malet e Sharrit" and "Bjeshkët e Nemuna", which have been researched the most and comprise the flora biodiversity landscape of Kosovo³⁹.

According to research so far, there more than 250 types of wild vertebrate animals as well as a large number of invertebrates (so far more than 200 types of flies were identified, more than 500 taxa of water macrozoobentos). As part of fauna, birds occupy an important place with about 180 types. The richest areas with birds are Bjeshkët e Nemuna and Malet e Sharrit.

1.6.1. Legal framework

Laws and by-laws

Main legal instruments for nature conservation in Kosovo are summarized in the Law on Nature Conservation No. 03/L-233 dated 09.11.2010. Administrative Instructions passed based on the law include:

- AI on collection of types of wild plants protected for purposes of processing and trading no. 08/2011,
- AI on types of natural habitats, maps of natural habitats, types of natural rare and threatened habitats as well as measures for conservation and protection of types of natural habitats 12/2011,
- AI on capturing, marking and identification of protected animals in custody 14/2012,
- AI on registry of protected nature values 04/2006,
- AI 18/2012 on declaring the protected wild types and strictly protected types.
- Draft AI on internal organization of National Park "Mali Sharr".

³⁹ Veselaj Z. 2009 "Biodiversiteti" Universiteti i Prishtinës

There are a number of laws that are directly related to aspects of nature conservation and they are given below:

Name of the Law	No. of Law	Converging points
Law on Kosovo Forestry Amendments and supplements	2003/3 2004/29	Forests and hunting resources as part of protected zones
Law on agriculture land	02/L - 26	Agricultural land within protected zones
Law on hunting	02/L - 53	Hunting of endangered types
Law on protection from fire	02/L - 41	Fires in protected zones
Law on protection from natural disasters and other disasters	02/L - 68	Fires and other disasters (erosion) in protected zones
Law on protection of plants	02/L - 95	Types of plants threatened and endangered
Law on organic agriculture	02/L - 122	Types of plants threatened and endangered
Law on products for protection of plants	03/L - 042	Types of plants threatened and endangered

Law on nature conservation is in on-going harmonization with the EU relevant directives: Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora; Directive 2009/147/EC of the European Parliament and of the Council on the conservation of wild birds (codified version); Council Directive 1999/22/EC relating to keeping of wild animals in zoos; and Council Regulation (EC) 338/97 on the protection of species of wild fauna and flora by regulating trade therein⁴⁰.

1.6.2. Strategic documents

Kosovo Environment Strategy 2011-2020 (KES)

As a strategic document on environment, it has a special section on on natural heritage that covers issues of nature and biodiversity conservation. KES objectives on nature conservation include:

1. Completion of new legislation on nature conservation and strengthening of existing legislation;
2. Proper management of protected zones with high biodiversity (protection and conservation of strict zones and national parks);
3. Deepening of cooperation with scientific units of the University of Prishtina in order to encourage scientific research within zones with high natural values;
4. Drafting of programmes of conservation, advertising and progress of protected zones as well as the work with population on awareness raising for the role of natural heritage and generation of revenues.

KES priorities in the field of nature conservation

1. Empowerment of the Law on Nature Conservation 03/L-233, supplementing it with by-laws;
2. Empowerment of authorities for management of protected zones;

⁴⁰ Meeting Report Committee meeting of the SAP Dialogue on Transport, Environment, Energy and Regional Development 22 – 23 May 2012, Brussels

3. Preparation of spatial plans and management plans for protected zones, respecting conditions for nature conservation.
4. Capacity building for efficient monitoring and supervision of management of protected zones;
5. Change of attitudes of population regarding protected zones through education and awareness raising⁴¹.

- *Strategy and Action Plan on Biodiversity 2011-2020*

It was approved by the Assembly on 07.10.2011 but it has not been operationalized yet due to lack of financial resources. The amount of cost for projects that are included in the Strategy is 5.3 million EUR, however, considering the current situation implementation of these projects will depend on support from donor community.⁴²

Spatial Plan for National Park “Mali Sharr” and Spatial Plan for “Mirusha Park” are going through approval procedures, and drafting of Management Plan for National Park “Mali Sharr” has started (the Guide has been developed).

- *Municipal Action Plans on Biodiversity*

So far, only one municipality has approved its Municipal Action Plan on Biodiversity, i.e. Municipality of Dragash. The Municipality of Prizren has started to develop its plan. Both projects are being implemented with funding from Government of Finland.

1.6.3. Institutional framework

Institutional framework for nature conservation is under construction. By 2006, professional work for nature conservation was completed by Institute for Nature Conservation, but a decision was made that transferred it to a sector of KEPA. With new LNC, the Institute retakes its prior role on nature conservation, but its development has stagnated a lot. In majority of national and international documents, the Institute does not have the same treatment as others in KEPA. Furthermore, it does not stand out as a special body in the MESP webpage as are Hydro-meteorological Institute and Institute on Spatial Planning⁴³. KEPA now also includes a department on NP “Mali Sharr” with its staff and activity.

Division on Nature Conservation as part of MESP Environment Department drafts policies on nature conservation.

In municipalities there are no special structures that deal with nature conservation, but it is usually covered by the environment sector.

⁴¹ Draft Strategjia e Kosoves per Mjedisin 2011-2020 p. 30

⁴² Strategjia dhe Plani i Veprimit per Biodiversitetit 2011-2020 p. 52

⁴³ Shih <http://mmph.rks-gov.net/?cid=1,3>

EC in its recommendations proposes making available human and institutional resources for addressing protected zones that emerge from the treaty on environment, nature conservation and Birds Directives⁴⁴.

Nature conservation in progress reports 2008-2012

Year	2008	2009	2010	2011
Status	No progress	No progress	Little progress	Small progress
Comments		Prolongation of adoption of LNC delays implementation of EU directives on Birds and Habitats	Approval of LNC Identification of some Important Bird Areas	Some AI adopted; Strategy and Action Plan on Biodiversity approved Weaknesses: institutional and administrative capacities

Feasibility study 2012 states that approval of the Law on nature conservation has opened the path for transposition of Acquis in the area of nature conservation.⁴⁵

1.6.4. Challenges

In general, there are a number of challenges that reflect degradation of nature and biodiversity in Kosovo.

1. Completion of legal basis with by-laws

Little work was done to adopt accompanying by-laws that are required by the Law on Nature Conservation. The below is a list of by-laws according to their articles and actual status:

⁴⁴ Konkluzionet e SAPD Infrastruktura 24-25 mars 2011 p.6

⁴⁵ http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/ks_analytical_2012_en.pdf

No.	Article	Area of regulation	Adopted by	Status
1	8.3	By-law on ordering values as per their relevance	Minister	
2	23	By-law on losing the status of protected zone	Government	
3	25.1	By-law on threatened wild types (from Red List)	Ministry	
4	26.1	By-law on mitigated and threatened types	Minister	
5	28.4	By-law on central Registry of protected values of nature	Minister	OK
6	34.5	By-law on acceptability to ecological map	Minister	
7	43.1	By-law on permits and locations of interventions in national park	Ministry	
8	62.4	By-law on types, maps of rare and threatened habitats	Minister	OK
9	63.3	By-law on ecological corridors and important ecological zones	Government	
10	68.3	Authorization for genes bank	Government/ Ministry	
11	88.3	By-law on protection measures and maintenance of crossings for wild animals	Minister	
12	91.7	By-law on how to implement risk assessment from entry of new types into nature	Minister	
13	92	Directive on measures for annihilation or prevention of spread	Minister	
14	101.4	By-law on cross-border movement of wild types	Minister	
15	104.4	By-law on conditions for capturing and marking types that are traded	Minister	OK
16	107.4	By-law on conditions for trading types	Minister	
17	110.3	Conditions for conservation of minerals and crystals	Minister	
18	120.5	By-law on damage compensation	Minister	
19	140	Strategy and Action Plan on Biodiversity	Assembly	OK
20	153.2	By-law on format, conditions and procedures of nature mark	Minister	
21	156.3	By-law on type, format and giving of gratitude and awards	Minister	
22	159.5	By-law on ID Card and uniform	Minister	
23	161.3	By-law on way and work condition for nature guardians	Minister	
24	162.2	By-law on content, form and way of issuing an ID	Minister	

The Table shows that all by-laws that need to be adopted from the Law passed in 2010, only 6 have been processed or about 25% of them. This makes the law difficult to implement in the field.

2. Financial constraints for nature conservation

In general, drafting of laws and by-laws is followed with financial implications but they are not reflected anywhere with sustainable budget allocations, be them even minimal.⁴⁶ Thus, the Strategy and Action Plan on Biodiversity, even though approved by the Government, still did not receive any financial support for implementation of projects that derive from the document.

⁴⁶ Meeting Report Committee meeting of the SAP Dialogue on Transport, Environment, Energy and Regional Development 22 – 23 May 2012, Brussels p.10

“Conservation without finances is only conversation” (M. S Swaminathan Former IUCN president).

Government budget on environment in amount of 4,265,000.00 in 2012, does not include any project with the focus on nature conservation and biodiversity.⁴⁷ However, Finnish government has supported the Project “Conservation of biodiversity and sustainable spatial development for the Municipality of Dragash” in amount of 3 million EUR⁴⁸.

3. Lack of monitoring system

Kosovo does not have a systematic system for monitoring of biodiversity. However, there is a monitoring of protected zones that is completed according to the action plan of the Kosovo Institute on Nature Conservation based on the Law on Nature Conservation. Recent report on nature conservation (2008-09) was published in 2010 and in the majority of its content deals with protected zones.

Also, Directorate of National Park „Mali Sharr“ and Gërmia Park Management monitor situation at National Park Mali Sharr and Gërmia Park.⁴⁹

4. Lack of management bodies for protected zones

So far, only 3 out of 97 protected zones by law have management bodies: NP Mali Sharr, Gërmia and Shpella e Mermertë (Marble Cave) in Gadime. NP has a double management, where the majority of it is managed by the Directorate of NP Mali Sharr as part of MESP,⁵⁰ but its „core“ portion, respectively the tourist zone is managed by parallel structures (Javno Preduzece Nacionalni Park “Sar Planina”).

Protected zone at Gërmia is managed by “Hortikultura” company, whose primary job is to maintain green zones within the city. With exception of the recreational zone, no other investment or serious work in maintenance of the zone is observed.

Gadime Cave, even though it was declared as a nature monument of special importance by a Government Decision in 2009⁵¹, it is still outside institutional management. Currently, a private structure manages it but not based on privatization principles and regulations. Irrespective of the fact that the municipality of Lipjan and MESP closed down the cave twice with separate decisions, “the manager” re-opened it and continues to keep it open. Damages in the cave are obvious and irreversible. Kosovo Privatization Agency is expected to intervene to give an end to the “status quo” of cave management.

⁴⁷ Pyestori per Studimin e Fizibilitetit DIRN 18. 05. 2012, p. 4

⁴⁸ Ibid p. 5

⁴⁹ Pyestori per Studimin e Fizibilitetit DIRN 18. 05. 2012, p. 24

⁵⁰ Strategjia dhe Plani i Veprimit per Biodiversitetit 2011-2020 p. 17

⁵¹ Vendimi i Qeverisë së Kosovës nr. 04/57, date 13.03. 2009

5. Interventions on constructions in protected zones

Being zones with potential for business development, protected zones serve as “magnets” to attract investors. There are some serious cases of interventions for economic purposes. Among them, we can mention “tourist village” in Prevallë, construction of dam in River Mirusha (over the zone of canyons and waterfalls), numerous hotels and factors in Rugova Gorge, construction on the zone of Bifurcation of Nerodime, etc.

A case that initiated a hot public debate from society was beginning of construction of Protocol Centre at Gërmia by the Assembly of Kosovo.

There are plans for other developments in this regard, such as the case of the project for attracting investments for a second tourist centre at Mali Sharr (Brezovice) promoted by EC Office in Prishtina and Kosovo Government.⁵² Cases of major degradations include quarries within protected zones (the case of the quarry at bobcat reserve in Rusenicë).

6. Lack of care for rare and threatened types

Kosovo still does not have a Red List of rare and threatened types. Furthermore, there is no inventory of types that live in Kosovo. There is a project-proposal from the Kosovo Academy of Arts and Sciences to undertake the complete inventory and identification of rare, threatened and endangered types. AI on wild and threatened types addresses a long list of types, without specifying the level of the threat.

In March 2012, media and hunting association reported about mass killing of more than 100 animals in Deçan mountains, mainly rare ones: roe (*Capreolus capreolus*), wild goats (*Rupicapra rupicapra*) etc.⁵³ Law on hunting in article one lists wild animals that are subject to it and it also includes threatened and extinct animals in the region such as bobcat (*Lynx lynx*), wild goat, roe, etc.⁵⁴

While some concrete steps were taken for conservation and management in protected zones, there are no visible actions taken about endangered types. This issue is addressed only by the Law on Nature Conservation No. /03.L- 233, Articles 8 and 17. Based on this, there is no clear evidence regarding trends of threats. AI 18/2012 was adopted on declaring of wild types as protected and strictly protected.

7. Scientific research

There is no consolidated scientific research in the field of nature and biodiversity conservation and degradation rate from various activities. Due to this, data on biodiversity values of Kosovo are usually taken as estimates and not final. There are sporadic initiatives from various NGOs, but they don't have the necessary scientific support. GIZ has supported a small project for the red list plants and the report is expected to be present-

⁵² http://eeas.europa.eu/delegations/kosovo/documents/press_corner/brz_phase2_en.pdf

⁵³ Koha Ditore, 14 mars 2012 “ Mbi 100 kafshe te vrara ne nje aksion misterioz gjuetie”

⁵⁴ http://www.assembly-kosova.org/common/docs/ligjet/2005_02-L53_al.pdf

ed. Kosovo Academy of Arts and Sciences in 2011 has approved the project on drafting the inventory of flora and its rare and threatened types. The project has started but it needs financial support to continue.

Land Protection

- *General situation*

About 53% of Kosovo's area is considered to be agricultural land with an area of 0.15-1.18 ha of land per capita. Population density is relatively high and it is at about 204 inhabitants/km². The largest impact on agricultural land and that affect reduction of this area include: turning agricultural land into construction land which has reached concerning levels, degradation of land from mining activities, land erosion, use of pesticides, etc. According to official data, it is estimated that during past few years about 1000ha of high quality agricultural land has been turned into construction sites with various buildings, especially next to main roads. Wasteland from surface exploitation of lignite for KEK supply needs reach an area of 1,470ha, while mining wasteland cover an area of 1,599ha, not mentioning quarries that spring up every day by destroying and degrading thousands of hectares of land. In all wastelands, no steps are taken in order to restore the land to pre-use situation. Wide and uncontrolled cutting of forests is causing increase erosion in forest land. It is estimated that about 55.6% of the surface is subject to increased erosion, 34 % to weak erosion, while only 10% is still preserved from erosion. Regarding pesticides, in 2005, about 4,7 million kg of pesticides were imported, which are put on land and besides land pollution they also penetrate to underground waters.⁵⁵

Overall land area in Kosovo is about 1.1 million ha, from which 53% is arable, 41% is covered with forests and 6% is other.

About 88% of the arable land is privately-owned, while the remaining 12% is publicly-owned, from which about 70% of the area has been privatized.⁵⁶ About 51,000 ha of arable agricultural land is irrigated (less than 10%).

High poverty level and informal economy put additional pressure on land, thus endangering "economic-environmental" capacity of land. This pressure is reflected through uncontrolled use of mining substances, woods and forest fruits, as well as implementation of unsustainable practices for forestry and agriculture. Consequences of such a practice are reflected on various damages on land from erosions, land compression and reduction of land fertility.

In Kosovo there are about 180,000 agricultural families, average farms have about 2.2 - 2.4 ha of arable land which is usually divided into 6-8 parcels. About 80% of farms are in

⁵⁵ Veselaj Z. 2011 " Mjedisi" Monografia e Kosoves, Akademia e Shkencave dhe Arteve të Kosovës p. 83-91

⁵⁶ <http://www.kryeministri-ks.net/repository/docs/StrategjiaKonsolidimiTokes.pdf>

size of 0.5-2 ha⁵⁷ which are far from size of farms in the EU at about 19.4 ha⁵⁸.

About 47.6% of arable land mainly grows crops (corn, wheat, barley), silage (2.3%), fodder plants (41.1%), vegetables (6.8%), fruits (2%) and 'others' (1%)⁵⁹.

Types of lands most often identified in Kosovo include: moulded land, alluvial and de-alluvial land, rocky land, etc.

Main environment pressures that affect land surface are mainly related to:

temporary loss and permanent loss of land due to illegal construction during 1999-2008 include 2580 ha of municipal agricultural land, which destination was changed without a permit from the Municipal Assembly.

- impact of mining (quarries)- whose number is increased significantly recently with beginning of construction of Vërmicë-Merdare highway.
- construction of roads,
- erosion,
- areas with mines that have not been cleared yet,
- waste landfills and
- deposited industrial waste (hot-spots).

There are more than 46,000 ha of land that are considered as degraded due to above-mentioned factors. KEPA has identified about 30 environmental hot-spots where land was contaminated by heavy metals, chemical products, used oils and other pollutants.⁶⁰

Contamination of land from heavy metals is very concerning (lead, kadmium, arsen, nickel, copper) as is the case with Mitrovica. Problems have worsened due to incomplete legislation and inadequate policies for land protection.

From 308 samples of soil taken in 2002 by WHO in Mitrovica and Zveçan area, presence of lead over VML was in 293 of them or in 95.1% of the samples.⁶¹

An EULUP report has created a lot of confusion regarding land pollution, which concluded its research in January this year and found that agricultural land is infected above allowed rates with heavy metals, in particular with chrome, nickel, lead, zinc and arsenic. Meanwhile, high concentration of these pollutants is claimed to be present in entire Kosovo.⁶² However, MAFRD and MESP have remarks about the report data.

⁵⁷ Draft Strategjia për Konsolidimin e Tokës 2010 -2020

⁵⁸ Draft Strategjia për Konsolidimin e Tokës 2010 -2020 f 11

⁵⁹ Anketa e ekonomive shtëpiake bujqësore 2008

⁶⁰ http://www.ammk-rks.net/repository/docs/Gjendja_e_Mjedisit_ne_Kosove_2008-2010.pdf

⁶¹ Organizata Botërore e Shëndetësisë - OBSH, Mitrovicë 2002

⁶² <http://www.balkanweb.com/kosova/2686/raporti-i-komisionit-europian-toka-e-kosoves-e-helmuar-80897.html>

According to MAFRD only 12% of agricultural land is considered as uncultivated land, including wasteland and polluted land. In terms of analysis of results, it is noted that from 1000 samples only 123 resulted with negative effects on growth of plants during the bio-test. Results of these samples, after they had been sent to Germany for chemical analyses, show that only about 50% of these 123 samples contained metal substances higher than maximum allowed value (MAV) (if a simple calculation of these data is undertaken then we can see that only about 6% of the total number of samples resulted with metal quantities above the allowed level, which indicates that there is no room for panic)⁶³.

1.6.5. Legal and institutional framework

There are several laws that affect the field of land protection and conservation. They include:

- Law on spatial planning – which regulates spatial distribution of land and planning for development.
- Law on agricultural land no. 02/L-26- which regulates use, protection, regulation and renting of agricultural land in order to maintain agricultural potential in the country.
- The Law on Control and Prevention of Pollution – that aims to prevent pollution by reducing generation of waste, emissions of pollution on water, air and land.
- AI 35/2006 on regulation of land – which provides instructions for principles, procedures and activities for voluntary regulation of land.
- AI 04/50 of MEST on maximum levels allowed for emissions of polluters to land.
- AI 02/2009 on allowed rates of dangerous substances on the air.

Institutions involved in spatial and qualitative management of land include:

- Ministry of Agriculture, Forestry, and Rural Development
- Ministry of Environment and Spatial Planning
- Kosovo Cadastral Agency with municipal cadastral offices
- Kosovo Privatization Agency

1.6.6. Strategic documents

Kosovo Environment Strategy 2010-2020

Draft Kosovo Environment Strategy contains a chapter on land and its protection.

Protection of agriculture soil/land is mainly a responsibility of the government through legislation that bans construction in arable land for use for agricultural purposes. KES objectives include:

⁶³ <http://www.lexoshqip.com/archives/53041>

- Development of strategy for management and sustainable use of land as a natural resource;
- Completion and harmonization of legislation on land with the EU acquis;
- Prevention and reduction of further degradation of land from polluters and erosion;
- Inter-institutional coordination for protection of agricultural land;
- Elimination of existing problems in land management;
- Inclusion of all societal segments such as NGOs and land protection.

Priorities

- Drafting and preparation of complete cadastre for land;
- Drafting of policies for land protection;
- Awareness raising on importance of land/soil protection and promotion of positive examples from institutions, civil society and community on the issue;
- Establishment of good systems of monitoring of land and monitoring of environment;
- Establishment and implementation of rigorous fines for violators of legal regulation on land protection;
- Coordination of projects for consolidation of land with solutions from municipal comprehensive plans and spatial planning documents (for example, municipal development plans)⁶⁴.

Another important document is Strategy for Consolidation of Land drafted in 2010.⁶⁵

1.6.7. Challenges

EC Progress Reports do not mention land. Only Feasibility Study 2012 mentions strengthening of cooperation of Kosovo, among else, on land protection in SAA.⁶⁶

- Non-respect of spatial plan and municipal development plans.
- Lack of land monitoring system.
- There is no permanent monitoring system of land pollution. Even though big polluters such as KEK and Ferronikeli are required to do this, the data are thin and often questionable.
- Lack and uncertainty of cadastral data.

1.7. Control of industrial pollution and risk management

Negative influence of the industry on Kosovo environment is mainly caused by the continuous use of outdated technologies with low energy efficiency, irrational use of the raw material and generation of high levels of waste. In Kosovo, there are more than

⁶⁴ Strategjia e Kosovës për Mjedisin SKM (2011-2020)

⁶⁵ http://www.kryeministri-ks.net/repository/docs/Strategjia_Konsolidimi_Tokes.pdf

⁶⁶ ks_analytical_2012_en p. 47

200 industrial facilities, from which one part have been privatized and don't operate or operate with limited capacity. Main environment problems that are related to industry include pollution of air, water, land, industrial and urban waste and production of dangerous matter and waste. Emissions to atmosphere, air and land of many industries exceed internationally recognized standards. This is obvious in particular in Prishtina region from KEK and Mitrovica region from Trepça. However, these are not the other polluters and sources of environment pollution. Ferronikeli, Sharrceci, food industry, chemical industry, metal processing industry, heating systems, quarries, operators of concrete and asphalt, etc., cause considerable pollution of environment.

One problem is the lack of plants for treatment of industrial water. Furthermore, there is a limited treatment of solid waste, a low efficiency of electro-static precipitators and lack of equipment for de-sulfurization and de-noxation. Land areas close to industries are degraded and so far only a small portion has been rehabilitated.

Since Kosovo aims to move towards European integration, it is required to harmonize legislation with that of the EU, to meet environmental standards and also in line with the good governance mechanisms for environment. A major problem is harmonization with the EU environment and structural reforms, such as institutional ones, are sufficient for real improvement of environment situation.

Industries that with their activities can cause emissions that pollute air, water and land are required that before construction or starting the work at the plant or after changes or reconstruction of the existing plants get an integrated permit in line with the Law on PKIN (Law on Prevention and Integrated Control of Pollution, 03 /L- 043)

Integrated conditions are defined for environment protection, preventing and/or reducing pollution from sources and ensuring management of natural resources. This includes control of pollution and creation of a stable equilibrium between human activity and socio-economic development on one hand and natural resources and natural regeneration capacity on the other.⁶⁷

1.7.1. Legal framework

In order to develop environment standards in Kosovo for prevention and integrated control of pollution in line with the European Union, the Law on Prevention and Integrated Control of Pollution (PKIN), No. 03/ L-043 was developed.

The following AIs were passed based on the above law;

- AI on content and management of the Registry for issued integrated permits
- AI on procedures for development and approval of benchmark documents for TMM

⁶⁷ SMZHQ dhe Revidimi I SMZHQ(2005-2015); Ligj për Parandalimin dhe Kontrollin e Integruar të Ndotjes (PKIN), Nr. 03/ L-043. DMM

- AI on Conditions of Permit for specific types of operations and plants, which cover the process for prevention and integrated control of pollution.

The purpose of the law is prevention and integrated control of pollution which results as a consequence of activities presented in Annex 1 of the Law, especially by preventing and reducing waste, and emissions to air, water and land.

Limited values of emissions to air, water and land from industrial activities are regulated with the legislation for specific environment areas.

In Kosovo, 25 installations were identified that are subject to PKIN and which need to get an integrated environment permit. The Law on PIKN defines criteria for issuing the permit; monitoring and specification of measurement methodology; assessment frequency and procedure, and requirements for the operator that regularly presents to the Ministry necessary data for monitoring emissions and control in line with the permit and conditions that are related to timelines when the plant is operating normally and when environment and health may be affected, especially conditions for initial operation.

Revision of requests for Integrated Environment Permit (IEP) has started. So far, "New Ferronikeli Complex L.L.C" has applied for IEP, which produces Ferro Nickel, then KEK corporation that produces electrical energy and "Sharrcem" that produces cement.

Chapter VI of the AI no. 06/2007 on rules and norms for emissions to air from immovable pollution sources presents limited values of emission for burning-based equipment, where rules for burning-based, thermal plants and those with higher than 1 MW start-up are defined, independent of the fuel used (solid, liquid or gas).

Article 86 of the above-mentioned AI separates plants for burning depending on thermal power into medium 1 to 50 MW and large >50 MW and types of burning according to the type of fuel used; solid, liquid and gas.

Article 90 of the above-mentioned AI defines Limited Emission Values (LEV) for high-burning plants that use solid, regular and special fuels, and at the same time it gives EU norms.

Also, Article 91 defines LEV for high-burning plants which use liquid, regular or special fuels.

Chapter IX of the AI no. 06/2007 on rules and norms of emissions to the air from immovable sources defines limited emission values for processes of thermal waste processing. Provisions of this chapter describe LEV, polluting matter in emitted gases for processes of thermal waste processing, burning of waste and incinerators.

- Law on Environment Protection, Article 47 defines obligations of a person during handling dangerous chemicals. To avoid risks and industrial accidents,

the following AIs were adopted:

- AI No. 10/2011 on preventing major accidents, which includes dangerous substances (based on directive 96/82 EC)
- AI No. 05 /2011 on methodology of risk assessment from chemical accidents and measures for mitigation of consequences.
- AI No. 17/2012 on registration of plants in which it is proved presence of dangerous substances.

1.7.2. Intervention plans in case of an environment accident⁶⁸

1. In cases of potential environmental accidents or of any event that risks environment and human health, the Government develops intervention plans and informs the Assembly.
2. Intervention plans contain; types of risks; procedures and measures for mitigation and elimination of direct consequences to environment and human health; entities for implementation of certain measures; responsibilities and competencies related to implementation and way to undertake intervention measures that are implemented as required by law.
3. Intervention plans for production, equipment and facilities, which with their activities may cause environment pollution, are drafted by the producer.
4. Municipality is required to adopt its intervention plan for its territory.

The content of plans, procedures and implementation measures, entities for implementation of certain measures, types of equipment, establishments and types of production processes according to paragraph 3 of the Article are defined by the Minister with a by-law.

The draft of “Intervention Plan in Emergency Cases” is completed as well as accompanying documentation.

Also this year, preparation of inventory that is part of SEVESO has started² and more than 20 installations were identified.

1.8. Objectives and priorities for industry sector⁶⁹

- The main objective is improvement of environment performance of industrial units, ensuring that they develop and implement an Environment Management System (EMS) for their respective objects.
- Completion of legislation in line with the EU acquis;
- Development of mechanisms for facilitation of fulfilment of environment stan-

⁶⁸ Ligji për Mbrojtjen e Mjedisit; DMM

⁶⁹ DMM

- dards;
- Encouragement for improvement and advancement of technological processes through application of “best practices” for environment management;

Priorities

Drafting and implementation of legislation;

- Institutional support to projects that are based on clean and renewable sources;
- Definition of managing mechanisms for efficient implementation of the Law on;
- Addressing environmental issues inherited during privatization process.

Municipal Environment Action Plans and Environment Programmes - MEAP

Municipalities approve municipal environment action plans for environment protection in compliance with Kosovo Environment Action Plan according to its specific interests. Since 2008, SIDA has funded and supported drafting of MEAPs in 15 municipalities of Kosovo - Gjakovë, Gjilan, Klinë, Pejë, Ferizaj, Istog, Mitrovicë, Ferizaj, etc. Development process of plans has led to considerable capacity building in involved municipalities, and plans will be ready for implementation by the end of 2012. However, municipal resources are small and challenges big and generally, municipalities will not be able to implement those plans.

MEAP implementation issues include:

Waste management and treatment; Water supply; sewage treatment; Transport; Prevention of industrial pollution and awareness⁷⁰

1.9. Protection from noise

Traffic noise is the main sources of pollution from noise caused in urban areas. With the increasing number of vehicles on the roads, the noise caused by them and other machinery is the main cause for noise pollution.

People who live close to train stations are exposed to high levels of noise that is caused by the movement of these heavy machineries, and therefore this poses a source of noise pollution.

To meet the needs of citizens for a better life, construction of buildings or roads causes a lot of noise. Mechanical equipment that is used in those construction sites constitutes another source of pollution.

Even though it is not one of the main factors, the noise from industry also constitutes a

70

pollution source. Machineries and motors used in industries cause enough noise, which adds to the noise pollution.

Noise pollution impacts

The first and most important impact is reduction of work efficiency. Research has shown that people's efficiency increases with reduction of noise.

High level of noises affects the pace of work, reducing necessary concentration for completion of tasks or work. Noise from traffic or persons who speak loudly distracts attention and thus affects the standard of completed work.

Another impact of noise is tiredness. Since noise causes lack of concentration, people have to spend more time on their concentration for completing their tasks which causes exhaustion. Noise pollution acts a stress driver, thus increasing stress levels among people. When one is surrounded by a lot of noise, people may be victims of diseases such as blood pressure, mental diseases, etc. Noise pollution indirectly affects vegetation. Plants need a calm and clean environment to grow; therefore noise pollution causes low quality of vegetation. Animals are also sensitive to noise pollution, since it harms their mental system.

1.9.1. Laws and administrative instructions for the sector

The laws that have been drafted:

- Law on protection from noise, No. 02/L-102 2007, 10.8.2011
- AI on allowed values of noise emissions from pollution sources, no. 08/2009

Laws that have to be drafted:

- New draft law on noise

The Minister in cooperation with the Minister of Labour and Social Welfare with a by-law defines conditions for completion of activities and professional supervision over legal entities in the field of noise protection.

1.9.2. Basic documents for the sector

Documents that need to be drafted:

- Strategic noise map;
- Action plan

Strategic noise maps must meet minimum requirements, which will be defined in an instruction developed by the Ministry.

In the Environment Protection Action Plan, the Ministry must include strategic noise map and action plan by presenting the situation for the next calendar year and measures undertaken in environment for all agglomerates and for all main roads within the territory.

1.10. Challenges

Air:

- Approval of the Air Quality Strategy and Action Plan.
- Supporting the implementation of the legislation and SPVCA / costs, quality and evaluation.
- Lignite based thermal power plants are the main source of air pollution (pollutants: dust, NOx and SO2) at levels which are often above EU limits.

Climate changes:

- There is neither a strategy and action plan for the climate changes, nor any wider economic objectives or mitigation measures for climate changes.
- Part of UNFCCC - UN Framework Convention on Climate Change
- Lack of capacities to implement the legislation
- Lack of funds

Water:

- Kosovo has an operational plant for treatment of wastewater with a capacity for 8 thousand inhabitants and another one with a small capacity for 500 inhabitants.
- A large part of population (especially in rural settlements) is not connected to the water supply network.
- Lack of hydro-meteorological data series (for the period 1986 -2013),
- Lack of a monitoring network for groundwater (there are no monthly and annual data about the state of groundwater).
- Lack of hydro-meteorological research for the assessment of water resources.
- Lack of financial resources for improvement of water infrastructure (protection of rivers)

Waste

- The level of municipal waste collection remains under the level of 50%.
- Sanitary (regional) landfills are not good shape, and the high number of illegal dumpsites.
- Lack of a waste monitoring system, especially in rural settlements.
- Lack of efficient mechanisms for the separation and classification of waste.
- Lack of proper cooperation among institutions responsible in the waste management sector.

Chemicals

- Improvement and amendment of the legislation on chemicals;
- Lack of human resources, institutional systems and plants for treatment of chemicals;
- Lack of an exchange system (collection and distribution) of chemical data;

- Lack of a comprehensive plan about preventive and mitigation measures in case of disasters due to dangerous chemicals;
- Lack of monitoring and controlling produces, importers and users of dangerous chemicals, biocide products and detergents.

Nature and biodiversity:

- Completing the legal framework and relevant bylaws;
- Lack of budget for the protection of nature;
- Lack of a monitoring system for the nature and biodiversity (lack of staff);
- Lack of managing bodies for protecting zones;
- Lack of management and spatial plans for protecting zones;
- Lack of an inventory for the flora, fauna and habitats;
- Lack of care towards rare and endangered species.

Land:

- Ignoring the Spatial Plan of Kosovo
- Lack of full land records
- The slow process of drafting and approving municipal development plans
- Lack of a system for monitoring the use and pollution of soil/land.
- There is a lack of land records, and the existing ones are not accurate.

2. Energy

Republic of Kosovo has developed a comprehensive Energy Strategy in line with the EU *acquis* and requirements for European integration. This strategy aims at achieving effective management of existing energy resources and protection of the environment. It focuses on enhancing the security of energy supply according to European standards, as well as on the diversification of energy resources. It also aims at stimulating rational utilization of energy, promoting energy efficiency, promoting development of renewable energy resources and introduction of new technologies that do not cause irreparable damage to the environment, thus respecting the application of internationally accepted environmental standards.

Republic of Kosovo aims EU integration, which requires the implementation of the EU 20-20-20 targets for the energy sector applicable for member countries by 2020, in order to: (i) reduce CO₂ emissions for 20%, (ii) increase the percentage of renewable energy sources in the final energy consumption for 20%, and (iii) Improve energy efficiency for 20%.

In 18 October 2012, the Ministerial Council of the Energy Community (EnC) adopted the

regional Energy Strategy⁷¹ of the Energy Community. This is the first step in the process of a streamlined and cost-efficient energy infrastructure planning and development in the region. It brings together the national strategies and plans of the Contracting Parties with the existing legal commitments of the Energy Community in the fields of energy, competition and environment.

Security of energy supply, particularly electricity, is one of the top priorities of the Kosovo Government (GoK). Qualitative energy supply is considered key to country's sustainable economic development. Therefore, GoK and the donor community, including the European Commission, the World Bank, the United State of Agency for International Development (USAID), the Kreditanstalt für Wiederaufbau (KfW), the Swiss Agency for Development and Cooperation (SDC) and several other international donors, in a concerted effort have been working together to reform, restructure and fund critically needed investments in the energy sector.

Kosovo is committed to developing open and competitive energy markets in line with the EU *acquis*. But there is not significant progress in this regard. GoK needs to take major decisions and actions to achieve this goal. Without taking steps toward establishing a competitive energy market it is going to be practically very difficult or even impossible to attract strategic private investors for developing the already planned new lignite⁷² and hydro⁷³ power generation capacities.

On the other hand, implementation of EU 20-20-20 targets by year 2020 requires special attention by the GoK. A number of plans are developed, and several demonstrative projects, mostly funded by donors such as EC, have been implemented or are under implementation, most of them in the public buildings. A total of 35 million Euro KfW commercial lines of credits, through two local commercial banks, supporting household and small business energy efficiency measures are available⁷⁴.

⁷¹ This Strategy covers all nine Contracting Parties of the Energy Community: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Kosovo, Moldova, Montenegro, Serbia, and Ukraine.

⁷² A tendering process for developing the 'Kosova e Re Project' is ongoing and being led by the Steering Committee of the TC Kosova e Re Project. This project includes development of a new thermopower plant (TPP), and the development of a new lignite mine in Southern Sibovc, with the purpose of supplying the existing thermopower plants with lignite as well as the new ones once they become operational. In July 2012, the Government of Kosovo decided (Decision No. 19.07.2012) to withdraw the TPP Kosovo B from the tendering package of the 'Kosova e Re Project', and, through the same Decision it sought to be considered the best option for inclusion of the private sector in TC Kosovo B.

⁷³ In late 2009, Government of Kosovo launched a tender process to develop with private investment a hydropower plant (HPP) in Zhur with an installed capacity of 305MW and production of around 400 GWh/year.

⁷⁴ It has to be noted that, compared to other countries in the Western Balkans, interest rates for loans on EE measures are quite high in Kosovo; they range from 11% to 13%.

Kosovo shares the European perspective of the Western Balkans. As regards the economic criteria, Kosovo has made no progress towards establishing a functioning market economy. Considerable reforms and investments are needed to enable it to cope over the long term with competitive pressure and market forces within the Union. The public electricity company has continued to receive substantial subsidies from the state budget and loans for financing of its investment programme. There has been some legislative progress regarding *competition policy*, in particular *antitrust policy* as well as *State aid* by adopting law on State aid. Implementation of the antitrust policy is improving⁷⁵.

In the *energy sector*, progress has been made on legal alignment and on implementing the Energy Community Treaty⁷⁶. Same as all other countries in the region, Kosovo has already started the process of revision of the legislation based on the requirement of the third energy package. Concerning this package, Kosovo legislation will be even more complete, creating even more favorable preconditions⁷⁷. In order to attract investment, continued efforts are needed to improve electricity billing and collection performance and to put in place a non-subsidised, cost reflective tariff. The planned New Kosovo power plant has suffered delays, even though the changes that occurred in the process targeted the balancing of the need for electric energy and considerations for impacts it would have in the environment. As regards to TC Kosovo A and its decommissioning as a process, this will take place in 2017 and it can be stated that it is in accordance with the Energy Strategy of the Republic of Kosovo⁷⁸. Due to differences over status, Kosovo remains unable to participate in regional power transit mechanisms. This imperils the stability of Kosovo's power system and means Kosovo loses out on transit revenue⁷⁹.

2.1. EU requirements in the energy sector

For the Republic of Kosovo, the European Union requirements in the energy sector are mandated in the Treaty establishing the Energy Community (EnCT) where Kosovo adheres as a Contracting Party. As of today, the Energy Community *acquis* comprise the core EU energy legislation in the area of electricity, gas, environment, competition, renewables, energy efficiency, oil and statistics. (Summarized introductory information on the EnCT is provided in Annex 1.)

A comprehensive list of the EU *acquis*, which Kosovo is obligated to implement in the framework of the EnCT, follows:

⁷⁵ Compiled based in the COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL, Enlargement Strategy and Main Challenges 2011-2012, Brussels 12.10.2011

⁷⁶ MED has made plans to review the energy sector law during 2013, so that it comes in line with the EU Third Package of Energy *acquis*.

⁷⁷ Added by the Ministry of Economic Development-Luan Morina-Energy Department

⁷⁸ Added by the Ministry of Economic Development-Luan Morina-Energy Department

⁷⁹ Communication from the Commission to the Council and the European Parliament, Enlargement Strategy and Main Challenges 2011-2012, Brussels, 12/10/2011

The *acquis* on Electricity, including:

1. Directive 2009/72/EC of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC
2. Regulation (EC) No 714/2009 of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003
3. Commission Decision 2006/770/EC of 9 November 2006 on amending the Annex to Regulation (EC) No 1228/2003 on conditions for access to the network for cross-border exchanges in electricity
4. Directive 2005/89/EC of the European Parliament and of the Council of 18 January 2006 concerning measures to safeguard security of electricity supply and infrastructure investment
5. Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity
6. European Community Regulation 1228/2003/EC of the European Parliament and of the Council of 26 June 2003 on conditions for access to the network for cross-border exchanges in electricity

The *acquis* on Gas, including:

1. Directive 2009/73/EC of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC
2. Regulation (EC) No 715/2009 of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005
3. Regulation (EC) No 1775/2005 of the European Parliament and of the Council of 28 September 2005 on conditions for access to the natural gas transmission networks
4. Directive 2004/67/EC of 26 April 2004 concerning measures to safeguard security of natural gas supply
5. Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC

The *acquis* on Environment, including:

1. Directive 2003/35/EC of 26 May 2003 providing for public participation in respect of the drawing up of certain plans and programmes relating to the environment

2. Directive 2001/80/EC of 23 October 2001 on the limitation of emissions of certain pollutants into the air from large combustion plants
3. Directive 1999/32/EC of 26 April 1999 relating to a reduction in the sulphur content of certain liquid fuels and amending Directive 93/12/EEC
4. Directive 97/11/EC of 3 March 1997 amending Directive 85/337/EEC on the assessment of the effects of certain public and private projects on the environment
5. Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment
6. Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds
7. Endeavour to accede: Kyoto Protocol
8. Construction and operation of new generating plants – after the entry into force of the Treaty and with compliance on the *acquis* on environment

The *acquis* on Competition, including:

The *acquis* on competition⁸⁰ rests on three pillars:

- A cartel prohibition corresponding to Article 81 of the EnC Treaty
- A prohibition of abuses of dominant positions corresponding to Article 82 of the EnC Treaty
- A prohibition of State aid corresponding to Article 87 of the EnC Treaty.

Besides, the principles of the EnC Treaty regarding public undertakings and undertakings to which special or exclusive rights have been granted, in particular Article 86(1) and (2) EnC Treaty, apply to the Contracting Parties.

The *acquis* on Renewables, including:

1. Directive 2009/28/EC of 23 April 2009 on the promotion of the use of energy from renewable sources
2. Directive 2003/30/EC of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport
3. Directive 2001/77/EC of 21 September 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market

The *acquis* on Energy Efficiency, including:

⁸⁰ The competition *acquis* shall be implemented insofar as trade of network energy between the Contracting Parties may be affected.

1. Commission Delegated Regulation (EU) No 626/2011 of 04 May 2011 with regard to energy labelling of air conditioners
2. Commission Delegated Regulation (EU) No 1059/2010 of 28 September 2010 with regard to energy labelling of household dishwashers
3. Commission Delegated Regulation (EU) No 1060/2010 of 28 September 2010 with regard to energy labelling of household refrigerating appliances.
4. Commission Delegated Regulation (EU) No 1061/2010 of 28 September 2010 with regard to energy labelling of household washing machines
5. Commission Delegated Regulation (EU) No 1062/2010 of 28 September 2010 with regard to energy labelling of televisions
6. Directive 2010/30/EU of 24 September 2010 on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products
7. Directive 2010/31/EU of 24 September 2010 on the energy performance of buildings
8. Directive 2006/32/EC of 5 April 2006 on energy end-use efficiency and energy services
9. Directive 2002/40/EC of 8 May 2002 on energy labeling of household electric ovens
10. Directive 98/11/EC of 27 January 1998 on energy labeling of household lighting bulbs
11. Directive 96/60/EC of 19 September 1996 on energy labeling of household combined washer-driers
12. Directive 95/13/EC implementing Directive 92/75/EEC with regards energy labelling of household electric tumble drier

The *acquis* on Oil, including:

1. Directive 2009/119/EC of 14 October 2009 imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products

The *Acquis* on Statistics, including:

1. Directive 2008/92/EC of 22 October 2008 concerning a Community procedure to improve the transparency of gas and electricity prices charged to industrial end-users
2. Regulation No. 1099/2008 of 22 October 2008 on energy statistics

Regarding emissions, renewables and energy efficiency, the general targets of the European Union (EU) for the energy sector are (not excluding RES Section on transport of 10% from the general target dedicated to RES)⁸¹ by year 2020 are to reach:

- 20% reduction of CO₂ emissions,
- Increase to 20% the portion of renewable energy sources in the final energy consumption, and
- Improve by 20% the energy efficiency

The contribution of individual EU member countries in these three general targets varies on their current situation of factors such as the energy intensity, GDP, access and use of RES, and their overall possibility to contribute in the general targets.

Taking into account the current situation in Kosovo, and the rapid increase of heating and energy demand, Kosovo will not be ready to reach the target of 20% reduction of CO₂ emission prior to 2020⁸².

2.2. Legislative framework

Kosovo has made substantial progress in developing energy sector legislation and regulation in line with EU *acquis*, as required under the Energy Community Treaty. A non-exhaustive list of major legislation and regulation follows:

A. Energy Legislation

1. Law on Energy, No. 03/L-184, 15.11.2010
2. Law on Electricity, No. 03/L-201, 15.11.2010
3. Law on Energy Regulator, No. 03/L-185, 15.11.2010
4. Law on Natural Gas, No. 03/L-118, 02.11.2009
5. Law on Energy Efficiency, No. 04/L-016, 22.07.2011
6. Law on Central Heating, No. 03/L-116
7. Law on Mines and Minerals, No. 03-L-163, 27.10.2010
8. Law on Pressurized Vessels, No. 02/L-103, 18.12.2006

B. Other Relevant Legislation

1. Law on Publicly Owned Enterprises, No. 03-L-087
2. Law on Spatial Planning, No. 2003-14
3. Law on Waters of Kosovo, No.2004/ 24
4. Law on Environmental Protection, No.03-L-025

⁸¹ Added by the Ministry of Economic Development-Luan Morina-Energy Department

⁸² Heating Strategy of the Republic of Kosovo 2011-2018

5. Law on Trade of Petroleum and Petroleum Products, No. 2004/5
6. Law on Foreign Investments, No. 02-L-33
7. Law on Competition, No. 36/2004
8. Law on Expropriation of Immovable Property, No. 03-L-139
9. Law on Public-Private Partnerships, No. 04/L-045, 21.10.2011
10. Law for the Agency of Kosovo on Radiation Protection and Nuclear Safety, No. 2011/04-L-067, promulgated by the Decree of the President of the Republic of Kosovo, No. DL-028-2012, Date 08.06.2012

C. Major Secondary Legislation

1. Government Decision on KEK JSC restructuring, No 06/2005
2. Government Decision on KEK JSC unbundling, No 04/36, 2008
3. Government Decision on the establishment of an Energy Distribution and Supply Company, No. 03/38, 2008; and its privatization through public tendering, No. 03/38, 2008 and No. 08/39
4. Government Decision on Property Policies for Central Public Enterprises, No. 11/39 and No. 13/39
5. GoK Administrative Instruction No.2008/15 on Promotion of Utilization of Efficient Energy by Final Consumers and Energy Services (which is in line with Directive 2006/32/EC)
6. Government Decision on the possibility of developing the Hydro Power Plant in Zhur, No. 02/40 2008
7. Rule on Authorization Procedure for Construction of New Generation Capacities, Gas Lines, Direct Power Lines and Direct Pipelines

2.3. Institutional set-up

Energy sector institutions in Kosovo include government institutions, regulatory institutions, and a number of energy enterprises. The main institutions include Ministry of Economic Development (MED), Energy Regulatory Office (ERO), and Independent Commission for Mines and Minerals (ICMM); whereas the main energy enterprises are Kosovo Energy Corporation (KEK JSC), Kosovo Transmission System and Market Operator (KOSTT JSC), Kosovo Electricity Distribution and Supply (KEDS JSC), and three central heating companies (Prishtina, Gjakova and Mitrovica).

1. Ministry of Economic Development (MED) is established by Resolution No. 218 of the Assembly of the Republic of Kosovo, dated 24.02.2011; based on Government Regulation No. 02/2011 on areas of Administrative Responsibility of the Office of Prime Minister and Ministries.

MED is responsible for the development of policies and strategies pertaining to the overall economic development; monitoring of publicly-owned enterprises; preparation and implementation of strategic policies/documents on energy sector, mining sector, postal services, telecommunication sector and information technology sector. In accordance with the applicable legislation, MED develops country energy balances, energy efficiency and renewable energy sources policies and plans. It collaborates with the business community and business associations towards the establishment of an attractive business environment.

2. Energy Regulatory Office (ERO) was established in 2004, through the Law on Energy Regulator No. 2004/09, as an independent regulatory authority for the electricity, central heating and natural gas sectors. ERO is responsible for tariff adoption, provision of authorizations for the development of new generation capacities, monitoring of energy markets and preparation and/or adoption of energy sector regulations, including respective codes and rules. It is in the mandate of ERO to ensure that ‘the public supplier’ fulfills all its ‘obligations to supply’ with energy all consumers in a reliable manner and with cost reflective prices. ERO ensures transparency and accountability of energy market stakeholders and is committed to the improvement of their economic, social and environmental performance. The key objective of ERO is to set the regulatory framework for a transparent and non discriminatory energy market based on free market principles and promote competition.

3. The Independent Commission for Mines and Minerals (ICMM) is established in January 2005 by UNMIK Regulation 2005/2 – representing “Independent Regulatory Agency” in the Mining sector. ICMM is responsible for issuing exploration and exploitation licenses for minerals including lignite. It is also responsible for supervision of the issued licenses. Currently, the ICMM functions under the Law on Mines and Minerals No.03/L-163 of 27 August 2010.

Other government institutions, such as Ministry of Environment and Spatial Planning (MESP), Ministry of Labor and Social Welfare (MLSW), Ministry of Trade and Industry (MTI) and Ministry of Finance (MF), play important roles in overseeing social, economic and environmental responsibilities in the energy sector.

Major energy sector enterprises include:

1. Kosovo Transmission System and Market Operator (KOSTT JSC) was established in 2006, in accordance with the unbundling provisions of the Kosovo Law on Energy and requirements of the Energy Community Treaty. KOSTT JSC is a publicly owned company responsible for operating, planning, maintaining and developing the transmission network and its interconnections with neighboring power systems. In addition, KOSTT JSC is responsible for the functioning and operation of the wholesale electricity market in Kosovo. KOSTT JSC’s main source of revenue are the charges that are applied to the supplier and producer,

as set by the ERO.⁸³

2. Kosovo Energy Corporation (KEK JSC) is the publicly-owned company of Kosovo, which owns and operates the power generation and distribution⁸⁴, as well as the lignite mining assets. Its operational and financial performances have not been satisfactory during 1999-2012, although some progress has been made during the past few years. During most of post-conflict period KEK JSC has been managed and assisted by foreign consultancies. KEK's financially sustainable is not achieved yet. Poor quality of electricity supply is a major problem in Kosovo.
3. Kosovo Electricity Distribution and Supply (KEDS JSC)⁸⁵ is a company incorporated by KEK JSC. As agreed between the Government of Kosovo (GoK) and a private investor on 17 October 2012, KEK JSC shall transfer (within 6 months) to KEDS JSC the business of power distribution and supply in the Republic of Kosovo. GoK has also agreed to sell 100% of the shares of KEDS JSC to the private investor.
4. District Heating (DH) Companies exist in Prishtina, Gjakova, and Mitrovica. Their total heat generation amounts to about 130 GWh_{th}/year, representing about 3% of the heating demand in Kosovo. These district heating companies supply the most densely inhabited parts of the cities including households, hospitals, schools and administrative buildings⁸⁶. The Prishtina DH system accounts for over 80% of the total DH capacity in Kosovo. It is operated by Termokos JSC, a communal public utility. All the three DH companies suffer from very high commercial losses.

2.4. Strategic documents

Major strategic document related to the energy sector in Kosovo include:

1. Energy Strategy of the Republic of Kosovo 2009-2018
2. Heating Strategy of the Republic of Kosovo 2011-2018
3. Mining Strategy of the Republic of Kosovo 2012-2025 (as it regards lignite for power generation)
4. Energy Strategy Implementation Program 2009-2011

⁸³ Text is added by Ms. Vjosa Reznqi, KOSTT Market Operation Department, April 2013

⁸⁴ Distribution and Supply divisions of KEK JSC are privatized. Privatization contract signed on 17 October 2012.

⁸⁵ KEDS (Kompania Kosovare për Distribuim dhe Furnizim me Energji Elektrike sh.a.) is a company incorporated in Kosovo and having registration number 70606119, with registered office at No.3 Bill Clinton Boulevard, Prishtina, Republic of Kosovo.

⁸⁶ All the three DH systems deliver only heat; they do not provide domestic hot water. As a result, these systems operate only during the heating season.

5. Kosovo National Energy Efficiency Action Plan 2010-2018
6. Kosovo Simplified Renewable Energy Action Plans, submitted to the EnC Secretariat in 2011

Others important documents include: (i) annual energy balance of the Republic of Kosovo, years 2003-2005, 2006, 2007, 2008, 2009, 2010, 2011; and (ii) annual and long term energy forecasts, prepared during the period 2007-2012.

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The following sections of this diagnostic report are intended to provide (i) analysis on the status and progress made so far with the energy sector reforms, restructuring and development in Kosovo, (ii) analysis of best practices elsewhere, and (iii) identification of major challenges and proposed way forward toward achieving the goal of EU integration.

2.5. Security of Supply

A. Status, progress and plans

After the conflict of 1999, the domestic power generation has not been able to meet the demand for electricity in Kosovo. As a consequence, the planned load shedding (according to predetermined schemes) has been and is being carried out, particularly during the periods when import is not possible, or due to capacity limitation of the transmission network during demand peak hours.

The following chart indicates the balance between the domestic production and consume of electricity. It shows that Kosovo has been a net importer of electricity during the decade 2000-2010 . Average net import during 2000-2010 has been at the level of 10% of total electricity consumption.

The latest assessment of the European Commission on energy security of supply in Kosovo is summarized in the following box.

Security of Supply: The EC assessment in 2011

There has been no development regarding security of supply. Kosovo still has no strategy to reach the required level of oil reserves. Implementation of investment and maintenance consistent with the electricity transmission development plan 2010-2019 has made Kosovo's transmission system more reliable. Kosovo's electricity transmission system operator still does not participate in regional mechanisms to plan and remunerate electricity transit, due to differences over its status. The resulting lack of control imperils the stability of Kosovo's power system and Kosovo loses out on transit revenue.

The energy sector continues to suffer serious problems. Power cuts continue to occur as a consequence of the energy utility's dire financial condition resulting from difficulties regarding electricity billing and collection.

Source: Commission Staff Working Paper, Kosovo*, 2011 Progress Report, Brussels, 12.10.2011

About 97% of power generation capacity in Kosovo is located in two lignite fired thermo-power plants (TPPs) of KEK JSC: Kosovo A (5 units) and Kosovo B (2 units). Total installed capacity of both these power plants is 1,478 MW. If all this capacity were available, they would have been sufficient to fulfill current Kosovo's demand for electricity. Operational power generation capacities in Kosovo include: (i) three units of TPP Kosovo A and two units of TPP Kosovo B, with an overall net production capacity of 860 MW; (ii) two hydropower turbines of hydro power plant (HPP) Ujmani with total installed capacity of 35 MW; and (iii) few small HPPs with total installed capacity of 11.68 MW. There also operates in Kosovo a small wind farm in Golesh with installed capacity of 1.35MW. Therefore, the overall available power generation capacity in Kosovo is slightly over 900 MW.

Kosovo power transmission system is interconnected with all neighboring systems at the 400 kV level, except of the interconnection with Albania which is only at 220 kV level. Construction of a new 400 kV interconnection with Albania is a priority. This line would enhance the power exchange between the two countries and enable optimization between the two countries' power generation - Kosovo has a mostly thermo-power generation basis and Albania a hydropower one. This 400 kV line would also substantially enhance electricity exchanges in the region. Kosovo Energy Strategy 2009-2018 foresees the need for initiation of required activities for construction of a second 400 kV interconnections line with the Republic of Macedonia.

Security of energy supply has been among the key priorities of the Government of Kosovo (GoK) and the national energy utility KEK JSC. In this regard, a number of priority avenues and actions have been and are being pursued. They include:

1. Preparation for building of new generating capacities of 1,000 MW, which includes building of capacities by including the private sector in the Kosova e Re thermo-power plant (2x280-320 net MW) and further development of lignite mine in Southern Sibovc .
2. Development of a new lignite mine in Southern Sibovc to insure continued lignite supply to the existing power generation plants (TC Kosovo A and Kosovo B) and to new capacities once they become functional. This mine is anticipated to produce annually about 9 million ton of lignite.
3. Inclusion of private sector in TC Kosovo B, by conducting its technical and environmental rehabilitation.

4. Preparation for development of a hydropower plant (HPP) in Zhur with 305 MW of installed capacity, which is expected to generate around 400 GWh/year.
5. Major repairs, maintenance and capital investments have been made in the existing power plants TC Kosovo A and TC Kosovo B.
6. Capital investments in upgrading the power transmission system, including completion of the preparatory process for construction of a new 400kV interconnector with Albania .
7. A number of small hydropower plants are identified and the preparatory process for their development has started. A base scenario for development of renewable sources anticipates construction of a large number of small hydropower plants reaching capacity of 140.3 MW by 2020 .
8. Development of a number of wind farms is in pipeline. ERO is conducting the authorization procedures.

Continued implementation of the Transmission System Development Plan by KOSTT JSC has enabled considerable expansion of transmission capacity as well as reduction of power losses in this network. During the last few years the transmission system has been able to meet demand without restrictions, which represents a big success toward achieving electricity security of supply.

Apart of the above, GoK has continuously subsidized the import of electricity during the past several years. But all these measures have not yet ensured a satisfactory level of security of supply. Load shading regime is being implemented often, particularly during winter season. Importing/exporting power transmission capacity is at 450MW currently. Import of electricity has resulted relatively expensive in previous year, and certainly it may be more expensive in the future due to significant lack of generation capacity and electricity in the region.

Distribution network and electricity supply losses are very high. Along with network technical losses, theft of electricity has a detrimental effect on the day-to-day operations of a KEK JSC. High commercial losses (or theft of electricity) represent the major problem to the sustainability and development of the electricity sector in Kosovo; directly impacting the overall economy of the country.

KEK JSC has reported that total energy losses in 2012 were at 36.6 percent; of which only 30.4 percent were allowed to be covered from electricity customers during 2012. During 2013, losses allowed to be billed to customers will be lower due to a decision made by the ERO. This decision has defined targets to be met by KEK JSC regarding reduction of energy losses. During this year, losses allowed to be billed to customers are 27.4 percent, or 3 percent less than those allowed to be billed during year 2012.

Bringing under control or elimination of commercial losses is almost equivalent with a generating bloc of 200-300MW. If the necessary measures are taken and implemented, this amount of energy may come in line before decommissioning of the TPP Kosova A, to alleviating difficulties that eventually may occur with this decommissioning.

MED aims to perform the TPP Kosova A decommissioning process in line with the acquis and obligations that Kosovo has already undertaken. But, this process should be implemented with support from the EC, so that any potential negative implication of such process in the security of electricity supply or in the cost of electricity due to eventual imports with high market prices could be eliminated or maximally minimized.

Sufficient supply of oil products is another important component of energy security. All oil products consumed in Kosovo are being imported. The Office for Licensing, Regulating, and Monitoring of Oil Sector is the authority for oil sector in Kosovo. This Office reports directly to the Minister of Trade and Industry, as authorized by Law No.03/L 138 for Licensing, Regulating and Monitoring the Oil Sector in Kosovo, dated 01.01.2010. According to this Law, all petroleum product storage and sale facilities are obliged to maintain at least 5% stock of their product(s) for state emergency purposes. Currently, these reserves are at only 4 days of the annual import. This Law is not in full compliance with EU relevant acquis, particularly as they regard the emergency oil stock. A new Law on Oil Sector is being drafted. It is expected that it gets approved early in 2013.

Oil stocks in Kosovo do not yet meet the EU requirements defined by the Oil Directive 2009/119/EC. Construction of additional storage and rehabilitation of the existing facilities will need substantial investments, and their full development may take a rather long period. Oil Stock Regional Study, commissioned by the EnCT Secretariat in 2010, indicates that the total cost of meeting the 90 day emergency oil stock and other requirements of Directive 2009/119/EC in Kosovo, including costs of investment and expenses for expanding oil stock products, amounts to around 157,000 Million Euro during the period 2011-2021. For this reason, the EnC is promoting a regional/sub-regional approach, meaning that two or more countries of Western Balkans develop joint oil and gas storage capacities for meeting the requirements of Directive 2009/119/EC in the future.

Imported liquefied petroleum gas (LPG) is used for cooking, and space heating in non-residential buildings. Infrastructure to transport, store, and retail LPG in Kosovo is limited but expanding rapidly. LPG is efficient, clean, and safe for small- and large-scale space heating using light combustion stoves up to central heating boilers.

Kosovo is not linked to operational natural gas supply networks. A connection to natural gas supply would be an important option to diversify fuel supply in the country and to increase security of supply. If gas is used for space heating, provided that a gas distribution network existed, the electricity consumption would be lower. Gas-fired TPPs could be built, which would substantially help in also diversification of power generations and, as a consequence, enhance the management of the national power sys-

tem regarding its balancing, ancillary services and maintaining of adequate generating reserves. MED has expressed the interest of Kosovo to connect to international natural gas networks and is looking at the possibilities to be involved in current projects that are being discussed such as TAB, IAP or other projects that could contribute in building a gas ring. It is worth to mention that there is no distribution network of natural gas in Kosovo. Western Balkans Investment Framework (WBIF) facility is supporting many projects which are linked to the gasification of the Balkans Region. These include the Ionian-Adriatic gas pipeline, and other regional projects that are part of the EC 'Gas Ring' concept in the Western Balkans. Switching to gas, from electricity or fossil fuels for heating specifically, leads to a more efficient use of a cleaner energy source.

In 18 October 2012, the Ministerial Council of the Energy Community (EnC) adopted the regional Energy Strategy of the Energy Community. This is the first step in the process of a streamlined and cost-efficient energy infrastructure planning and development in the region. It brings together the national strategies and plans of the Contracting Parties with the existing legal commitments of the Energy Community in the fields of energy, competition and environment. The objectives if this Strategy are presented in Annex 2.

The Regional Energy Strategy of the EnC notes also that if past trends continue into the future, the Energy Community will face serious and growing shortfalls in supply, especially in electricity, and these shortfalls will adversely impact the ability of the Contracting Parties (including Kosovo) to achieve optimal economic growth. Further, the social and environmental impacts associated with an inadequate response to these challenges will be detrimental and undercut significantly the region's ability to meet its development indicators in a sustainable manner.

Annex 3 summarizes barriers to investment in energy sector of Western Balkans.

B. Major challenges to enhancing energy security of supply in Kosovo: Way forward

Development of energy infrastructure. Energy security of supply continues to be the major challenge facing the energy sector in Kosovo. Improving energy security implies, among others, to promote diversity, efficiency and flexibility within the energy sector, so that Kosovo enables itself to respond to energy related emergencies. In order to achieve a sustainable level of energy security of supply, Kosovo needs to enhance its energy infrastructure including power generation capacities and the transmission network. Development of new lignite-fired power generation capacities and new power interconnections with neighboring countries including Albania and Macedonia are among the top priorities. Modernization and expansion of heating capacity at the DH Termokos as well as its connection to cogeneration at TPP Kosovo B are key priorities in the district heating sector. Connection to the regional natural gas network will enhance security of supply. It would enhance the management of the energetic system if some gas-fired generation capacities would be developed.

Facilitation of timely investments in energy supply. Energy security is closely associated with timely investments in energy supply in line with economic development and environmental needs. The network infrastructure is largely outdated and needs upgrading in order to be able to offer increased security of supply. This will require both a more efficient use of the existing system, but also new investments in both generation and network infrastructure. Detailed capital investment plans are already identified in sub-sectors of power generation and transmission. The challenge is to implement them timely. Diversification of geographic distribution/countries where large investors come from is of high importance for Kosovo. (Annex 4 represents Kosovo Electricity Supply Forecast per primary energy source till year 2030.)

Identification and development of innovative financing schemes for capital investments. The World economy and financial sector is facing difficulties. Rate of economic growth has slowed down worldwide. Challenges to attracting large capital investments are augmented. Attraction of large private capital investment in the Western Balkans energy sectors has resulted almost impossible in the recent past. In view of this situation, the Government of Kosovo may need to consider initiation of formal discussion with the international development banks and the donor community active in the Kosovo energy sector on identifying innovative financing schemes that will facilitate required large investments in energy sector. Blending public, donor and private investment could be one option on the way to attract such investments in the near to medium term.

Application of cost-reflective energy prices. Pursue of price liberalization is the sine qua non for successful capital investments, particularly private ones. The EnC Regional Energy Strategy states that the existing price levels (non fully cost reflective) in the Contracting Parties (including Kosovo) cannot support new generation investments, either by attracting private investors or by providing domestic utilities with the means to invest on their own. When price levels are below the cost of new investments, it will not be possible to attract new commercially driven investments, which may even worsen the supply-demand balance. If the investment in the long-term remains inadequate, there is a serious risk for the security of supply, for which low regulated prices would be a key reason.

Emergency oil stock. A strategy for implementing Directive 2009/119/EC is required. A legal framework for the storage of emergency oil stocks has to be developed, and appropriate emergency response planning and coordination procedures that comply with Directive 2009/119/EC have to be established.

Adopting an energy market model that facilitates competition is prerequisite to successful investments in the energy sector.

2.6. Internal Energy Market

A. Status, progress and plans

Although the Kosovo energy sector legislation and the Kosovo Energy Strategy 2009-2018 aim at achieving competition in the energy markets as soon as it becomes possible, very little progress is made in this regard. Currently, the Kosovo electricity market is dominated by KEK JSC. There exists no competition in the electricity market, including the wholesale and retail segments. Privatization of electricity Distribution and Supply is not expected to introduce any type of competition in the foreseeable future. A public monopoly is just transferred to private sector.

Although there are no legal restrictions on entry of new generators or suppliers, the Kosovo electricity market effectively operates as a “single buyer model”⁸⁷. This model is not in line with the EU acquis on energy. Therefore, a market model was designed which is in line with Kosovo Laws and Energy Strategy. The approved Design of Electricity Market of Kosovo (DEMK) represents a bilateral market, which will accommodate a wide range of bilateral contracts, in which the participants can purchase and sell energy enabling a balanced energy system. The market is accompanied by a balancing mechanism. A fully competitive market remains to be further developed. Presently a draft of market rules which are in harmony with DEMK is being circulated among the involved parties for comments.⁸⁸

The transmission system is already independent from generation and distribution activities. Regarding access to networks (transmission and distribution), Kosovo has chosen the regulated third party access system. KEK JSC licensees issued by the Energy Regulatory Office (ERO) have already unbundled the accounts among KEK JSC business lines, i.e. electricity generation, distribution and supply. In 2009, the GoK decided to legally unbundle the Distribution and Supply businesses from KEK JSC.

⁸⁷ “Renewable Energy Policy and Market Developments in Kosovo”, Nustret Avdiu and Ali Hamiti, Energy Regulatory Office, April 2011, Kosovo

⁸⁸ The text is added by Ms. Vjosa Rezniki, KOSTT Market Operations Department, April 2013

Kosovo 2011 Progress on Internal Energy Market

Some progress has been made regarding the internal energy market and implementation of the Energy Community Treaty. In October, the Assembly adopted implementing legislation to the laws on energy, electricity and the energy regulator to align Kosovo further with the EU's second internal energy market package.

Work on the development of the new lignite-fired Kosovo power plant has continued. A final request for proposals was sent out to the four preselected bidders. At the end of 2010, coal exploitation has started at the Sibovc Mine, which is to be offered to investors as part of the New Kosovo Power Plant. Difficulties with regard to expropriation make it impossible to uncover the necessary coal mass, endangering coal supply to existing power plants in the near future.

The legal unbundling of the distribution and supply functions of the Kosovo Energy Corporation has not taken place, despite the obligation to do so under the law on electricity and the Energy Community Treaty. The privatization of the distribution and supply functions of Kosovo Energy Corporation is yet to be concluded.

Until completion of the new Kosovo power plant project, the other functions remain integrated in Kosovo Energy Corporation. The Serbian electrical power utility maintains an unlicensed branch in the north of Kosovo. As a result, Kosovo lacks control of its own network, which deprives Kosovo Energy Corporation of revenue, particularly since power is deviated from the Gazivoda hydropower plant to supply the north.

The Energy Regulatory Office has maintained existing electricity tariffs, due to falling import prices and ongoing government subsidies to Kosovo Energy Corporation. With a view to the upcoming privatization of the Corporation's distribution and supply functions and for tariffs to reflect actual cost levels a gradual increase is unavoidable. A decrease in government subsidies would facilitate this process.

As a result of investments, transmission losses were reduced. Low levels of bill collection (and non-cost-recovery tariffs) continue to fuel an unsustainable growth in power demand.

Source: Commission Staff Working Paper, Kosovo *, 2011 Progress Report, Brussels, 12.10.2011

Kosovo has recently updated its legal framework and new market model is pending for adoption as the basis for new market rules⁸⁹. Unbundling of KEK is work in progress with a view of privatization of KEDS - distribution and supply activities. Market dominance is inherently present and the measures taken to attract new investments are hardly efficient in a short term, the status of KOSTT in the context of ENTSO-e membership is still unsettled⁹⁰.

Inadequate electricity market structure and absence of competition are often identified as the major impediment to private investment in the electricity sector. The electricity market structure in Albania, Former Yugoslav Republic of Macedonia, Ukraine and in Kosovo is not favorable to the development of competitive wholesale and retail electric-

⁸⁹ KOSTT JSC has submitted for approval the Design for Electricity Market August 2011. Following additional comments and amendments including some issues raised by the Secretariat of Energy Community, the document became final and in March 2013, it was approved by ERO. KOSTT JSC objectives for the market model are: (i) it has to be in line with the obligations of Kosovo as a contracting party of the Treaty on Energy Community, (ii) it has to be in compliance with the Strategy of Energy for 2009-2018, and (iii) to facilitate integration of the national energy market in the regional one. In January 2013, the Market Rules compiled in line with DEMK were sent to ERO for comments.

⁹⁰ Local Actions as pre-requisite for Regional Wholesale Market opening - *Challenges and Progress made*, Energy Community - 17th Athens Forum Athens, 27 - 28 June 2012

ity markets in the Contracting Parties because ⁹¹:

Firstly, by requesting the domestic incumbent generators to sell all the electricity they generate for the needs of the tariff customers, there is no domestic electricity available for the short-term market to open and stimulate development of the wholesale electricity markets (since most of these countries are importers of electricity, and they rarely would have excess electricity generated);

Secondly, the price of the domestic generation is fully regulated by the regulatory authorities at levels that do not cover the costs (usually for future investment), which is detrimental for ensuring long-term security of supply in these countries;

Thirdly, (large) domestic customers supplied at regulated tariffs benefit from the fact that the generation is priced at regulated tariffs set by the regulatory authorities and these customers (for which reserving the domestically generated electricity is reserved) are not made responsible for paying the full cost for procuring generation at the open market (including the costs for importing electricity); and

Fourthly, this market structure does not stimulate development of competition at retail level because there is no incentive for new suppliers to enter the markets and the eligible customers do not have an incentive to switch supplier.

Current regulated electricity end-users prices are most likely not in compliance with EU *acquis* on state aid. Energy Community Secretariat notes that the regulated end-users' prices (if not covering the justified costs) currently in place in the Contracting Parties probably also constitute prohibited State aid, very similarly to the French and the Spanish case. If in a first place an undertaking is supplied with electricity at low regulated prices, an advantage would be conferred to that undertaking that benefits from the low regulated electricity prices. This seems to be the case in all Contracting Parties currently. In addition, the loss for supplying at low regulated prices incurred by the (usually public) supplier and/or the (usually incumbent State-owned) generator entrusted with Public Service Obligations, may also need to be covered from the State budget in the form of additional State aid to the public electricity supplier and/or public generator in question. Finally, the possibility given to the eligible customers that have exercised their eligibility right to return and to request supply from the (public) supplier of tariff customers under the same conditions and under the same regulated end-users' prices as the tariff customers, might raise State aid concerns as in the French case⁹².

⁹¹ "Regulated Energy Prices in the Energy Community – State of Play and Recommendations for Reform", a Report by the Energy Community Secretariat, 25 June 2012

⁹² Regulated Energy Prices in the Energy Community – State of Play and Recommendations for Reform; A Report by the Energy Community Secretariat, 25.06.2012

B. Major challenges toward competitive electricity market: Way forward

In July 2010, the regional study “South East Europe Wholesale Market Opening”, funded by the World Bank, provided for all the required actions and timetable for the opening of EnC Contracting Parties national energy markets by 2015. A clear roadmap is developed also for Kosovo in this Study.

Allow gradual introduction competition in the generation sector. Domestic incumbent power generators should gradually be allowed to sell a part of electricity they generate in the short-term market, so as to open and stimulate development of the wholesale electricity market. The price of electricity in the short-term market must be fully deregulated. The current ‘single buyer model’ is not in line with the EU *acquis* on energy and competition.

Unbundle effectively the distribution and supply businesses. Law on the Energy Regulator No. 03/L-185 provides for the full unbundling of the power sector enterprises⁹³. Supply and distribution have not been practically unbundled in Kosovo, which creates an unequal playing field between the incumbent supplier and a new entrant. This measure, coupled with obligation for large eligible customers to purchase their electricity in the deregulated market⁹⁴ (not from public supplier), will facilitate introduction of competition and enhance liquidity in the electricity market in the next few years. Full accounting unbundling between regulated and non-regulated activities, as well as between generation/supply and distribution, should be completed as a prerequisite for achieving cost-reflectivity.

Gradual electricity price liberalization. As long as end-users’ prices regulated below the cost for new entrants are available to the eligible customers effective market opening would be very difficult to achieve. Establishing end-users’ prices of electricity for the tariff customers that reflect the costs of the transmission and distribution, and of the two competitive activities – generation and supply, is one of the first issues to be addressed⁹⁵. The first step is to ensure that the electricity prices for all customers falling within the category defined for the purposes of universal service provision in the first sentence of Article 3(3) of Directive 2003/54/EC (“households and small and medium enterprises”)

⁹³ Article 46.6 of the Law on the Energy Regulator stipulates that the Energy Regulatory Office shall monitor the implementation of compliance by the Transmission System Operator and the Distribution System Operator and the effective legal and accounting unbundling of integrated energy enterprises in accordance with this Law, the Law on Energy, the Law on Electricity, the Law on Natural Gas, and any other applicable legislation. The Energy Regulatory Office shall take appropriate enforcement action in respect of compliance programmes and legal and accounting unbundling.

⁹⁴ It is essential that the removal of regulated prices for large customers is complemented by a requirement for KEK JSC to sell through competitive procedures and publish the contracts for full transparency and accountability.

⁹⁵ Cost-reflectivity should extend to the real costs of electricity supply, including the costs of generation, reflecting the cost for procuring electricity for households and tariff customers from domestic generation and from import, necessary investments, an appropriate profit rate, the costs of supply services and bad debts. The price of domestic generation should not be regulated separately.

subject to price regulation, are cost-reflective.

Establish targeted national program to support vulnerable costumers. Energy sector legislation in Kosovo provides for protection of vulnerable customers⁹⁶. EnC Regional Energy Strategy provides also for the protection of vulnerable customers⁹⁷. In this regard, all EnC members are required to define clearly (and by law or regulation as appropriate) the definition of vulnerable energy customers subject to special protection and support. Moreover, targeted national programs to support vulnerable costumers should be implemented, as well as programs to increase energy efficiency and greater use of renewable energy in households. Clear and transparent regulatory framework, set standards for quality of services, handling consumer complaints, and provide clear guidelines for changing energy supplier are among priority actions. The protection scheme from the energy sector should be moved to the national social welfare system.

A summary of challenges to electricity market opening in the Energy Community, as identified by the EnC Secretariat, follows.

Challenges to Electricity Market Opening

Complete the process of Unbundling at all levels

Eliminate Full Supply contracts between incumbent generators and public suppliers

Eliminate the Single Buyer model and diversify generation and supply sources

Develop commercial or market-based platform for balancing and ancillary services, develop Market Operator and settlement function

Introduce obligation for purchase of losses under market conditions

Develop a system of incentives for gradual implementation of eligibility criteria

Introduce a program for implementation of adequate metering and SCADA

Enforce market monitoring instruments to eliminate abuse of dominance

Develop incentives to reduce market concentration and introduce virtual generation unbundling

Complete implementation of Transparency requirements (Regulation 1228)

Incentivize establishment and operation of a DAM in the local environment

The availability and the level of regulated supply prices need to be reconsidered

Source: Local Actions as pre-requisite for Regional Wholesale Market opening - Challenges and Progress made, EnC, 17th Athens Forum, 27-28 June 2012, Mr. Simon Uzunov EnC Secretariat

KOSTT JSC is of the opinion that it is necessary to develop a plan of actions that need to be undertaken for achieving full energy market opening⁹⁸.

Development of joint electricity market Kosovo–Albania is offered as one of viable op-

⁹⁶ Articles 3.6.9 and 15.1.4 of the Law on Energy No.03/L -184 provide for the protection of vulnerable customers.

⁹⁷ Kosovo should define clearly and through legislation the notions of vulnerable customers subject to special protection or support. Such definition of vulnerable energy customers should address the real needs for economic support.

⁹⁸ Presentation of KOSTT JSC during the Roundtable on Energy, organized on 6 December 2012, Golem, Albania

tions, because it has the advantage of diversification of generating capacities (thermo in Kosovo and hydro in Albania). On the other hand, implementation of the joint market Kosovo-Albania would bring: (1) a higher security in supply, (2) cost reduction for both systems, (3) enhancement of the competition in energy market, (4) integration into European market (IEM), (5) achievement of European Objectives 20:20:20. This option needs to be further elaborated.⁹⁹

2.7. Renewable Energy

A. Status, progress and plans

The Energy Strategy aims at creating an appropriate legislative framework and favourable market for promotion of development of renewable sources in Kosovo. The goal is to create a friendly environment for private investment in this sector. Renewable Energy Sources (RES) in the Strategy cover hydropower, wind energy, geothermal energy, solar, biomass and gas from processing of urban and rural waste. Kosovo is currently using renewable energy resources (RES), including few small hydropower plants (SHPPs), one small wind farm, and biomass (mainly firewood). Around 3% of total electricity production in 2010 came from renewable energy, mainly from hydro and wind sources.

In its 2011 Progress Report for Kosovo, EC notes that Kosovo needs to make further efforts to increase the share of renewable energy in the final energy consumption and to take measures to promote the use of biofuels in transport.

Kosovo has growth potentials for energy from RES, including: (i) electricity and heat generation from biogas, biomass and solar energy, (ii) power generation from a number of small HPPs¹⁰⁰ and from a 305 MW HPP in Zhur, and (iii) power generation from wind¹⁰¹. The following figure charts the potentials for generating electricity from RES in Kosovo. This chart is based on the currently available data and ERO estimates, which indicate that by 2020, RES generation may be in the level of 2.5 TWh per year¹⁰².

⁹⁹ The study "Supply Security" of Vatenfall, financed by KfW, states that creating a joint market Kosovo-Albania is a good technical solution and would bring benefits for both countries. Soon, a Feasibility Study on creation of joint market Kosovo-Albania financed by the Norwegian Government is expected to be conducted. Text added by Ms. Vjosa Rezniqui, KOSTT Market Operations Department, April 2013

¹⁰⁰ As presented by ERO during the Roundtable on Energy, organized on 6 December 2012, Golem, Albania, ERO is currently processing 11 applications for licenses to develop SHPP, with about 137 MW installed capacity.

¹⁰¹ As presented by ERO during the Roundtable on Energy, organized on 6 December 2012, Golem, Albania, ERO is currently processing one application for license to develop a 100MW wind farm in Shtime.

¹⁰² "Renewable Energy Policy and Market Developments in Kosovo", Nustret Avdiu and Ali Hamiti, Energy Regulatory Office, April 2011, Kosovo.

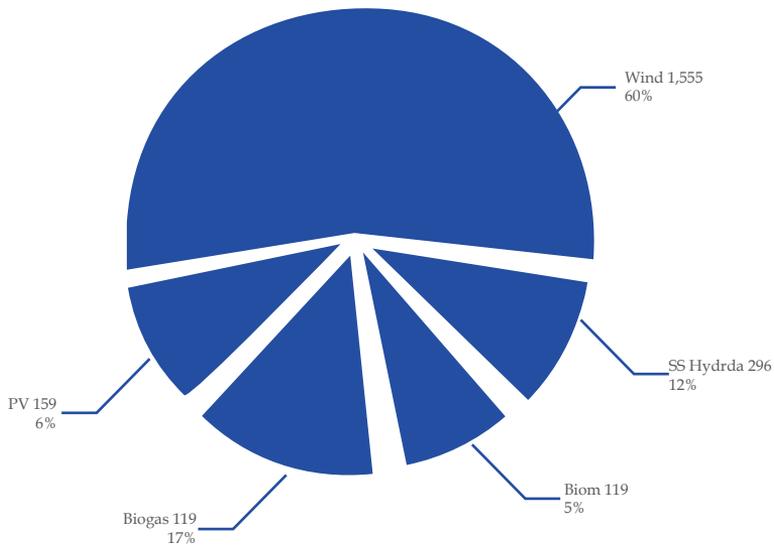


Figure: Medium-term Incremental Potential for Electricity from RES (GWh; %)

Kosovo plans to start enforcing the requirement of 2% biofuels in transportation fuel consumption from 1 January 2014¹⁰³.

Barriers for RES in Western Balkans

Until 10 July 2012, the Simplified Renewable Energy Action Plans were submitted by Albania, Former Yugoslav Republic of Macedonia, Moldova (partially filled in) and UNMIK. Croatia submitted a complete Renewable Energy Action Plan to the European Commission, according to the obligations agreed within the accession process.

The submitted plans identified significant barriers for RES plants development related to existing non-harmonised authorisation, planning permitting, certification and licensing procedures that are mainly designed for large investment projects in conventional generation capacities, and therefore not appropriate for RES projects.

Usually, there are too many authorities involved in the administrative and permitting procedures that need to be simplified and coordinated with defined and transparent timetables to process the RES applications. Despite the identification of the non-cost barriers that delay the development of a RES project and impact the capacity of attracting foreign investors, only Albania planned and made serious efforts towards a one-stop-shop institution to deal with all the administrative applications for RES projects.

Source: Report on Activities of the RE TF in 2012, Energy Community, June 2012

The 10th Ministerial Council of EnC adopted the RES Directive and laid down the national RES 2020 targets for the nine Contracting Parties. The target of 25% for share of energy from renewable sources in gross final consumption of energy in 2020 is adopted for Kosovo. The share of energy from renewable sources in gross final consumption of energy in Kosovo for 2009 was 18.9%^{104,105}. The target of 25% pursuant to the Decision

¹⁰³ Presentation of MTI during the Roundtable on Energy, organized on 6 December 2012, Golem, Albania

¹⁰⁴ <http://www.energy-community.org>

¹⁰⁵ Updated Calculation of the 2020 RES Targets for the Contracting Parties of the Energy Community (EnC), EnC Secretariat, Vienna, March 2012

of the Ministerial Council dated 18 October 2012 was exceeded by the prediction made in the IA No. 01/2013 on RES targets. This target is now 29.4% and demonstrates the interest for maximal use of Kosovo's capacities for energy generation by RES.

The target broken down as follows:

- 18.0% dedicated for heating
- 10% of the general target dedicated for transport – biofuels and
- About 8% of the general target for generation of electricity from sources such as water, wind, solar, and biomass¹⁰⁶

Kosovo is committed to meet targets set for use of RES in the relevant EU directive. Work is ongoing for developing and adopting relevant legislation and regulation supporting and promoting expedited development of RES. In 2007, the GoK set indicative targets for the consumption of electricity and heat from renewable sources and cogeneration for the period 2007-2016¹⁰⁷.

The Kosovo Law on Electricity suggests the use of feed-in tariffs as well as the use of Certificates of Origin (CoO) as components of a support scheme for promoting RES-E (RES for electricity generation) development. The international experience suggests that feed-in tariffs are particularly effective in promoting the use of renewable energy in electricity generation. Investors like feed-in tariffs because they provide certainty on the revenue stream from the sale of electricity produced from renewable.

Based on Law on the Energy Regulator, ERO has adopted a comprehensive Rule on the Authorization Procedure for the Construction of New Generating Capacities, Gas Networks, Direct Power Lines and Direct Pipelines. ERO has reviewed several applications received for authorization on construction of new generation capacities and has issued a number of notices of preliminary authorization.

ERO has adopted also the Rule for Support Scheme for RES with these main objectives: (i) to promote the development of electricity generation capacity using renewable energy sources in a transparent manner; (ii) to attract domestic and international investors by providing a conducive environment for investing in generation capacity using renewable energy; (iii) to support, or at least not hinder, the development of a competitive electricity market, in Kosovo or regionally, when the conditions of the electricity

¹⁰⁶ Added by the Ministry of Economic Development, Luan Morina – Energy Department

¹⁰⁷ Administrative Instruction No. 06/2007 “Indicative Targets for Generation of Electricity and Heat from Renewable Energy Sources and from Cogeneration” sets the target of 7.78% of electricity produced by RES by 2016.

sector(s) allows it; (iv) to be compatible with Kosovo participation in “Joint Projects”¹⁰⁸ with EU Member States, as envisaged in Article 9 of Directive 2009/28/EC; and (v) to be simple and cost-effective to implement.

Power Purchase Agreements (PPAs) for electricity produced by RES are part of the policy and regulatory incentives. ERO has also adopted: (i) the Rule for Issuing and Usage of Certificates of Origin (CoO) in respect to electricity produced from RES, Waste and from Cogeneration, and (ii) Feed-in tariffs¹⁰⁹.

Applicable feed-in tariffs and a list of licensing and permitting requirements for RES are presented in Annex 5.

EU Member States offer a range of incentives to promote RES, including (i) Feed-in tariffs, (ii) Quotas and Tradable Green Certificates (TGC), (iii) Investment subsidies/grants and/or Tax exemptions/credits, and (iv) Other systems. Broadly speaking, available evidence suggests that in EU countries, feed-in tariffs have achieved the best performance for promoting the development of RES-E. Annex 6 summarizes the experience and lessons learned in EU countries with incentives for RES-E.

¹⁰⁸ Article 9 of Directive 2009/28/EC provides for the development of ‘Joint Projects’ between EU MSs and third countries. Joint Projects provide further opportunities for RES-E project development in Kosovo. Whilst these projects will not benefit from the national support scheme and therefore do not represent an additional burden to the budget or the tariffs, they do not necessarily contribute towards the achievement of the national (indicative) targets: this depends on the decisions of the authorities in Kosovo. However the way in which the current targets are defined – as a proportion of national consumption – and the fact that one of the requirements for Joint Projects is that an equivalent amount of electricity is exported for consumption in the European Union make it likely that RES-E produced by Joint Projects will not count towards achieving Kosovo’s RES-E indicative targets.

¹⁰⁹ “Renewable Energy Policy and Market Developments in Kosovo”, Nustret Avdiu and Ali Hamiti, Energy Regulatory Office, April 2011

LICENSING AND AUTHORISATION OPTIONS FOR KOSOVO

A final issue relates to whether the permission to develop new RES-E generation capacity in a specific site – whichever is the legal format and administrative procedure – should be subject to a tendering process. Two alternatives are possible in this respect: (i) permission is granted upon application; and (ii) permission is granted on the basis of the outcome of a tendering process.

Two (partially-related) considerations appear to be relevant in assessing these alternatives: (i) the number of sites which are available and suitable for developing RES-E generation in comparison with the stated penetration targets; and (ii) the difference in costs between RES-E developments in different sites.

If the availability of suitable sites for the development of RES-E generation capacity is limited when compared with the capacity needed to meet the penetration targets, it may be appropriate to ensure that these sites are used to their full potentials in the most efficient way, and therefore that they are assigned to the developers/investors/operators who are able to make the best use of them.

Such an objective can be achieved through tendering of permits to develop RES-E generation in the different specific sites. Through this process, such permission will be granted to the developers/investors/operators who are prepared to pay the highest permit fees, which should mean that they are expecting to operate the plant most efficiently.

Moreover, while differences in costs between different RES-E technologies can be addressed through technology-differentiated tariffs, costs differences within the same technology may lead to windfall profits for those plants or those sites characterised by lower costs. Such windfall profits can be reduced, as so the burden on consumers, through the tendering of permits for developing RES-E capacity. If there is enough competition for developing RES-E generation, the tendering process will define higher permit prices for the best sites, thus extracting at least part of the “rent” arising from their superior quality.

Finally, it is important to ensure that the use of competitive tenders for the allocation of permits to develop RES-E generation capacity does not suppress the motivation of investors/developers in searching and assessing new sites. This adverse impact can be avoided by: (i) allowing developers/investors to identify and propose new sites for RES-E development; (ii) organising a tender process for each identified site; and (iii) granting the developer/investor who has identified and proposed the site, an “advantage” in the tendering process, for example in terms of a discount in the resulting permit fee if he is the selected permit assignee.

Source: Kosovo Regulatory Framework for RES, Prepared by Mercados – EMI, January 2009

B. Major challenges to developing RES: Way forward

Overcoming challenges, including those identified below, is related to implementation of the Directive 2009/28/EC on the promotion of the use of energy from renewable sources¹¹⁰ and meeting of RES targets as they are set for Kosovo in the framework of the EnC Treaty. Major challenges include:

Fiscal incentives. Providing customs and tax reductions for energy efficient materials and renewable energy technology equipment is advisable. To achieve this goal MED and MF (Ministry of Finance) need to work together on developing an adequate program with fiscal incentives (including targeted subsidies) supporting implementation of EE and RES measures and projects. This will create a favourable market for increasing energy efficiency and RES utilization.

Review and streamline the processes/authorisation procedures for small RES plants. In

¹¹⁰ This Directive repealed Directives 2001/77/EC and 2003/30/EC

the framework of developing and implementation of its Simplified Renewable Energy Action Plan, EnC requires Kosovo to ensure that the rules for authorisation, certification and licensing are objective, transparent, proportionate and do not discriminate between applicants taking into account the particularities of individual renewable energy technologies. The RES TF requires Kosovo, as all other Contracting Parties, to review and streamline the processes for small RES plants.

Establish compliance monitoring mechanism for use of biofuels. In relation to biofuels, RES TF requires Kosovo to set up a mechanism through which an economic operator producing or using biofuels or bioliquids can show their compliance with the sustainability regime spelled out in the Directive 2009/28/EC (Articles 17 and 18) using proof of a voluntary scheme that has been recognized by the European Commission.

Establish a 'one-stop-shop' institution for RES projects. RES TF identifies that there are many authorities involved in the administrative and permitting procedures that need to be simplified and coordinated with defined and transparent timetables to process the RES applications¹¹¹.

Disseminate RES technology. The Energy Efficiency Agency has to be responsible for co-ordination of government programs, development, implementation and evaluation of renewable energy policy and action plans. This agency will need to disseminate renewable energy technology and concrete relevant projects implemented to all parties interested (government, investors, municipalities, NGOs etc.), as well as to initiate demonstrative RES projects.

RES financing options and programs. The options to financing development renewable sources may include grants, credits or soft loans to be provided by the IFIs, private foreign and domestic capital, as well as other sources such as those in the framework of Clean Development Mechanism (CDM). As loans would be the main source of funding for new companies setting up renewable energy plants, this could be a barrier to renewable facilities.

¹¹¹ Despite the identification of the non-cost barriers that delay the development of a RES project and impact the capacity of attracting foreign investors, only Albania planned and has made serious efforts towards a one-stop-shop institution to deal with all the administrative applications for RES projects.

2.8. Energy Efficiency

A. Status, progress and plans

The current level of energy efficiency in Kosovo growing, whereby based on the Report on the Progress Report on Implementation of NEEAP 1 Measures, Kosovo has reached the target of 26.82 ktoe from the foreseen total of 31 ktoe¹¹² and it is entirely realistic to aim an increase of 20% in EE by 2020. “Kosova e Re” Power Plant will result with an increase of energy efficiency in generation of nearly 5%, as a result of modern technologies used in the plant, compared to TPP Kosovo A and TPP Kosovo B. The highest potential for EE improvement is in heating and electricity generation, where the current use efficiency is much under that determined by EU relevant directives and current technological standards in the EU on furnaces and small heating equipment. For home appliances there is a possibility to increase the EE average for up to 100%, whereas the current thermal energy generation can improve for up to 40% with new lignite combustion generation technologies. Further improvements can be achieved by introducing cogeneration of electricity and heating¹¹³.

Technical preparations have been made for the cogeneration project at the Kosovo B power plant, to use waste heat to produce district heating, thereby also reducing CO₂ emissions. The actual investment is in doubt given the district heating sector’s financial difficulties¹¹⁴.

As signatory parties of the Energy Community Treaty (ECT), Kosovo is member of the EnCT Task Force on Energy Efficiency (TF EE). Under guidance of TF EE, Ministry of Economic Development (MED) has developed the First National Energy Efficiency Action Plan (NEEAP).

¹¹² Text added by Mr. Bedri Dragusha – Kosovo Agency for Energy Efficiency, April 2013

¹¹³ Heating Strategy of the Republic of Kosovo 2011-2018

¹¹⁴ Commission Staff Working Paper, Kosovo*, 2011 PROGRESS REPORT, Brussels, 12.10.2011

National Energy Efficiency Action Plan (NEEAP) 2010-2018

NEEAP outlines the national targets on energy savings for the period 2010-2018. Earlier, in 2007, Ministry of Energy and Mining (MEM) had developed the Kosovo three-year program for Energy Efficiency and Renewable Energy Sources. A number of projects of this program are under implementation.

The objective of Kosovo is to achieve the set target of 9% energy saving by end of 2018.

In its First National Energy Efficiency Action Plan (NEEAP) Kosovo 2010-2012 has adopted an intermediate target on energy saving of 3%, or saving 301¹¹⁵ ktoe of the total overall target of 1021.08 ktoe to be achieved by year 2020.

NEEAP 2010-2018 sets EE long term targets for the period 2010-2018 and intermediate targets for 2010-2012. In determining the medium term targets, NEEAP has considered:

- I. Lack of a Functional Energy Efficiency Agency and non-existence of Regional Energy Offices
- II. Lack of a Fund for Energy Efficiency
- III. Lack of a labeling system for Energy in Buildings
- IV. Lack of legal procedure mandating procurement of EE equipment for public entities
- V. Lack of energy service companies
- VI. Delayed introduction of Labeling of Household Electric Appliances
- VII. Lack of complete data from accurate survey in the public sector regarding EE
- VIII. Lack of decision to mandate public sector entities to undertake EE measures

Source: Kosovo Energy Efficiency Plan 2010-2018, as approved by the Minister of Economic Development on 30 September 2011.

MED together with GIZ and supported from the Open Regional Fund have developed a Methodology for Monitoring, Evaluation and Reporting for EE measures.

Pursuant to the Law on Energy Efficiency, No. 04/L-016, 22.07.2011, on 25/04/2012, the Kosovo EE Agency was established and became functional¹¹⁶. Rapid establishment of the EE Fund and further functionalization of EE Agency is indispensable for successful implementation of the NEEAP¹¹⁷.

Kosovo's electricity tariffs are among the lowest in the region. Despite the low prices, the main issue in the sector is non-payment of energy bills. Similar to many other countries, district heating billing is based on the surface area of consumer dwellings, not metered consumption. In Prishtina, district heating serves about 20% of the population.

According to a World Bank study, the application of insulation materials and double glassed windows would bring a reduction of energy consumption for heating up to

¹¹⁵ This national target is allocated among sectors, including household, service, industry, transport, and agriculture. Household anticipated energy savings amount to 40% of the overall target of 30.63 ktoe to be saved during 2010-2012.

¹¹⁶ MED is coordinating the review process for the Law on Energy Efficiency. It anticipates finalizing the review and approval of this Law during 2013.

¹¹⁷ Energy Community Secretariat working document: "Synthesis of the assessment of Contracting Parties' Energy Efficiency Action Plans ...", January 2011 60 Text added by Mr. Bedri Dragusha - Kosovo Agency for Energy Efficiency, April

an estimated 35% in individual households. Kosovo wide, this would bring potential savings of heating to 500-600 GWh/year, around 12 - 14% of the current demand for heating.

With support from the donor community, including EC, GIZ, etc., GoK has implemented a number of energy efficiency measures in the public sector buildings and facilities like schools, hospitals and government building. Efficient lighting of buildings and streets and thermal insulation are among the key interventions. On the other hand, campaigns to raise consumer awareness, seeking to effectuate behavioral change in the residential sector, have been an important component of Kosovo energy efficiency plans.

Modernizing municipal services

GIZ is funding EUR 1.5m, during Jan 2006 to Dec 2012, a program of small investments in the field of municipal energy efficiency, jointly financed with the municipalities of Kosovo.

Municipalities are assisted in co-financing and implementing 51 small-scale projects with about 50% of investment fund. The maximum annual amount for every project and municipality did not exceed 40.000 EUR. Investments included: (i) modernization of public street lighting, and (ii) refurbishment of public buildings (replacement of carpentry, thermo-insulation of outside walls and ceilings and/or installation of central heating), upgrading heating systems, including new installations.

Source: Review of Financial Support Facilities Available for Energy Efficiency and Renewable Energy in the Western Balkans, June 2011, EU funded report, prepared by Consortium led by PM Group

GoK is committed to introducing cogeneration of power and heat at TPP Kosova B. The feasibility study for the combined heat and power project in Kosovo, where the waste heat from TPP Kosova B will be recovered and transmitted to the district heating system of Prishtina, was completed in 2011. Total investment required for this Project is estimated at 48.9 million Euro¹¹⁸. The German Government jointly with EC have committed financing for this important cogeneration project.

Some EE “pilot-projects” should be implemented, serving as a model for more extensive similar interventions. Some priority interventions have been identified, and pilot-projects have been implemented or are ready to be implemented in the near future. Three most promising energy savings projects identified by the World Bank study for the Heating Market¹¹⁹ are: (1) New windows for 65% of hospitals and healthcare centers; (2) New windows for 85% of schools; and (3) New windows for 10% of apartment buildings of over three stories (built between 1960 and 1998).

Full implementation of these energy savings projects is expected to bring savings of 72 GWh/year.

Burning wood for heating is widespread in Kosovo. Over 80 percent of Kosovo households use firewood as a primary or secondary fuel for heating and cooking; over half of schools use firewood for heating. Efficient wood stoves would reduce poverty, and improve health and the environment. Kosovars use about 2.5 million m³ of firewood per

¹¹⁸ Western Balkans Investment Framework (WBIF), 2011 Annual Report

¹¹⁹ Heating Strategy of the Republic of Kosovo 2011-2018

year. And, firewood is expensive at about €40-50/m³. Most wood burning stoves are poorly made with low efficiencies of 15-20 percent, while masonry and down-burning stoves have efficiencies of 50% or higher.

Efficient Wood Stove Program for Kosovo

Efficient stoves would reduce total firewood demand by about 60%, reduce indoor air pollution, and slow deforestation rates. This would make sustainable forestry a realistic proposition for the country.

One efficient stove would cost about €300 if procured in bulk; since annual firewood consumption now averages 10 m³ per household (4 m³ in urban areas and 12 m³ in rural areas), the payback period for consumers would be less than two years. The Kosovo Government could implement a pilot program to introduce efficient wood stoves, initially targeting 100,000 of the poorest consumers.

Electricity demand for supplemental heating could be reduced by about 3,840 kWh/year per household, or 384 GWh/year in total which now needs to be imported at Government expense. A €30 million investment in efficient stoves is less than the €38.4 million cost for electricity imports in the first year alone and would reap large net benefits many years thereafter.

Source: Status of Energy Efficiency in the Western Balkans, A Stocktaking Report, World Bank, June 15, 2010

Substantial funding is required to implement EE measures and meet NEEAP targets. Funds available at regional level may play key role. Following table shows summary data on such funds¹²⁰. Detailed information on operation and funding of regional funds is provided in Annex 9.

	No.	EUR mil.
Regional Total	11	592.85
Regional Loan Funds (with TA and grants)	8	580.45
Regional TA Programmes and Funds	3	12.40

EE Credit Lines are sometimes efficient tools to reach industrial and commercial market segments. Participating banks can propose EE investments to existing customers, funded from the credit line. One caveat is that credit lines need to be accompanied by training for participating banks and effective marketing campaigns. A prerequisite is access to grant funding to pay for project preparation and energy audits to soften the terms of the loan.

B. Major challenges to enhance energy efficiency: Way forward

Complete legal and regulatory framework. Kosovo needs to continue completing the legal and regulatory framework in the area of energy efficiency as it is required under the Treaty establishing Energy Community (EnC). NEEAP provides details in this regard.

Develop institution to promote and monitor energy efficiency. Kosovo needs to functionalize the EE Agency as provided for in the Law on Energy Efficiency, No. 04/L-

¹²⁰ Review of Financial Support Facilities Available for Energy Efficiency and Renewable Energy in the Western Balkans, June 2011, EU funded report, prepared by Consortium led by PM Group

016, 22.07.2011. Clear role and responsibilities of this Agency are described also in the Ministry of Economic Development (MED) Regulation No.08/2011 “On Internal Organization of the Kosovo Agency for Energy Efficiency”. Although the Law on Energy Efficiency does not provide for the creation of an Energy Efficiency Fund (EE Fund), the Kosovo Government needs to consult the donor community on this matter and decide appropriately¹²¹. Annex 8 provides information on the legal and institutional arrangements in the area of energy efficiency in several EU and Balkan countries.

On the other hand, it is appropriate to establish energy offices at the municipal level. All municipalities in Kosovo have departments dedicated to local development issues, including local infrastructures. Mandated responsibility for dealing with energy issues is missing in all of these departments¹²². Law on Energy provides for the possibility of establishing of energy offices at the communal level. Establishing these offices at the regional level could be a good initial step in this direction. MED is prepared to provide training and other institutional development support so that these offices get up and running within a reasonable period of time. Several donors, such as European Commission Liaison Office (ECLO) and GIZ of Germany, have funded in the past energy training activities to communal officials. Annex 7 provides further reasons on the need to establish communal energy offices.

Comprehensive and continued sustainable development and retention of qualified staff at all levels of government is a major challenge for the Kosovo energy sector institutions.

Further support to comprehensive development of the energy auditing institutions and infrastructure as well as to establishment of ESCO¹²³ businesses should be part of the comprehensive institutional development in the area of energy efficiency in Kosovo. Respective actions anticipated in the NEEAP need to be undertaken.

¹²¹ Many EE measures require investments with a payback period that is longer than many consumers find acceptable. Among other activities, the EE Fund could provide subsidies for implementing EE investments, shortening the payback periods, and help provide access to below-market rate financing where necessary. EE Fund is useful to focus on market segments not targeted by commercial banks. At start-up, EE funds need access to grant financing from global trust funds such as GEF, bilateral donors, and national budget. When a market segment is sufficiently developed to attract commercial financing, the EE Fund objective has been reached and it can be phased out over the medium term.

¹²² Decentralization of political powers and ownership of assets and resources is well advanced in Kosovo. But, in its way toward European integration, Kosovo will need to decentralize further the economic development functions and budgets. This process will need to go hand in hand with the institutional development of the municipalities and their capacity to plan for development and collect adequately local revenues.

¹²³ ESCOs (Energy Service Companies) are private sector companies which act as financial intermediaries to implement energy efficiency measures on behalf of public sector clients. They may be eligible for preferential financing from IFIs, particularly if they operate energy performance contracts with their public sector clients, sharing the savings.

Develop comprehensive energy data systems. Setting up energy data gathering and reporting systems consistent with those of EUROSTAT is an EU accession requirement. EU, through EnC, has engaged its relevant agencies in providing substantial technical support on setting up adequate energy statistic systems in the Western Balkans countries, so that useful energy efficiency indicators can be developed and monitoring of progress can be performed.

Provide incentives. Incentives can help to overcome barriers to entering the market, for example, through special programs offering financial or technical support, or even temporary exemptions from standard administrative procedures. Incentives should be both of the demand-pull as well as the supply-push variety. Examples of important demand-pull incentives are introducing codes and standards, creating end-user awareness, and making concessionary financing available. Supply side measures involve actions such as providing tax incentives and financing for enterprises, easing import restrictions and duties on importing energy efficient equipment, training of auditors, architects and contractors, etc.

Remove barriers. As identified by the World Bank, major barriers include: (i) inadequate legal and regulatory frameworks, (ii) lack of incentives of all kinds, (iii) training and know-how are scarce, (iv) high investment costs for energy efficiency technology, (v) modern building codes and EE standards for appliances and equipment should be introduced and enforced, (vi) energy efficiency funds should be created, (vii) targeted information campaigns should be launched, and (viii) energy prices are low and cross-subsidized, while non-payment is a significant issue. A World Bank summary of barriers to enhancing energy efficiency in Western Balkans is presented in Annex 8.

Continue leading by example and enhancing public awareness on energy efficiency. Even without immediate improvements to data systems, tariff structures, and tariff levels, much can and should be done to increase EE. First, the public sector should continue leading the way by introducing EE demand-side measures in all its buildings, facilities, and rolling stock. Campaigns to raise consumer awareness and seek to effectuate behavioral change in the residential sectors (housing and transport) should continue. Second, GoK should strive to expedite implementation of TPP Kosova B cogeneration Project. Third, introducing efficient wood stove programs, especially for the poor, could be considered as part of a public sector program, as could efficient lighting programs. All these efforts must be accompanied by firm commitment and actions to eliminate energy price distortions and gradually raise energy prices to cost-recovery levels to enable rational consumer choices among energy efficiency investment options.

Explore alternative models to funding of EE measures in public sector. Large energy-saving potential exists in the public sector, necessitating a substantial amount of public sector borrowing, if targets are to be met. The majority of funds currently available are targeted at private sector borrowing with a major emphasis on household and SMEs. This implies that funds and other mechanisms must be increasingly targeted at municipal services and public buildings. The borrowing capacity of the public sector at communal

and national level is very limited and hence efforts will be required to find alternative models that allow funding to be made available to the public sector.

Consider a state-level Public Building Rehabilitation Program. Many administration, health, and educational buildings are under state control and could be used to showcase EE improvements and provide the basis for a local service industry that performs energy audits and implements projects, perhaps supported by grants and IFI loans. This measure/program could be coupled very well along with development of public procurement policies that facilitate energy services. Permitting all-in-one bids for equipment, services, and energy savings performance guarantees, will enable efficient contracting for EE building upgrades. A potential model is ESCO contracting, which typically packages equipment, services, and energy savings performance guarantees, if so requested¹²⁴. The Government, with donor assistance, should consider modifying its national public procurement policy to enable energy services contracting¹²⁵.

2.9. Nuclear Safety and Radiation Protection

A. Status, progress and plans

Kosovo Agency for Radiation Protection and Nuclear Safety (KARPNS) was established on 21.06.2011, pursuant to the Law on Protection from Ionization and Non-Ionization Radiation and Nuclear Safety. Since July 2012, the KARPNS became an independent agency pursuant to the Law on Protection from Ionization and Non-Ionization Radiation and Nuclear Safety¹²⁶, this law governs the status, duties and responsibilities of the Agency. Meantime, the work is underway for preparing the administrative instructions and rules to be approved after the adoption of the revised Law, including the rule on medical exposure, professional workers and people; management of radioactive waste; transportation of radioactive sources; nonproliferation of weapons of mass destruction; and regulation on licensing and inspection¹²⁷.

Radiation protection and nuclear safety measures are part of the EC requirements to Republic of Kosovo on the way toward European integration. On the other hand, Kosovo should fulfill international obligations in the field of radiation protection and nuclear safety, as they are defined by the International Atomic Energy Agency (IAEA).

¹²⁴ Other less comprehensive models can be envisaged and may be more appropriate. Bundling many building upgrades into one procurement package would lead to significant economies of scale and attract strong bidder interest. This type of project would stimulate demand for energy services and attract local and international equipment suppliers, vendors, and contractors into the EE market.

¹²⁵ Status of Energy Efficiency in the Western Balkans, A Stocktaking Report, World Bank, June 15, 2010

¹²⁶ Law for the Agency of Kosovo on Radiation Protection and Nuclear Safety, No. 2011/04-L-067, promulgated by the Decree of the President of the Republic of Kosovo No.DL-028-2012, Date 08.06.2012

¹²⁷ According to the representative of KARPNS during the Roundtable on Energy, organized on 6 December 2012, Golem, Albania 70 Text is added by Mr. Ferki Fejza, KARPNS A/Chief Executive Officer, April 2013

KARPNS objectives include¹²⁸: (1) creation of legal base and harmonization of the Republic of Kosovo legislation with the EU and international standards (IAEA); (2) ratification of international conventions in the field of nuclear safety; (3) supervision of the operators using radioactive sources or nuclear substances, use radioactive resources or transport nuclear materials; and (4) creating conditions for overall health and environmental protection from the harmful action of radiation and the fulfillment of obligations in the field of nuclear safety.

KARPNS is getting up and running, aiming at enabling itself to perform tasks and responsibilities defined by the Law. KARPNS plans to complete the necessary legal and regulatory basis, so that it begins licensing and inspection activities which will ensure safe environment for healthy life in the country.

KARPNS is confronted with the drafting of new pieces of legislation and regulations in line with the EU *acquis*.

B. Major challenges: Way forward

The following challenges are identified on enhancing radiation protection, nuclear safety and security in Kosovo:

1. Need for further transposition of the *acquis* in the field of nuclear safety and radiation protection
2. Need to develop a national emergency plan and a strategy for radiologic and nuclear waste management
3. Need to align the functioning of KARPNS with its sister organisations in the EU
4. Need to accede to the relevant international conventions relating to nuclear safety and set up the appropriate regulatory body

Kosovo has to develop a national emergency plan and a strategy for radiologic and nuclear waste management with focus on planning for:

1. Transposing of the EU nuclear safety and radiation protection *acquis*¹²⁹, and align with international standards, including revision and amending of the Law on protection against non-ionised, ionised radiation and nuclear security,
2. Developing implementing regulations and guides books in line with the EU *acquis*,
3. Furthering KARPNS institutional development and operationalization, includ-

¹²⁸ <http://mmpk.rks-gov.net/?cid=2,54,195>

¹²⁹ EURATOM Directives which in particular comprise requirements concerning the use of radionuclides for a number of applications in the medical sector and the industry.

- ing enhancement of administrative capacities and providing of equipment for the assessment of occupational exposure, and
4. Undertaking activities required to accede to the relevant international conventions relating to nuclear safety and set up the appropriate regulatory body.

The medium term goal of Kosovo should be enabling of KARPNS to perform its responsibilities, including inspection and monitoring as mandated by Law.

2.10. Main Challenges and recommendations

Legislative and regulatory framework

Kosovo in a short period should improve the existing basic legislation on energy to comply with the Third Package of EU Acquis on Energy. In a medium term perspective Kosovo should develop further its regulatory framework as foreseen with the Energy Community Treaty

Policy and Strategy

Need for a clear energy policy oriented toward the market, away from the monopolies, and sustainable from the social point of view. In current situation of the world finances and economy the new policy should identify innovative financial schemes for capital investments. This new policy Kosovo should reflect in its own Energy Strategy.

Security of Supply

Need for advancement of the energetic infrastructure including generating capacities and transmission network. Development of new generating capacities from lignite, rehabilitation of TC Kosova B, and building of new interconnections with neighboring countries, including Albania and Macedonia are one of the main priorities. Modernising and extending the capacities of CH Termokos and its connection with Power Plant Kosovo B is one of the priorities for improving heating system. Connection with the regional network for natural gas will increase the security of supply and will enable improvement of the management of the energetic system.

Internal energy market

Kosovo should allow KEK to gradually sell a part of energy that is generated at the free market. Kosovo should effectively close the business of distribution and energy supply to enable the competition at the electricity market. Setting the prices for consumers that reflects the costs of generation, transmission, distribution and supply is one of the main issues to be addressed before the prices are liberalised completely. The consumer protection scheme of social cases should be transferred from the energy sector to the national welfare sector.

Renewable Energy

Kosovo has not yet completed its legislative, technical and financial framework for faster involvement in the projects for generation of alternative energy based on EU standards and Directive 2009/28/EC on encouraging use of Renewable Energy, and achieving the standards set by the Energy Community Treaty.

Energy Efficiency

Kosovo has not yet completed its framework for encouraging achievement of standards for energy efficiency. Achieving this standards requires further institutional development specifically: advancement of the work of Agency for Energy Efficiency; creating a fund for Energy efficiency and establishing offices at the municipal level starting from regional offices on energy efficiency.

Nuclear safety and protection from radiation

Lack of a national plan for emergencies and a strategy for management of radioactive waste.

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2.11. Annexes

Annex 1: Summarized information on EnCT

Annex 2: Objectives of Energy Strategy for the Energy Community

Annex 3: Summary of barriers to investment in energy sector of Western Balkans

Annex 4: Kosovo Electricity Supply Forecast per primary energy source till 2030

Annex 5: Applicable feed-in tariffs and list of licensing and permitting requirements for RES

Annex 6: EU countries incentives for RES: Experience and lessons learned

Annex 7: Operation and funding of regional and country funds

Annex 8: Information on the legal and institutional arrangements in the area of energy efficiency in several EU and Balkan countries

Annex 9: Reasons on the need for establishing communal energy offices (CEO)

Annex 10: Barriers to energy efficiency in the Western Balkans

Annex 1: Summarized information on EnCT

Treaty establishing the Energy Community

Following the Athens process which aimed to establish integrated regional energy market in South East Europe, in 25 October 2005 the European Community and Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, the Former Yugoslav Republic of Macedonia, Romania, Serbia and UNMIK on behalf of Kosovo signed the Treaty establishing the Energy Community. Following the ratification and notification process, the Treaty entered into force on 1 July 2006. Austria, Cyprus, Czech Republic, Germany, Greece, Hungary, Italy, Slovakia, Slovenia, United Kingdom, were accorded the status of a Participant at the first Ministerial Council meeting in November 2006. In Dec 2009 the Energy Community Ministerial Council decided on the **accession of Moldova and Ukraine**. With the decision, the geographical concept of Western Balkans, with which the process was linked initially, lost its validity. Today, the leitmotif behind the Energy Community Treaty is rather the import of the **EU energy policy into non- EU countries**.

The Treaty requires the Contracting Parties to implement important parts of the *acquis communautaire*, provides for the creation of a single energy market and the mechanism for the operation of network markets. It also establishes the institutions of the Energy Community, as well as the decision making process.

The institutional setting and the decision making process within the Energy Community involves the following organs: I the Ministerial Council, II the Permanent High Level Group, III the Fora, and IV the Secretariat.

According to Article 2, the task of the Energy Community is to organize the relations between the Contracting Parties and to create a legal and economic framework in relation to Network Energy in order to:

- a. create a stable regulatory and market framework capable of attracting investment in gas networks, power generation, and transmission and distribution networks,
- b. create a single regulatory space for trade in Network Energy,
- c. enhance the security of supply of the single regulatory space,
- d. improve the environmental situation in relation to Network Energy and related energy efficiency, foster the use of renewable energy, and set out the conditions for energy trade in the single regulatory space, and
- e. develop Network Energy market competition on a broader geographic scale and exploit economies of scale.

In the words of the European Commission (COM(2011) 105 final),

“Energy Community is about investments, economic development, security of energy supply and social stability; but – more than this – the Energy Community is also about solidarity, mutual trust and peace. The very existence of the Energy Community, only ten years after the end of the Balkan conflict, is a success in itself, as it stands as the first common institutional project undertaken by the non-European Union countries of South East Europe.”

Source: Adapted from <http://www.energy-community.org>

Annex 2: Objectives of Energy Strategy for the Energy Community

Energy Strategy for the Energy Community

The Energy Community, similarly to the European Union, faces substantial investment needs in the coming decades to manage low carbon oriented modernization of its energy production facilities and infrastructure. Adoption of the EnC Energy Strategy shows the commitment to better align national policies. Approximately 39 billion Euros of investments are needed for power generation, energy efficiency and demand-side improvements until 2020, to cater for the needs of the expected growth in energy demand in the Energy Community. The strategy objectives are:

Creating a Competitive Integrated Energy Market, aiming at organizing the relations between the EnC Contracting Parties, in a manner that would create a common legal and regulatory framework for the energy markets and would allow trading energy across their borders. The aim is to create a competitive integrated energy market between the Contracting Parties and their EU neighbors, and ultimately, its integration with the single EU energy market.

Attracting investments in energy much needed to meet the increasing demand and to replace old generation plants (which will be required also due to implementation of the Energy Community environmental acquis). To improve security of supply, energy efficiency and the use of renewable energy sources, new investments in the entire energy sector are needed in the Contracting Parties.

Providing secure and sustainable energy supply to customers through delivering uninterrupted energy, at affordable prices while taking into account environmental concerns is a high priority.

The Strategy analyses three possible supply scenarios attributing estimated investment costs to each of them, and at the same time signaling both to the Contracting Parties and potential investors the magnitude of related benefits but also challenges. The Strategy, which is the first document being subject to public consultation in the Energy Community, will evolve in time reflecting any changes in the legal framework, as well as, new economic and political factors. It means that the document will be systematically updated.

The Energy Strategy stresses that the regulated and non-cost-reflective prices and tariffs are the key investment barriers that need to be removed as soon as possible.

Source: <http://www.energy-community.org>

Annex 3: Summary of barriers to investment in energy sector of Western Balkans

Barriers to Investment

Some of these barriers are also common to EU Member States, but others are particularly present in the Energy Community region, as follows:

1. A key investment barrier stems from regulated and/or non-cost-reflective prices and tariffs. In the prevailing majority of cases, regulated end user prices do not reflect the real costs of electricity supply, including the costs of generation (short run marginal cost), reflecting the full generation portfolio, necessary investments/an appropriate rate of return, the costs of imports, the costs of supply services and bad debts.
2. Asymmetric distribution of cost and benefits among beneficiaries; externalities (positive or negative) that are not properly reflected by existing market signals and revenue streams.
3. Lack of innovative financial instruments, other than grants.
4. Lengthy and ineffective permit granting procedures, along with public opposition, that impede the timely implementation of energy infrastructure projects.
5. The regulatory framework, although in progress, is not fully in line with the *acquis* especially with regards to wholesale market opening, transparency of capacity allocation and third party access to network.
6. An important barrier to market opening is that supply and distribution have, in general, not been unbundled, which creates an unequal playing field between the incumbent supplier and a new entrant.
7. The differences in allocation of cross border capacity (in particular non market based allocation) as well as the differences in pricing methodologies constitute obstacles to trading.
8. The wholesale reference price, transparency and market liquidity which are prerequisites for successful power trading, are still missing in most countries.
9. Longer term predictability of feed-in tariffs which is crucial for new renewable energy projects, is nevertheless not always ensured.
10. (Un)availability of grid capacity to dispatch fluctuating energy from renewable sources is often used to limit the development of renewable energy.

Source: <http://www.energy-community.org>

Annex 4: Kosovo Electricity Supply Forecast per primary energy source till 2030

Domestic Electricity Supply (GWh) -base scenario	2009	2012	2015	2018	2020 ^{a)}	2025 ^{a)}	2030
Kosovo*	5469	6143	6674	7210	7532	8357	9181
Domestic Production	4975	5541	5874	8896	9123	9174	9223
Coal (lignite)	4855	5836	5568	8007	8188	8188	8188
Gas	0	0	0	0	0	0	0
Oil	0	0	0	0	0	0	0
Nuclear	0	0	0	0	0	0	0
Hydro	105	132	186	738	776	776	776
RES (other than hydro)	15	23	120	151	159	210	259
Imports	768	602	800	0	0	0	0
Exports	-274	0	0	-1686	-1951	-817	-42

Kosovo: The domestic electricity supply is based largely on lignite: 98% in 2009, decreasing to 90% in 2020 (base scenario). The rest of the supply will be covered by hydro and other renewable energy; a current net import position will become a net export position starting with 2018. Given that the information provided was based on Kosovo* Energy Strategy adopted in 2009, gas and oil are not foreseen in the electricity generation by 2030; Nevertheless, lately Kosovo* expressed its intention to introduce gas in its consumption.

Source: Regional Energy Strategy for the Energy Community, adopted by the Ministerial Council on 18 October 2012

Annex 5: Applicable feed-in tariffs and list of licensing and permitting requirements for RES

The following feed-in tariffs are publicized in the Ministry of Economic Development website.

Primary renewable energy source	(€/MWh)
HPPs (<10MW)	63.3
Wind	85.0
Solar Energy	n/a
Biogas and Biomass	71.3

In the effort to promote RES development, Ministry of Economic Development has publicized the following list of steps with licensing and permitting requirements.

Licensing and permitting requirements for renewable energy

Step 1: Kosovo Business Registration Agency (www.arbk.org)

1. Business Registration

Step 2: Ministry of Environment and Spatial Planning (<http://mmph.rks-gov.net/>)

1. Environmental protections permit
2. Water exploitation permit (if hydropower)
3. Construction permit (above 20MW installed capacity)

Step 3: Permits depending on the construction location

1. Kosovo Forestry Agency (if forest)
2. Ministry of Culture, Youth and Sport (if special interest/ archeological zones)

Step 4: Ministry of Infrastructure (<http://mi-ks.net/>)

1. Permit for connection to existing road infrastructure

Step 5: Municipalities

1. Construction permit (below 20MW of installed capacity)
2. Contract for using the land

Step 6: KEK (www.kek-energy.com/)

1. Authorization for connection to Energy Distribution System
2. Contract of energy purchasing from suppliers. In case of feed in tariffs, public supplier.

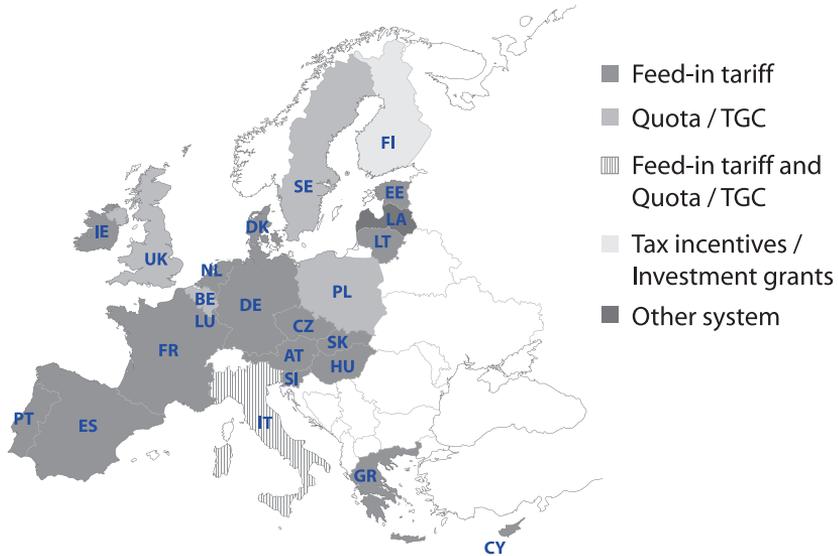
Step 7: Energy Regulatory Office (www.ero-ks.org/)

1. Authorization for energy generation

Source: <http://mzhe.rks-gov.net/?page=2,240>

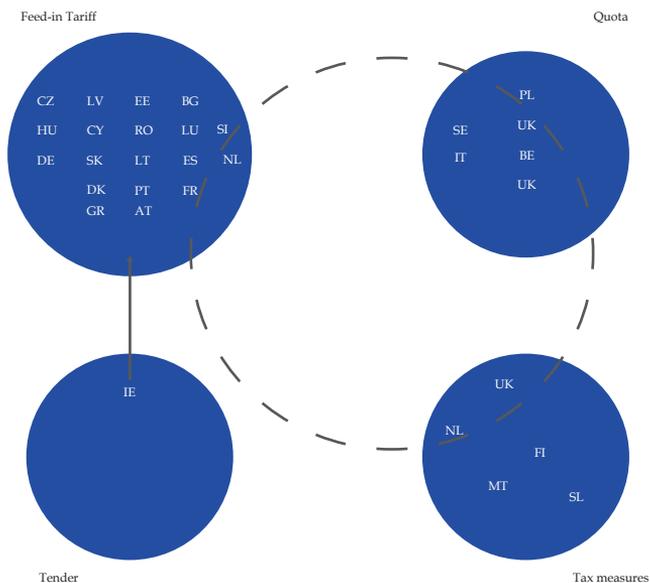
Annex 6: EU countries incentives for RES: Experience and lessons learned

EU Member States offer a range of incentives to promote RES, including (i) Feed-in tariffs, (ii) Quotas and Tradable Green Certificates (TGC), (iii) Investment subsidies/grants and/or Tax exemptions/credits, and (iv) Other systems.



Source: Review of International Experience with Renewable Energy Obligation Support Mechanisms, May 2005

RE Electricity Policy in the EU:



HOW DO THE THREE MAIN INCENTIVE MECHANISMS IN EU COUNTRIES SCORE: QUOTAS, FEED-IN TARIFF AND TENDERING PROCEDURES ?

Broadly speaking, available evidence suggests that feed-in tariffs have achieved the best performance for promoting the development of RES-E, even though this conclusion should be qualified. Quota systems do not seem to have achieved the same results. This difference in performance may be due to the fact that support mechanisms based on RES-E quotas and tradable certificates:

are inherently more complex; for example they require the establishment of a secondary market to trade green certificates; have been introduced more recently and therefore, given their greater complexity, it may well be that proper implementation has not yet been achieved in all jurisdictions and participants still have to get acquainted and familiar with the mechanism;

rely on the price of certificates to provide the signal to promote investment. This price may exhibit significant variability. This variability may be seen as a source of risk by investors. In theory, such risk can be hedged through appropriately designed instruments, such as long-term contracts or derivatives. However, partly because these schemes were introduced relatively recently, it appears that such hedging instruments have not yet been fully developed.

Instead, competitive tendering procedures seem to have worked quite well in many cases, at least to kick-start the market. The important issue regarding tendering systems is whether they should only be employed at the initial stage of RES-E development, or should be maintained as an ongoing system, considering the fact that they are more complex than a feed-in tariff system.

The existence of an appropriate feed-in tariff scheme is a necessary but not a sufficient condition for the development of RES-E. Grid access conditions, administrative procedures (contracts, licenses, permits, multiple uncoordinated bureaucracies, etc.) and the (perceived) degree of stability of the support mechanism are also relevant. There are cases in the EU, such as France, where there is significant potential for many RES-E and the level of the feed-in tariffs is similar or higher than in other Member States, and yet the penetration of RES-E has lagged behind the achievement in these other Member States. The difficulties in grid access and complex administrative mechanisms have blocked RES-E development in France until 2006.

It also important to mention that small projects probably need to be supported through other types of incentives as well, such as capital grants, interest rate reductions, etc.. This is the case of projects developed by the local community or very small enterprise, which may be financially constrained.

Source: Kosovo Regulatory Framework for RES, Prepared by Mercados - EMI, January 2009

RES-E PROMOTIONAL SCHEMES IN THE EU-25

	Hydro L - S	SS Hydel	Photovol- taics	Solar Ther- mal	Tidal & Wave	Wind on- shore	Wind offshore
Austria		3.15 - 6.25 € cents/kWh	<20 kW peak 60 € cents/ kWh > 20 kW peak 47 € cents/kWh	Investment Subsidy		7.8 € cents/ kWh	
Belgium		5 € cents/ kWh	15 € cents/ kWh Flandes: sub- sidy scheme	15 € cents/ kWh Wallonie: investment subsidy	2 € cents/ kWh	5 € cents/ kWh	9 € cents/kWh
Cyprus			Investment grant; <5 kW 20.4 € cents/kWh	Investment Subsidy		Investment grant; plus: 5 years: 9.2 € cents/kWh 10 years: 4.8 - 9.2 € cents/ kWh (accord- ing to annual wind speed)	Investment grant; plus: 5 years: 9.2 € cents/kWh 10 years: 4.8 - 9.2 € cents/kWh (according to annual wind speed)

Czech Rep		8.7 - 13.8 € cents/kWh (PP) 4.9 - 8.7 € cents/kWh (GP)	49 € cents/kWh (PP) 46.4 € cents/kWh (GP)	49 € cents/kWh (PP) 46.4 € cents/kWh (GP)		8.9 € cents/kWh (PP) 7.1 € cents/kWh (GP)	
Denmark						Spot price plus environment premium (1.6 € cents/kWh)	Spot price plus environment premium (1.6 € cents/kWh)
Estonia		1.8* Residential price for 7 years				1.8* Residential price for 12 years	
Finland		4.2 € cents/kWh (approx)				6.9 € cents/kWh (approx)	
France		6.1 - 8.6 € cents/kWh (20 years)				0 - 10 years: 8.2 € cents/kWh 10 - 15 years 2.8 - 8.2 € cents/kWh (15 years)	0 - 10 years: 13 € cents/kWh 10 - 15 years 3 - 13 € cents/kWh (20 years)
Germany	Premium for upgrade before 2012 or increasing its capacity by 15% (15 years)	< 500 kW 9.67 € cents/kWh; > 500 kW < p < 5 MW 6.65 € cents/kWh (30 years)	45.7 € cents/kWh	45.7 € cents/kWh		5.5 € cents/kWh plus 3.2 € cents/kWh (bonus) and 2% yearly reduction in tariff.	6.19 € cents/kWh plus a 2.91 € cents/kWh (bonus for 12 years) and 2% yearly reduction in tariff.
Greece	Feed-in tariffs plus investments subsidies (30% aprox.) for heat.	Islands: 7.8 € cents/kWh Mainland: 7 € cents/kWh	Islands: 7.8 € cents/kWh Mainland: 7 € cents/kWh	Investment subsidy (heat)	Islands: 7.8 € cents/kWh Mainland: 7 € cents/kWh	Islands: 7.8 € cents/kWh Mainland: 7 € cents/kWh	Islands: 7.8 € cents/kWh Mainland: 7 € cents/kWh
Hungary	6 - 6.8 € cents/kWh	6 - 6.8 € cents/kWh	6 - 6.8 € cents/kWh	6 - 6.8 € cents/kWh		6 - 6.8 € cents/kWh	6 - 6.8 € cents/kWh

Main Supporting policies		Key Factors	Biogas	Biomass	Biowaste	Geothermal
Austria	Feed-in tariffs plus: Investment subsidy (30% aprox) for solar thermal, biomass, geothermal, wind and hydro on project basis		Biogas: 10.3 - 16.5 € cents/kWh Sewage & landfill: 3-6 € cents/kWh	Electricity: < 200 kW 13 € cents/kWh > 200 kW 13 € cents/kWh Heat: Investment subsidy	4 - 12.8 € cents/kWh	Electricity: 7 € cents/kWh Heat: Investment subsidy

Belgium	Green certificates system with minimum feed-in tariff plus tax compensation scheme.		2 € cents/kWh	2 € cents/kWh Wallonie: investment subsidy	2 € cents/kWh Wallonie: investment subsidy	2 € cents/kWh Wallonie: investment subsidy
Cyprus	Governmental grants of 30-40% plus feed-in tariffs	Although the government intends to make Cyprus less dependent on imported energy, the infrastructure is set up for fossil fuel generation.	Landfill & Sewage: Investment grant plus 6.3 € cents/kWh	Investment grant; 6.3 € cents/kWh	Investment Subsidy	
Czech Rep	Minimum feed-in tariffs (Purchase price or Green premiums). Taxes reduction	PP: purchase price for the electricity supplied to the network. GP: green premium for the electricity supplied to a trader or eligible customer. Methods may not be combined	8.3 - 11 € cents/kWh (PP) 4.2 - 7 € cents/kWh (GP)	8.5 - 12.3 € cents/kWh (PP) 4.4 - 8.2 € cents/kWh (GP)		16.4 € cents/kWh (PP) 12.8 € cents/kWh (GP)
Denmark	Green certificates system plus feed-in tariff		4 € cents/kWh	4 € cents/kWh (guaranteed for 10 years) plus 1 € cents/kWh guaranteed for RE certificate	4 € cents/kWh	
Estonia	Tax incentives plus feed-in tariffs	Changes in the law opens the possibilities for producing wind energy profitability.		1.8* Residential price for 7 years		
Finland	Exemption from energy tax for renewable energy	Feed-in tariffs and green certificates are being analysed.		4.2 € cents/kWh (approx)		
France	Feed-in tariffs (<12 MW), and Feed-in tariffs plus: tender (>12 MW), guaranteed for 15-20 years and rates adjusted by inflation. Fiscal Incentives	Administrative and grid barrier exists.	7.5 - 11 € cents/kWh (15 years)	7.5 - 11 € cents/kWh (15 years)	7.5 - 11 € cents/kWh (15 years)	10 - 15 € cents/kWh (15 years)

Germany	Feed-in tariffs plus. Investments subsidies (except wind). Subsidised loans for wind investments.	Limited grid capacity hampers the growth of onshore wind. Technical problems on offshore wind.	Sewage and landfill: < 500 kW 7.7 € cents/kWh; > 500 kW to 5 MW 6.6 € cents/kWh	< 150 kW 11.5 € cents/kWh; 150 kW <p<500 kW 9.9 € cents/kWh; 500 kW <p<5 MW 8.9 € cents/kWh 1.5% decrease per year (20 years)		< 5 MW 15 € cents/kWh 5 MW<p< 10 MW 14 € cents/kWh 10 MW<p< 20 MW 8.95 € cents/kWh > 20 MW 7.16 € cents/kWh
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	Hydro L - S	SS Hydel	Photovoltaics	Solar Thermal	Tidal & Wave	Wind onshore	Wind offshore
Ireland						5.7 € cents/kWh	
Italy		Tradable green certificates	Tradable green certificates. Feed-in tariffs ranging from 36 € cents/kWh and 49 € cents/kWh	Tax deductions (heat)	Tradable green certificates	Tradable green certificates	Tradable green certificates
Latvia							
Lithuania		6.9 € cents/kWh				6.9 € cents/kWh	
Luxembourg		<3 MW 2.5 € cents/kWh for 10 years.	<50 MW for 20 years 25 € cents/kWh (municipality) 45 - 55 € cents/kWh (other) Investment compensation scheme.			<3 MW 2.5 € cents/kWh for 10 years. Investment compensation scheme.	
Malta							
Netherlands							

	Main Supporting policies	Key Factors	Biogas	Biomass	Geothermal
Poland	Green Power Purchase Obligation	No clear enforcement mechanism. There are environmental funds on all levels of the administration supporting the developments of RES			

Portugal	Feed-in tariffs (formula) Investments subsidies Tax incentives				
Slovakia	There is no specific support for wind and solar energy. Biomass is supported in remote rural areas.	Current low energy prices. The government only recognizes potential for biomass in remote rural areas			
Slovenia	Feed-in tariffs.	Administrative problems for acquiring permissions. Regulation establishes a contractual framework between network operator and generator including 10 year contract.		<1 MW 6.98 € cents/kWh >1 MW 6.76 € cents/kWh	6.11 € cents/kWh
Spain	The producer may choose between: Preferential tariff (T); or Premium price (P) (cap and floor)	Transparent support scheme and high feed-in tariffs deliver high investment certainty.	<500 MW 13.07 (T) - 9.77 (P) € c/kWh >500 MW 9.68 (T) - 5.78 (P) € c/kWh (15 year)	<2 MW 15.89 (T) - 11.53 (P) € c/kWh >2 MW 14.65 (T) - 10.09 (P) € c/kWh (15 year)	<50 MW 6.89 € cents/kWh (T) 3.84 € cents/kWh (P) (20 years)
Sweden	Electricity certificates Investment grants for wind	The certificate system will form an incentive to invest in the most cost-effective options. Volatility in prices cause uncertainty on investors.		Green certificates	Green certificates
United Kingdom	Obligatory targets with tradable green certificate system. Climate change levy (0.63 € cents/kWh aprox.) Green schemes	Grid connection issued could disadvantage RES support programs. Obligatory demand is set to 2027 ensuring long-term demand. RES-E economically viable.		Green certificates	Green certificates

Source: EC “The share of renewable energy in the EU” and IEA “Global renewable energy”

Annex 7: Operation and funding of regional and country funds¹³⁰

a. Regional funds

IFI/DO-NOR	Name of Fund	Structure				Countries								Amount M€			
		Mixed/EE Loan	Loan	TA	Grant	Guarantee	Albania	Bosna and Hercegovina	Croatia	FYRo Macedonia	Montenegro	Serbia	Kosovo	Mixed/EE Loan	Loan	TA	Grant
EBRD	WeBSEDF	Y	Y**			Y	Y	Y	Y	Y	Y	(incl Kosovo)	64.00		2.00		
EBRD	WBPSF - SEEF	Y				Y	Y	Y	Y	Y	Y	(incl Kosovo)	50.00				
KFW	Banking Facility for Sustainable Energy Finance	Y	Y				Y		Y	Y	Y	Y	116.00		3.50		
UNECE	Eastern Europe Energy Efficiency Fund/EE21	Y	Y			Y	Y	Y	Y		Y		30.00		6.15		
USAID / Hellenic AID	SYNERGY		Y			Y	Y	Y	Y	Y	Y				8.00		
GIZ	Open Regional Fund		Y			Y	Y	Y	Y	Y	Y	Y			3.00		
CEI Trust Fund	Italian Government at EBRD		Y			Western Balkan States										1.40	
	EEFF 2007/ IPA 2007 Total												136.60			34.70	
EC/EBRD	EBRD WeBSECLF	Y	Y	Y*		Y		Y	Y	Y		(incl Kosovo)	54.80			13.50	
EC/EIB	EIB	Y	Y	Y*									54.00			13.50	

¹³⁰ Review of Financial Support Facilities Available for Energy Efficiency and Renewable Energy in the Western Balkans, June 2011, EU funded report, prepared by Consortium led by PM Group

EC/CEB/ KfW	CEB/KfW		Y	Y	Y*		Y	Y		Y	Y	Y	Y		30.80		7.70
EC/EIB/ KfW/ EBRD	Green for Growth Fund (GGF)		Y	Y	Y***		Y	Y	Y	Y	Y	Y	Y		128.00	6.50	
Y*	TA and grant comes from IPA 2007																
Y**	TA comes from EBRD Institutional capacity building fund																
Y**	grant comes from EC IPA 2009 Crisis Response Package																
Subtotal Funds	11	0	8	10	4	0	8	10	7	9	9	10	4	0	527.60	30.55	34.70

b. Country funds

IFI/ DO- NOR	Name of Fund	Structure											Countries			Amount M€		
		ed/EE oan	Loan	TA	grant	guarantee	Albania	Bosna and Hercegovina	Croatia	YRo acedonia	ontenegro	Serbia	Kosovo	ed/EE oan	Loan	TA	Grant	
USAID + SIDA	Development Credit Au- thority facility for EE to BiH					Y			Y									
USAID	Develop- ment Credit Authority facility for EE to FYRo Macedonia					Y				Y								
GIZ	Modemising municipal services			Y									Y			1.50		
GIZ	Advisory services on energy efficiency			Y							Y					1.50		

KFW	Municipal infrastructure credit line project (MI-CLP) Serbia	Y		Y							Y			60		1.60	
World Bank	Energy efficiency project in Montenegro		Y	Y							Y				7.71		
World Bank	GEF Sustainable Energy Project FYRo Macedonia									Y							
IFC	EE Loan Serbia		Y	Y	Y						Y				15.10		
World Bank	Energy efficiency project Serbia		Y								Y				18.75		
World Bank	Energy efficiency project Serbia additional financing										Y				22.50		
Italian Government	Italian credit line in Serbia	Y									Y			30			
Croatian Government	Environmental protection and energy efficiency fund to Croatia		Y	Y	Y				Y						depends on state budget		
Swiss Cooperation Office	Efficient Energy Distribution				Y					Y							7.6
Government of Spain	Grant of Kingdom of Spain to Serbia				Y						Y						0.2
Total Country funds 14	Country funds sub-total by type of facility, country and amount	2	5	6	5	2	0	1	1	3	2	6	1	90	64.06	4.60	12.30
Total regional and country funds 25	Total regional and country funds sub-total by type of facility, country and amount	2	13	16	9	2	8	11	8	12	11	16	5	90	591.66	35.15	47.00

c. Household and housing associations funds

End-borrower	IFI/DONOR	Name of Fund	Structure					Countries						
			Mixed/EE Loan	Loan	TA	Grant	Guarantee	Albania	Bosnia and Herzegovina	Croatia	FYRo Macedonia	Montenegro	Serbia	Kosovo
Private households	EC/EIB/KfW/EBRD	Green for Growth Fund		Y	Y			Y	Y	Y	Y	Y	Y	Y
	UNECE	FEEI			Y			Y	Y		Y		Y	
	USAID + SIDA	Development Credit Authority facility for EE to BiH					Y		y					
	KfW	Banking Facility for Sustainable Energy Finance		Y	Y			Y	Y		Y	Y	Y	Y
	IFC	EE Loan Serbia		Y	Y	Y							Y	
	USAID	Development Credit Authority facility for EE to FYRo Macedonia					Y				Y			
Total of funds available for private households by type and country			0	3	4	1	2	3	4	1	4	2	4	2
Housing association		IPA 2007 Energy Efficiency Finance Facility (EEFF)		Y				Y	Y	Y	Y	Y	Y	
Total of funds available for private households & housing associations			0	4	4	1	2	4	5	2	5	3	5	2

d. SME and industry funds

End-borrower	IFI/DO-NOR	Name of Fund	Structure			Countries									
			Mixed/EE Loan	Loan	TA	Grant	Guarantee	Albania	Bosna and Hercegovina	Croatia	FYRo Macedonia	Montenegro	Serbia	Kosovo	
SMEs/ Industry					Y**										
	EC/EIB/KfW/EBRD	Green for Growth	Y	Y			Y	Y	Y	Y	Y	Y	Y		
	EC/EBRD	EBRE WeBSE-CLF/IPA 2007 (EEFF)	Y	Y	Y*		Y			Y	Y	Y			(incl Kosovo)
	EC/EIB	EIB/IPA 2007 (EEFF)	Y	Y**			Y	Y	Y	Y	Y	Y			
	EC/KfW/CEB	KfW/CEB/IPA 2007 (EEFF)	Y	Y**			Y						Y		
	EBRD	WBPFSS - SEEF	Y				Y	Y	Y	Y	Y	Y	Y		(incl Kosovo)
	EBRD	WeBSEDF	Y	Y**			Y				Y				(incl Kosovo)
	UNECE	FEEI		Y			Y	Y		Y		Y			
	Croatian Government	Environmental protection and energy efficiency fund for Croatia	Y	Y	Y				Y						
	IFC	EE Loan Serbia	Y	Y	Y								Y		
	Italian Government	Italian credit line in Serbia	Y										Y		
	World Bank	GEF Sustainable Energy Project FYRo Macedonia			Y						Y				
	KfW	Banking Facility for Sustainable Energy Finance	Y	Y			Y	Y		Y	Y	Y	Y		
	GIZ	Open Regional Fund		Y			Y	Y	Y	Y	Y	Y	Y		
Total Funds Available for SMEs and Industrial Enterprises			1	9	11	4	0	7	8	5	8	7	11	3	

e. ESCO funds

End-borrower	IFI/DONOR	Name of Fund	Structure						Countries						
			Mixed/EE Loan	Loan	TA	Grant	Guarantee	Albania	Bosna and Hercegovina	Croatia	FYRo Macedonia	Montenegro	Serbia	Kosovo	
ESCOs	EC/EIB/KfW/EBRD	Green for Growth Fund		Y	Y				Y	Y	Y	Y	Y	Y	Y
	GIZ	Open Regional Fund			Y				Y	Y	Y	Y	Y	Y	Y
Total funds available for ESCOs			0	1	2	0	0	2	2	2	2	2	2	2	2
Renewable energy companies	EC/EIB/KfW/EBRD	Green for Growth Fund		Y	Y				Y	Y	Y	Y	Y	Y	Y
	GIZ	Open Regional Fund			Y				Y	Y	Y	Y	Y	Y	Y
Total funds available for RE companies			0	1	2	0	0	2	2	2	2	2	2	2	2

f. Municipality funds

End-borrower	IFI/DONOR	Name of Fund	Structure						Countries						
			Mixed/EE Loan	Loan	TA	Grant	Guarantee	Albania	Bosna and Hercegovina	Croatia	FYRo Macedonia	Montenegro	Serbia	Kosovo	
Municipalities	EIB	IPA 2007 EE Facility		Y	Y**				Y	Y	Y	Y	Y	Y	
	EBRD	WeBSEDF		Y	Y***					Y		Y	Y		(incl Kosovo)
	KfW/CEB	IPA 2007 EE Facility		Y	Y**				Y						
	UNECE	FEEI			Y				Y	Y		Y	Y		

	Croatian Government	Environmental protection and energy efficiency fund to Croatia		Y	Y	Y						Y					
	KFW	Municipal infrastructure credit line project (MICLP) Serbia	Y		Y												Y
	Italian Government	Italian credit line in Serbia	Y														Y
	GIZ	Open Regional Fund			Y			Y	Y	Y	Y	Y	Y	Y			
	Italian Government at EBRD	CEI Trust Fund			Y		Western Balkan States										
	USAID/Hellenic AID	SYNERGY			Y			Y	Y	Y	Y	Y	Y	Y			
	KFW	Banking Facility for Sustainable Energy Finance		Y	Y				Y				Y	Y			
	GIZ	Modernising municipal services			Y												Y
	USAID + SIDA	Development Credit Authority facility for EE to BiH						Y		Y							Y
	USAID	Development Credit Authority facility for EE to FYRo Macedonia						Y				Y					
Total funds available for municipalities			2	5	11	1	2	6	8	5	7	6	9	2			

e. Public sector activity funds

End-borrower	IFI/DONOR	Name of Fund	Structure											Countries				
			Mixed/EE Loan	Loan	TA	Grant	Guarantee	Albania	Bosna and Hercegovina	Croatia	FYRo Macedonia	Montenegro	Serbia	Kosovo				
Public Buildings	EIB/KfW/EBRD	Green for Growth Fund	Y	Y			Y	Y	Y	Y	Y	Y	Y					
	UNECE	FEEI		Y			Y	Y		Y		Y						
	World Bank	Energy efficiency project in Montenegro	Y								Y							

Annex 8: Information on the legal and institutional arrangements in the area of energy efficiency in several EU and Balkan countries.

Information on legal and institutional arrangements in the area of energy efficiency in several EU countries follows:

Country/Area	Law on EE related areas*	EE public institution/agency	Dedicated public funding promoting EE**	Name of EE Institution/Agency
Finland	Yes	yes	yes	Motiva Oy
Estonia	Yes	no	yes	--
Slovakia	Yes	yes	yes	Slovak Innovation and Energy Agency
Ireland	Yes	yes	yes	Sustainable Energy Ireland (SEI)
Latvia	Yes	yes	yes	Building, Energy & Housing State Agency
Lithuania	Yes	yes	yes	State Enterprise Energy Agency
Slovenia	Yes	yes	yes	Agency for Efficient Use of Energy

* All these EU countries have adopted all EC Directives on EE

** All these EU countries benefit from the EC public funding of various EE programs promoting EE measures

Information of legal and institutional arrangements in the area of energy efficiency (EE) in several countries of the region, including Kosovo, follows:

Country	Law on EE	Agency for EE or Agency for Energy	Public EE Fond	Donor EE Funding
Albania	yes	yes	yes	Yes
Macedonia	yes*	yes	yes**	Yes
Montenegro	yes	no	no	Yes
Kosovo	yes	Not yet functional	no	Yes
Croatia	yes	yes	yes	Yes
Rumania	yes	yes	yes	Yes
Bulgaria	yes	yes	yes	Yes

* There is a separate chapter on EE and RES in the Law on Energy

** Establishment of the Fund for Energy Efficiency is anticipated in the Macedonian First Energy Efficiency Action Plan 2010-2018

Annex 9: Reasons on the need for establishing communal energy offices (CEO)

1. Implementation of the EU *acquis* on energy, among others, requires also establishing systems for developing credible statistics which must follow Eurostat guidelines, including implementing the bottom-up approach instead of the top-down one which is being implemented presently, resulting in incomplete energy statistics. This means that energy data gathering should be processed by engaging dedicated structures/organizations at the municipal level. Further, development of energy statistics should be based on reliable data collected at the municipal level following Eurostat methodologies.

The economic planning process of sustainable development of communes in Kosovo should include the energy dimension and its implications. Although many communes have prepared their economic development strategies, all these strategies make little or no mention of energy requirements to support local economic development and the need to enhance energy savings, so that the competitiveness of local businesses and productions increases.

3. Achieving national targets for increasing energy efficiency cannot be achieved without engaging local authorities and organizations in this process.
4. Main responsibilities of the Communal Energy Offices (CEOs) are presented in the following box.

Main Responsibilities of Communal Energy Offices (CEOs)

1. CEOs will develop the Municipal Energy Efficiency Action Plan, in line with the instructions of the Kosovo Energy Efficiency Agency (KEEA), and deliver it to the KEEA.
2. CEOs will develop the Communal Energy Efficiency Action Plan Implementation Progress Report, in line with the instructions of the Kosovo Energy Efficiency Agency, and deliver it to the KEEA.
3. CEOs will periodically update the database of the energy consumption and energy resources at the municipal level, including the household, agriculture, transport, industry, construction, and service sectors.
4. CEOs will perform energy planning activities at the municipal level so that these support the municipal sustainable economic and social development.
5. CEOs will promote energy efficiency and energy saving at the municipal level.
6. CEOs will promote awareness on energy auditing by Energy Service Companies (ESCOs) as a key measure to ensure energy efficiency and energy saving.

Annex 10: Barriers to energy efficiency in the Western Balkans

Barriers to energy efficiency in the Western Balkans

Since EE is a cross-cutting issue covering several policy areas, competencies and technologies, barriers exist in all principal elements of the institutional framework:

- **Legal and regulatory frameworks are inadequate.** A clear legal and regulatory framework is a prerequisite for EE investments. All countries (except BiH) now have a basic EE legal framework or are developing one, but more progress needs to be made on the effective implementation of these frameworks.
- **Incentives of all kinds are lacking.** These should be both of the demand-pull as well as the supply-push variety. Examples of important demand-pull incentives are introducing codes and standards, creating end-user awareness, and making concessionary financing available. Supply side measures involve actions such as providing tax incentives and financing for enterprises, easing import restrictions and duties on importing energy efficient equipment, training of auditors, architects and contractors, etc.
- **Training and know-how are scarce.** Despite good education systems, professional skills, knowledge, and expertise for technology distribution are scarce. Few architects, engineers, plumbers, and installers have the technical skills or knowledge to exploit energy savings potential and training is unavailable; EE training is not included in most course curriculums. Also, without adequate systems and skills to reliably measure and verify energy savings, EE measures will not be implemented on a large enough scale.
- **High investment costs for energy efficiency technology.** New technology costs are high; most new technologies confront this barrier, but in countries facing energy poverty, the shortage of capital and the lure of more lucrative investments deter consumers. Loans to implement EE measures can be difficult to obtain and carry high interest rates. Financial institutions typically consider EE investments high risk compared to traditional asset-based financing, especially where investments cannot be easily repossessed, such as in home insulation investments.
- **Modern building codes and EE standards for appliances and equipment should be introduced and enforced.** Such building codes should be based on the European Building Directive, while appliance and other equipment standards should seek to meet EU standards as well. Sustained public information campaigns and national level control mechanisms should be implemented.
- **Energy efficiency funds should be created.** Many EE measures require investments with a payback period that is longer than many consumers find acceptable. EE funds could provide subsidies for implementing EE investments, shortening the payback periods, and help provide access to below-market rate financing where necessary.
- **Targeted information campaigns should be launched** to raise awareness of the benefits of EE among consumers. Consumers at all levels lack information to support EE behaviour changes. For example, consumers often lack meters or heat cost allocators for district heating and billing information (all forms of energy) that would make them aware of their patterns of energy consumption. As a result, they have no idea how their consumption compares to that of their peers, how their consumption could be reduced, or what the benefits of reduced consumption are.
- **Energy prices are low and cross-subsidized, while non-payment is a significant issue.** Energy tariffs are low and cross-subsidized in all countries except Albania; this does not encourage energy efficiency investments, especially since the upfront cost of these investments is often quite high, because it does not help save consumers the full cost of energy avoided. In cases where consumers steal or otherwise don't pay for their energy consumption, strong incentives to undertake energy efficiency measures are lacking, except as a by-product of measures to enhance comfort in buildings.

Source: Status of Energy Efficiency in the Western Balkans, A Stocktaking Report, World Bank, June 15, 2010

3. Transport in Kosovo

- *Synthesis on current situation, standards and challenges*

Introduction

In 2004, countries of South-Eastern Europe region, including Kosovo, signed the Memorandum of Understanding¹³¹ (MoU) in order to develop an effective and sustainable regional transport network. In 2007, the purpose of the Memorandum was expanded to include development of a regional railway transport area¹³². Development of regional transport network was based on a multi-year planning (MYP)¹³³ drafted by SEE Transport Observatory (SEETO). The 5-year objective of MoU and MYP predicts measures and actions that will be implemented by signatory parties regarding development of infrastructure and reformatory policies. MoU is expected to be replaced by a legally binding Treaty that will define the SEE Transport Community.

Primary legislation that regulates transport sector in Kosovo includes the law on roads, law on road transport, law on road safety and law on railway. Secondary legislation is being developed, but it needs to be harmonized with European Union laws and policies. Even though some progress in Kosovo can be noticed on development of road infrastructure in the field of trans-European transport network as well as in development of legislation, institutional capacity to implement reforms and investments still remains weak. A transport planning unit (TPU) was established at the Ministry of Transport and Telecommunication in 2007. A CARDS 2006-funded project supported development of the strategy on multi-modal transport and improvement of TPU capacity, considering that the later lacked necessary resources to fulfil its responsibilities regarding planning and quality of transport services and planning of investment projects based on analysis with specific technical criteria and effective allocation of budgetary resources.

The EU integration process and more specifically the one of connection to European transport network confirms that the continued support for structures in charge of transport planning¹³⁴ is necessary in order to study traffic, consolidate quality of services and adapt the transport model to European models as well as to draft a plan for investments in transport sub-sectors.

The Law on road safety requires development and implementation of a road safety network and a respective long-term action plan. Planned measures included in SEETO plan include specific measures on auditing road safety. Law on road transport requires development and implementation of a multiyear action plan on transport of passen-

¹³¹ Agreement on the establishment and operation of SEETO

¹³² Addendum to the Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network for a South East European Railway Transport Area

¹³³ <http://www.seetoint.org/library/multi-annual-plans/>

¹³⁴ C(2011) 4381 final COMMISSION IMPLEMENTING DECISION of 27.6.2011 adopting a Multi-annual Indicative Planning Document (MIPD) 2011-2013 for Kosovo

gers and goods. Public transport sector requires a more efficient regulation. Continued institutional supported is needed for implementation of primary legislation and harmonization with EU acquis. Support is also needed for capacity building and designing big projects with concession-based investments. Presentation of a competitive market in railway sector is a challenge for respective institutions and railway sector in general. The law on railways defines their regulation as well as developing of fully trained and sustainable staff that will attract investments and will enable a transparent and operational market.

- *European Partnership and internal policy framework*

European Partnership Action Plan (EPAP) requires strengthening of regional cooperation as well as active participation in regional initiatives, including close regional cooperation¹³⁵ in the field of rule of law. EPAP requires strengthening of transport policies in lined with SEETO requirements and improvement of infrastructure as per European standards. In the mid-term framework, EPAP requires implementation of the multi-modal transport strategy¹³⁶ and action plans for all transport modes (EPAP 3.3.2 Sectorial policies d).

In October 2008, based on a decision of the Prime Minister a Working Group¹³⁷ on Infrastructure was established in order to coordinate and monitor implementation of EPAP actions on environment, energy and transport. In the meeting of Stabilization-Association Tracking Mechanism on Energy and Transport¹³⁸ the need for empowering and harmonizing legal and regulatory framework with acquis was highlighted, as was the need for strengthening institutional capacity for implementation of investments European Commission has continuously emphasized the need for capacity building in implementation of investments in infrastructure, especially in the railway sector.

- *Multi-year Indicator Planning Document (MIPD)*

Defined priorities according to Economic Criteria of MIPD 2009-2011 and verification of harmonization of policies and legislation with those of the EU (MIPD 2011-2013) include improvement of infrastructure and strengthening of institutional capacity as a key point for economic growth and improvement of governance practices in the sector. Priorities for European Integration in MIPD have to do with the support for strategies and policies in line with the European Standards in the field of transport¹³⁹.

Expected results defined in MIPD include: improvement of road safety through empowerment of operational structures and improvement of services by licensed operators

¹³⁵ PVPE 3.1.3 Çështjet Rajonale dhe Detyrimet Ndërkombëtare

¹³⁶ PVPE 3.3.2 Politikat Sektoriale, pika d

¹³⁷ <http://www.mei-ks.net/?page=1,100>

¹³⁸ <http://www.mei-ks.net/?page=1,78>

¹³⁹ White paper 2011 - Roadmap to a Single European Transport Area - Towards a competitive and resource efficient transport system / http://ec.europa.eu/transport/themes/strategies/2011_white_paper_en.htm

within Kosovo and connections that Kosovo has with neighbouring countries, as well as assistance for Kosovo to participate in regional cooperation mechanisms. Assistance given to Kosovo must ensure strengthening capacities for strategic development¹⁴⁰ and planning of infrastructure, including compliance with respective regulations on environment impact assessment.

3.1. Legislation

Harmonization of transport legislation with EU acquis and guarantees for fair competition in transport market.

Level of harmonization of legislation with EU acquis in transport sector is mainly based on existing internal capacities in the respective Department at the Ministry of Infrastructure, meanwhile the technical assistance is required and needed to address specific priorities included in EPAP. Furthermore, it must be emphasised that specific trainings must be organized, which are appropriate and based on specific needs of not only legal department¹⁴¹. From the other hand, non-discriminatory and unlimited approximation in transport market and creation of an open competition environment is made possible based on the applicable law (Law on Road Transport no. 2004/1, amendment and supplement of the Law on Road Transport for goods and Administrative Instruction (AI) 2/L-127, AI 1/2009 on Licensing of Operation of Road Transport for goods and AI 1/2009 on Licensing of Operation for Urban Transport of passengers).

Technical assistance received from “Egis International” as part of the EC project ‘Support to implementation of EU/TCA transport community’ implemented in cooperation with the Ministry of Infrastructure has conducted an assessment of level of compliance of local transport legislation with that of the EU. The work on harmonization of the legislation is on-going.

Law on Road Safety No. 02/L-70 in line with Directive 2009/40/EC, but it is partially in line with Regulation 3821/85 on tachygraphy, Regulation 561/06 on safety, Regulation 2003/59 on qualification of professional drivers, Directive 2002/15 on working hours, Directive 96/53 on dimensions, while there is no compliance with Directive 2006/22, Regulation 581/10, Directive 92/6 on speed limits, Regulation 661/09, and Directive 2000/30.

Law on Road Transport no. 2004/1 is partially in compliance with EC Regulation No. 1071/2009, Regulation 1072/2009, Regulation 1073/2009, while there is no compliance with Regulation 3916/90 on facing crises in transport of goods.

Law on Transport of Dangerous Goods No. 2004/6 is partially in line with Directive 95/50/EC and it is in full compliance with Directive 2008/68/EC on Roads No. 2003/11.

¹⁴⁰ MIPD (DPSHTV) 2011-2013

¹⁴¹ See internal structure of the Ministry of Infrastructure <http://mi-ks.net/index.php/sq/15>

Drafting of the Law on Safety includes requirement in the field of safety and it is in compliance with the EU acquis. All envisioned requirements by the law will be met by the Secretariat on Road Traffic Safety and by respective departments. Further, amendments to the Law on Road Safety and other bylaws will be drafted in lines with the EU Directives [(2009/40/EC with recommendation 2010/378/EU), (2000/30/EC (amendment 2010/47/EU) with recommendation 2010/379/EU, 2007/38/EC, 2007/46/EC, 1996/53/EC, 1992/6/EEC annex 2002/85/EC) and 1999/37/EC].

Law on road transport and Law on Transport of Dangerous Goods are expected to be passed by the Assembly of Kosovo at the end of 2012¹⁴². In general, the domestic legislation in the sector needs to be revised and harmonized with the EU legislation and it will be part of the legislative agenda for 2013.

Regarding environment, the Administrative Instruction 2008/13, in Article 21, on technical control of vehicles defines standards for gas emissions into atmosphere. All passenger vehicles imported need to comply with EURO 3 Gas Emission Standards at least, while vehicles over 3, 5 tons (buses, trucks, etc.) must meet EURO 1 Gas Emission Standard (based on Law no. 02/L-70 on road safety and AI on vehicle homologation 2008/8).

Technical Control Centres (TCC) for vehicles are equipped with equipment for testing gas emissions. Registered vehicles are not required to meet the above-mentioned standards during the technical control and during annual vehicle registration. Actual testing of gas emission is of experimental (informative) nature.

Plan for development and building of administrative capacities in the sector

Regarding legal framework on recruiting human resources¹⁴³ and development of their capacities Regulation No. 05/2012 on classification of posts in civil service, Regulation no. 08/2012 on Standards of internal organization and systematization of posts in state administration, and Regulation no. 08/2012 on additional civil employees are applicable as legal measures.

Based on various government policies at central level, plans have been made to develop capacities of human and institutional resources and restructuring of Strategic Development Plan 2010-2014¹⁴⁴. Regarding internal re-organization issues, the internal structure of the Department for European Integration and Coordination was completed at the respective unit for European Integration; Department on Civil Aviation was re-organized in 2011; Road Safety Council Secretariat was established with Administrative Instruction 18/2008 on 14 January 2009, while the Department of Road Infrastructure will be re-organized at the end of 2014.

¹⁴² Bills under review: <http://www.assembly-kosova.org/?cid=1,194&filter=27>

¹⁴³ Këshilli i Pavarur Mbikëqyrës për Shërbimin Civil të Kosovës : <http://kpmshc.rks-gov.net/?cid=1,5>

¹⁴⁴ Ministria e Transportit dhe Telekomunikacionit e Kosovës / PLANI ZHVILLIMOR STRATEGJIK 2010-2014

On the other hand, the Department of Road Transport is going through re-organization process and this process¹⁴⁵ will be completed within 2013. In order to further develop and train human resources it is required to continue with organization of specific trainings, mainly in the field of harmonization of European legislation and policies at the sub-sectorial level such as audit of road safety, training and licensing of vehicle drivers, national and municipal road maintenance, gas emission, etc., study visits and exchange of experiences in the field of transport sector.

3.2. Coordinated strategic planning in transport

Transport sector is one of strategic priorities¹⁴⁶ in the programme of the Government of the Republic of Kosovo, which in past three years resulted with increased investments. Implementation of about 200 projects, including road construction, reconstruction and maintenance covering 900 km national, regional and municipal roads has considerably improved road network. Ministry of Infrastructure is in charge of 1,950 km (650 km national roads and approximately 1,300 km regional roads). Municipalities are in charge of about 6,571 km municipal roads. The Ministry prepares and revises its standard documents on annual basis for strategic planning based on requirements that arise from governmental decision for development of the sector. Regarding orientation of policies, the following documents constitute the basis for the sector development:

- Multi-modal Transport Strategy and its Action Plan;
- Mid-term Expenditure Framework (3-year plan);
- Budget planning (1-year plan).

Strategic planning of the Ministry of Infrastructure is regulated with the Multi-Modal Transport Strategy, a document approved by the Government in 2009. The Strategy was revised during 2010-2012 and it is expected to be approved by the Council of Ministers. The Document takes into consideration 2012-2025 and also contains the action plan and financial costs for 2012-2016. According to the Strategy, Division of Coordination of Policies as part of the Department for European Integration will be responsible for planning and coordination of activities that are related to implementation of the action plan of the Strategy.

¹⁴⁵ Republic of Kosovo Government 'Answers to the questionnaire on the preparation of the Feasibility Study for a Stabilisation and Association Agreement' June 2012

¹⁴⁶ COM (2009) 5343 of 14 October 2009 / The Commission Communication "Kosovo - Fulfilling its European Perspective"

Table 01: Estimated expenditures of MTEF¹⁴⁷ 2013-2015

	2012	2013	2014	2015
Total	275,971,941	693,627,408	250,528,450	144,540,250
Salaries and wages	1,223,430	1,306,358	1,399,000	1,439,850
Goods and services (including maintenance of road network)	7,539,506	16,245,100	13,332,750	13,155,500
Needed services	105,190	115,700	115,700	113,900
Subsidies and transfers	2,103,814	2,500,000	2,500,000	2,500,000

Upon approval of MTEF by the Government, these projects are harmonized and become part of the financial annual budget.

Management of assets of the road infrastructure is regularly completed and updated every year with new data which serve for planning purposes. The Ministry of Infrastructure has set up Inventory Database for Roads (IDR). 20 automatic traffic readers were recently installed in national and regional roads. Furthermore, 'Support to Highway and Development Programme HDM IV' was implemented as a basis for planning of needs to maintain and regulate existing road network¹⁴⁸. Regarding regular maintenance of the road network, the Ministry of Infrastructure is planning to improve the regular programme of maintenance from annual planning to multi-year planning, by using performance-based contracts with specialized operators for these services.

Steps taken for implementation of the Memorandum of Understanding of Regional Transport Network of South-Eastern European Countries (SEETO)

As one of the signing countries of the Memorandum of Understanding on Transport Network of South-Eastern Europe Countries, Kosovo has observed all requirements that derive from the document. Kosovo representatives actively participate in all meetings of SEETO, including participation in regular ministerial meetings, meeting of the Steering Committee, meetings of the National Coordinators and Working Groups.

Transport Kosovar Network is part of the core Transport Network of SEE countries in the following directions:

- Shkup – Prishtinë – Mitrovicë - Zubin Potok – Serbia (R6);
- Prishtinë – Airport – Pejë – Mali i Zi (6A);
- Durrës – Morinë – Prishtinë – Merdarë – Nis (R7);
- Railway line 10 Lesak – Hani i Elezit; and
- Prishtina International Airport (PIA).

As an active participant Kosovo has managed to plan development of a core transport

¹⁴⁷ Mid-Term Expenditure Framework shpenzimeve

¹⁴⁸ Republic of Kosovo Government 'Answers to the questionnaire on the preparation of the Feasibility Study for a Stabilisation and Association Agreement' June 2012

network related to the Transport Network of SEE countries¹⁴⁹. This includes investments in strategic projects in roads 6, 6a and 7, as part of future network TEN-T.

Priority projects¹⁵⁰:

- Road lot 6 Shkup – Prishtinë

Lot 6 Shkup-Prishtinë has economic importance for Kosovo and the region since it integrates regional capitals and economic centres in the regional transport network. Ministry of Infrastructure has taken over necessary preparations for implementation of this strategic project, as well as inclusion in the corridor that makes project part of the regional projects.

During the project, the following studies were completed:

- Feasibility Study and Environmental Impact Assessment (EIA), COWI, December 2006;
- Implementation Project, EGIS, June 2010;

Total distance of the road is about 55km. Physically it is divided into two sections:

- North Section: from north of Lipjan to Kaçanik, with a distance of 42 km.
- South Section: From Kaçanik to the border with Macedonia with a distance of 13 km.

Separation of the project in two sections makes possible adaptation to physical and environmental limitations. Also it allows for completion of construction at different phases, if needed. Design standards: In the northern section, the main design is in compliance with TEM standards regarding geometric features for designing speed limit to 120km/hour. In the northern part, a two-lane road is projected (the traffic lanes are of 3.75 m each) with turns starting from 3.0 m. In the southern section, topographic limitations as well as environment limitations and the need to ensure effective costs of design has pushed to making the decision to reduce projected speed to 80km/hour.

The profile of the road in the southern section is determined as follows:

- Road with double lanes with 3.50 m each.
- Green area in width of 2.6 m, with a turn at the centre of New Jersey type.
- Turn in width of 2.5 m.

¹⁴⁹ SEETO Comprehensive Network Development Plan-Five Year Multi Annual Plan 2013 Common problems - Shared solutions December 2012

¹⁵⁰ Republic of Kosovo Government 'Answers to the questionnaire on the preparation of the Feasibility Study for a Stabilisation and Association Agreement' June 2012

Regarding environment protection, a comprehensive study was completed in order to do an environmental impact assessment [EIA, EMMP and the report on noises]. EIA report is in line with requirements of the Directive 85/337/EEC as it was defined by 97/11/EC¹⁵¹. The main limitation of the project in terms of environmental protection has to do with proximity of residences to new infrastructure (noise issue) and thus a road that would have less impacts on people would be better preferred.

Structures

Northern Section

71 structures, which include:

- 33 over-crossings and under-crossings.
- 1 railway crossroad.
- 4 bridges over river.
- 34 hydric structures.

Southern Section

31 structures, which include:

- 2 big water supplies.
- 7 other water supplies.
- 8 over-crossings and under-crossings.
- 1 under-crossing for passengers.
- 13 hydric structures.

Tunnels: In the southern section building of three tunnels is envisioned, where each one of them consists of one two-way tube with a supporting corridor in between, every 300 m. Length of the tunnel is: Kačanik tunnel 2.2 km, Lajçi tunnel 0.9 km and Kashani tunnel of 0.2 km. The project will include all safety equipment according to international standards, including protection signals, automobile signals and different traffic signs, road signs, etc. Road lighting will be provided in service areas, tunnels and crossroads. The project will be implemented depending on financial possibilities.

- Road lot 7 Durrës – Morinë – Prishtinë – Merdarë - Nish

Kosovo Government has identified construction of highway Vermicë-Prishtinë-Merdarë as a high priority investment. This road was identified as regional Road 7 of the Regional Transport Network of the SEE Countries that links Adriatic Sea with North-Eastern Albania, Prizren, Prishtina and it further links through Merdare to Serbia and Nis with TEN corridor X. In April 2012, the Government of Kosovo signed a contract with Bech-

¹⁵¹ Council Directive 97/11/EC of 3 March 1997 amending Directive 85/337/EEC on the assessment of the effects of certain public and private projects on the environment.

tel-Enka¹⁵² company to build the highway (84 km), from Morina at the border with Albania to the crossroad north of Prishtina, divided in 9 different independent lots.

Implementation of the Highway Project has marked significant progress with completion of 60 km of the highway from Morina-Sllapuzhan (segment 1-4°, 38 km) which was open for traffic on 12 November 2011 and Sllapuzhan-Dule-Gurgjicë (segment 4b-5/ crossroad M9, 18.4km) was opened on 27 November 2012¹⁵³. Highly intensive work is continuing to complete unfinished works within 2013.

In addition to this, the project for the segment 7-9 Sllatinë-Prishtinë-Prishtina Veriore (22 km) was approved and implementation process is expected to be completed by June 2013. Highway Morinë-Prishtinë is a closed-system highway (entries and exits are connected only to links to highway) with width of 27.5 metres, with 4 lanes of 3.75m, 3 lanes of slow driving of 27.5m and green area through a width of 4 metres. The projected speed is 120 km/hour. Overall completion of the Highway up to Bes (North Prishtina) is expected to be finished within 42 months. The work was one according the standards defined in the contract.

Ministry of Infrastructure, design and implementation companies have constantly worked on project cost management, which are within the planned budget and in line with the Contract predictions. The highway was funded by the Kosovo budget and the dynamic action plan is in line with the available budget and cash-flow plans.

- Projects for expanding national roads N9/R6a Prishtinë-Pejë-Mali i Zi (funded by Kosovo Budget)

Road Prishtinë – Sllatinë was completed with a distance of 8 km, with an overall project amount¹⁵⁴ of 38.9 million Euros.

The work in segment Sllatinë-Gjurgjicë, in length of 21 km, is almost finished, with an overall project value of 56.6 million Euros.

- Projects for expansion of national roads N9/R6a Prishtinë – Mitrovicë (funded by Kosovo Budget)

Road Prishtinë- Shkabaj Crossroad was completed, in length of 3 km, where the overall project value¹⁵⁵ was 11.1 million Euros.

¹⁵² Bechtel-Enka JV Awarded Contract to Build Kosovo Motorway April 12, 2010 / <http://www.bechtel.com/2010-04-12.html>

¹⁵³ <http://www.kohaditore.com/?page=1,3,117222>

¹⁵⁴ Republic of Kosovo Government 'Answers to the questionnaire on the preparation of the Feasibility Study for a Stabilisation and Association Agreement' June 2012

¹⁵⁵ Ibid.

The work in the road Shkabaj-Miloshevë, in length of 5.7 km, is almost finished, with an overall project amount of 15.6 million Euros.

3.3. Institutional Framework: Regulatory and monitoring authorities in transport sector

Regulatory authorities regulate sub-sectors and report directly to the Assembly of Kosovo, while the investigation of accidents and incidents related to aviation and railways is completed by a permanent body¹⁵⁶ within the Office of Prime Minister, which sends its report to the Assembly and Government.

Road Transport – Council on Road Traffic Safety was established in October 2008, based on the administrative instruction No. 18/2008 in line with Articles 5 and 6 of the Law No. 02/L-70 on Road Traffic Safety. The Council on Road Traffic Safety together with the Ministry of Infrastructure represents an advisory entity for the Government and its work is supported by the Secretariat within the Ministry of Infrastructure.

Railway transport– Regulation of railway sector¹⁵⁷ was drafted by Railway Regulatory Authority (RRA), which is a functional and operational body that reports to the Assembly of Kosovo. Monitoring of railway safety is a responsibility of the Department of Railway Safety, as part of RRA. On the other hand, investigations of railway accidents and incidents in the sector of aviation and railways are completed by the Investigation Commission of accidents and incidents in the aviation and railway sector that reports to the Commission for Investigation of Aeronautic Accidents and Incidents, that operates within the Office of the Prime Minister (Prime Minister’s Decision No. 03/68, dated 12.06.2009) and the Law on railways (Law No. 03/L076 on Railways).

Air Transport – Responsibilities of institutions in air transport are defined by the Law No. 03/L-051 on Civil Aviation. Civil Aviation Authority¹⁵⁸ (CAA) is an independent authority that reports for its work to the Assembly of Kosovo and is in charge of regulating and monitoring civil aviation safety in Kosovo. This authority regulates economic aspects of civil providers of civil air transport and airports. CAA is a self-financing body through a safety tariff that is charged to passengers’ tickets. Regulation on economic aspects and licensing of air transport operators is completed by the Department of Civil Aviation that is part of the Ministry of Infrastructure.

Regulation and monitoring of aviation safety is completed by the Committee on National Civil Aviation Safety as part of Ministry of Internal Affairs established by the Office of the Prime Minister based on Article 89 of the Law on Civil Aviation and line with Decision No. 08/19 dated 15 June 2011. Investigation of accidents in civil aviation

¹⁵⁶ Komisioni për Hetimin e Aksidenteve dhe Incidenteve Aeronautike (KHAIA) ~ <http://www.kryeministri-ks.net/?page=1,155>

¹⁵⁷ <http://arh-ks.weebly.com/index.html>

¹⁵⁸ http://www.caa-ks.org/index.php?option=com_content&view=article&id=320&Itemid=127&lang=sq

is completed by Investigation Commission of Aeronautic Accidents and Incidents that operates as part of Office of the Prime Minister (Prime Minister's decision no. 03/68, dated 12.06.2009). Investigation Commission of Aeronautic Accidents and Incidents that operates within Office of the Prime Minister operates based on the Law no. 03/L-051 on Civil Aviation. Independence of regulatory authorities is guaranteed by the Constitution and also by above-mentioned applicable laws.

3.4. Road transport and market access: challenges for harmonization of standards

Based on the legislative strategy of the Government for 2012, the Law on Road Transport is now in its final version awaiting the vote of the Assembly¹⁵⁹. The bill is in line with specific norms referred to by EU *acquis communautaire*, specifically with the following regulations: 1071/2009¹⁶⁰, 1072/2009¹⁶¹ and 1073/2009¹⁶² and it includes market access, duration of driving and resting.

The criteria for market access are specified in the Law on Road Transport no. 2004/1, amendments and annex to the Law on Road Transport -2/L-127, AI 3/2011 on Licensing of Operators of Road Transport for goods, and AI 1/2009 on Licensing of Operators on urban transport of passengers. Operators must meet the following criteria in order to enter the market:

- Professional competence;
- Good reputation;
- Sustainable financial sources.

Professional competences are implemented when the manager and driver of the company are trained and certified by the Commission of Professional Competences and by respective authority as part of the Ministry of Infrastructure and accredited by IRTU¹⁶³. Good reputation is won if the operator of transport of goods and passengers operates without any legal or administrative or fiscal constraint in completion of its activity.

Healthy/sustainable financial account is in place when the physical and legal entity possesses an amount of 10.000 Euros when the business is registered, and has an additional 5000 Euros for every additional vehicle for the transport of goods. Regarding

¹⁵⁹ Bills under review: <http://www.assembly-kosova.org/?cid=1,194&filter=27>

¹⁶⁰ Regulation (EC) No 1071/2009 of the European Parliament and of the Council of 21 October 2009 establishing common rules concerning the conditions to be complied with to pursue the occupation of road transport operator and repealing Council Directive 96/26/EC

¹⁶¹ Regulation (EC) No 1072/2009 of the European Parliament and of the Council of 21 October 2009 on common rules for access to the international road haulage market

¹⁶² Regulation (EC) No 1073/2009 of the European Parliament and of the Council of 21 October 2009 on common rules for access to the international market for coach and bus services, and amending Regulation (EC) No 561/2006

¹⁶³ International Road Transport Union / http://www.iru.org/en_about-road-transport

passengers, the amount required by the operator is 2000 Euros, and 3000 Euros for the first vehicle, while the amount required for any additional vehicle is 2000 Euros.

Road driving standards in Kosovo: social rules related to driving, rest time and road safety

Four criteria for accessing road transport of passengers and goods were added and made part of the primary and secondary legislation in place, such as the Law 2004/1 on Road Transport, Law No. 02/L-127 on amending and supplementing the Law on Road Transport 2004/1, AI 3/2011 on Licensing of Operators for Road Transport of Goods and AI 1/2009 on Licensing of Operators for Urban Transport of Passengers.

Rules for driving and rest time are described in the Law on road traffic safety. Articles 295 and 296 specify rules for driving and rest intervals for drivers who drive buses, transport vehicles or in cases of combination of vehicles where the maximum allowed weight is not higher than 3.5 t, and the driver is not allowed to drive this vehicle for more than 9 hours during a period of 24 hours. The maximum weekly driving time is 6 days. After 4.5 hours of non-stop driving¹⁶⁴, the driver must rest for at least 45 minutes, with exception of cases when he/she starts the rest time. If not, this rest time must be replaced with 15 minute breaks where each one of them can be taken in line with the driving time.

Average weekly working hours for drivers cannot exceed 48 hours. The exception can be up to 60 hours, but not more is the average of 48 hours is not exceeded for a period of 4 weeks. These rules are also applied by the driver instruction as part of the education course "Putting vehicle to work".

There is no special law on digital tachygraphy but the legal framework on road safety contains rules on digital tachygraphy such as sub-paragraph 96 or 97 or paragraph of Article 3 and Article 297. Driving and rest time is defined by Law on road traffic safety, but since driving and rest time is expected to be regulated by the Law on Road Transport, the new Law will include rules for driving and rest time that are fully in line with AETR agreement¹⁶⁵ and EU regulations.

Furthermore, the Law will include the regulation on digital tachygraphy and establishment of Card Issuing Authority (CIA). It is envisioned that this will be implemented in cooperation with an EU member state. Further, the Ministry of Infrastructure has authorized Kosovo Chamber of Commerce, which is accredited at the international level by the International Road Transport Union, to provide specific trainings on standards, such as: Management of Passengers Transport – certificate of professional competence (CPC

¹⁶⁴ Republic of Kosovo Government 'Answers to the questionnaire on the preparation of the Feasibility Study for a Stabilisation and Association Agreement' June 2012

¹⁶⁵ The European Agreement concerning the work of Crews of Vehicles engaged in International Road Transport (AETR), 01 July 1970

– at national and international level), Management of Goods Transport CPC (at national and international level), Professional Driver CPC, Trainings on transport of dangerous goods for drivers and processors – ADR certificate¹⁶⁶ (based on chapter 8.2 f. European ADR Agreement refers to loads of dangerous goods in roads). Procedures for getting the license are defined by the Law on road safety and administrative instructions no. 2008/2 on licensing of examiners; 2008/5 on organization of examination and licensing of professional instructors in driving schools; 2008/7 on licensing of driving schools; 2008/9 on passing of driving test; 2008/10 on the training programme of driver candidates; 2008/11 on licensing and certification of skills of instructors of future drivers.

According to an assessment of the existing legislation and its compliance with the EU legislation, the conclusion was reached that existing predictions are in full compliance with Directive 91/439/ECC and main principles of Directive 2006/126/EC. The changes made to the law and bylaws which are under processing and which refer to driving licenses will be in full compliance with Directive 2006/126/EC. Training of candidates will be completed at licensed driving schools by the Ministry of Infrastructure, while the driving test will be taken at testing centres that are operational under the Ministry.

The Ministry of Infrastructure follows the best practices in the field of vehicle driving and in the field of management of applicants for a driving license based on practice and standards of the International Driver Testing Commission (IDTC), by also being a member of the Commission¹⁶⁷. Requirements for technical control of vehicles and the mode of technical control is defined by the Law on road safety and administrative instruction 2008/13. This instruction was issued in compliance with EC directive 96/96 (96/96/EC dated 26 December 1996, on harmonization of Laws of Member States in relation to testing of care of motor vehicles and their trailers. All vehicles must pass technical control at least once a year while vehicles heavier than 3.5 t (trucks and buses, taxis and auto-ambulances, vehicles used for training candidates for the driving license) must go through technical inspections every six months.

The following technical controls are provided: extraordinary technical control and technical control in the road that is provided by the Ministry and Kosovo Police. Technical control is completed visually, and if it is required it must be completed as close to the technical control for an extraordinary control. The Ministry of Infrastructure and its sub-structure in charge Directorate for vehicles observes best practices in the field of vehicle technical control, thus being a member of International Committee for Inspection of Motoric Vehicles (ICIMV).

3.4.1. Transport of dangerous goods – standards applied in Kosovo

Weight and size in the Republic of Kosovo are regulated with the Law on Roads 2003/11,

¹⁶⁶ The European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR) 30 September 1957

¹⁶⁷ http://www.cieca.be/template_page.asp?pag_id=135&lng_iso=EN

administrative instruction (AI) 2005/5, while the overall weight allowed in the Republic of Kosovo is 40 t, width of the vehicles allowed is 2.50 m, height is 4.00 m, axis length is not longer than 19.8 m while load over axis is 10 t. The Law 2004/6 on transport of dangerous goods regulated safe traffic during the transport of dangerous goods, responsibilities of the persons involved in the transport of dangerous goods and adoption of European standards that are relevant to prevent danger during the transport of dangerous goods.

The Law on transport of dangerous goods is in line with respective ADR agreement. The administrative instructions below have entered into effect based on and to implement the Law: Administrative Instruction (AI) no. 2005/3, AI no. 2005/7, and AI no. 2006/5 and AI no. 2006/11. The Law on Transport of Dangerous Goods will be supplemented and amended during the year. The Law is in full compliance with Directives 2008/68/EC and partially in compliance with Directive 95/50.

3.4.2. Tariffs applied on vehicles in Kosovo road network

Tariffs that are applied in the territory of the republic of Kosovo on transport vehicles for goods were defined with UNMIK Regulation No. 2005/14 dated 16 March 2005¹⁶⁸, on Vehicle Road Taxes. The Law on Environmental Road Tax that entered into force in September 2012 is the applicable revised legal basis. There were no applicable taxes for vehicles that enter at the border besides insurance paid at the border, therefore this issue is expected to be harmonized with standards set by legislation in all EU member states through new legislation. Defined tariffs are based on the weight of the vehicle (see table below). The same tariffs are applicable for all vehicles irrespective of the fact whether they come from EU or outside EU or are property of Kosovo citizens.

Table 02. Tariffs¹⁶⁹ that are applied for pay tolls and administrative and municipal taxes for registration of vehicles:

Vehicles	Tax	Price in €	Tax	Price in €	Tax	Price in €
Weight under 3.5 t	Road	40	Admin.	25	Municipal	10
Weight of 3.5t and over 3.5t	Road	90	Admin	50	Municipal	20
Heavy weight trucks	Road	90	Admin.	30	Municipal	20
Light weight trucks	Road	00	Admin.	10	Municipal	00
Cars	Road	40	Admin.	25	Municipal	10
Buses	Road	90	Admin.	50	Municipal	20
Vans	Road	40	Admin.	25	Municipal	20

¹⁶⁸ http://www.unmikonline.org/regulations/2005/RE2005_14.pdf

¹⁶⁹ Answers to the questionnaire on the preparation of the Feasibility Study for a Stabilisation and Association Agreement/ GoK, June 2012

The above specified tariffs do not apply for vehicles on foreign plates that enter Kosovo. Based on data from 2011, a total of 272,717 vehicles have passed technical inspections, motorcycles (L) were 2,088; vehicles (M1) were 226,034, mini-buses and buses (M2, M3) were 3,580; transport vehicles (N1) 24,055; heavy transport vehicles were (N2, N3) 13, 272 and combined vehicles were (O) 3,688. Furthermore, ecological tax applies on both domestic and foreign vehicles since entry in effect in September 2012.

For domestic vehicles the ecological tax will be collected by Centre for Registration of Vehicles at the Ministry of Internal Affairs at the moment of annual vehicle registration, while the ecological tax for foreign registered vehicles that enter Kosovo will be collected when they cross the state border or in any other moment in line with administrative instructions issued by the Ministry of Finances for foreign vehicles. The fee for the ecological tax is as follows:

- For vehicles under 3.5t it is 10€;
- For vehicles over 3.5t it is 30€.

Institutional stakeholders in implementation of road transport legislation

Ministry of Infrastructure implements the Law 2004/1 and the amended Law 02/L-127 and respective bylaws. Road transport legislation is implemented by the Ministry of Infrastructure, Kosovo Police and municipal councils based on powers specified in the applicable legislation in the sector. Articles 4 and 5 of the Law no. 2004/1 on Road Transport specify policies for development of road transport and define rules on operations of transport services for goods and passengers (through licenses, permits and passenger schedules) Based on Articles 6 and 7 of the Law 2004/1 on Road Transport every municipality defines the policies and strategy for development of road transport and regulations on operations of services for passengers and goods, permits and passenger schedules within the territory of the municipality.

Monitoring of road transport legislation is led by Department of Inspectorate, established with Administrative Instruction 2004/1, Article 72 of the Law on Road Transport, while the monitoring of implementation of municipal regulations is led by Municipal Inspectorates. Kosovo Police is in charge of monitoring road safety. During the year the Police organize joint activities with inspectors of the Ministry of Infrastructure for monitoring road transport safety for passengers and goods.

3.5. Railway Transport: market access and safety certificates

Law No. 04/L-063 and Administrative Instruction 2-2012 on Kosovo railways clearly defines open and non-discriminatory access for operators who provide services in the market of railway sector. Railway Regulatory Authority (RRA) defines rules and criteria for market access of railway transport:

- Licensing of railway operators;
- Safety certificates for any railway operator;

- Safety authorization for any railway operator.

Article 91 of the Law on Railways No. 04/L-063 bans access or operation in Kosovo's railway services without a license, certificate or safety authorization. Administrative Instruction No. 02/2012 Article 2.2 requires RRA to provide licenses for railway operators in transparent and non-discriminatory way not later than 3 months upon receiving the request for a license if the applicant meets all legal criteria.

This administrative instruction defines conditions and criteria for recognition of the European Licenses, those of the SEETO member states and of other states of importance for Kosovo, upon verification by RRA in compliance with applicable Kosovo legislation (Article 4, 5 and 6).

Existing railway operators are in application phase for licenses and safety certificates within expectations defined by legal requirements. License and safety certificate will be provided for TrainKos and InfraKos. On 7 May 2012 Ministry of Infrastructure has strengthened Administrative Instruction No. 02/2012 on licensing of railway transport operators (TrainKos) and it is drafting instruction on licensing of infrastructure managers (InfraKos) and AI on safety certificates. Article 144 of the Law on railways allows operations of TrainKos and InfraKos without a license for a period of 6 months upon implementation of the Law for a period of 24 months without a certificate.

Changes in railway transport infrastructure and service management

Transformation of Kosovo railways j.s.c. into Infrastructure of Kosovo Railways j.s.c. (InfraKos) and into Operations with Trains of Kosovo Railways j.s.c. (TrainKos) was completed with establishment of two new companies¹⁷⁰ (InfraKos and TrainKos) which were registered as such in September 2011. Operational and financial issues that are related to this change have already been clarified. Final draft of Declaration on Network for 2013 was completed and is valid¹⁷¹.

Draft Declaration on Network was drafted by InfraKos and is under public discussion as per legal procedures. After public discussions and approval by the Ministry of Infrastructure it must be published at RRA website and is expected to enter into force in January 2013.

Cross-border railway crossings

There is a signed agreement between the Republic of Kosovo and former Yugoslav Republic of Macedonia on railway traffic signed on 15 September 2011, in line with the EU respective legislation.

¹⁷⁰ Republic of Kosovo Government 'Answers to the questionnaire on the preparation of the Feasibility Study for a Stabilisation and Association Agreement' June 2012

¹⁷¹ Ministria e e Transportit dhe Telekomunikacionit / Plani zhvillimor strategjik 2010-2014

Public service contracts on railway traffic for passengers

There is a signed agreement between the Ministry of Infrastructure and TrainKos which requires economic operators to provide services in the field of railway traffic in order to provide best services in railway traffic for citizens of the Republic of Kosovo. The contract is extended based on prior performance. Agreement no. A1/77 dated 29 November 2011 was valid until 31.12.2012, and included railway line F.Kosovë-Hani i Elezit (Ministry of Infrastructure – TrainKos), Prishtinë-Pejë (Ministry of Economic Development – TrainKos).

Technical, safety and environment standards in railway transport

Technical, safety and environment standards are defined by the Ministry of Infrastructure and are implemented by Regulatory Railway Authority and railway operators. The Ministry of Infrastructure directs the implementation and monitoring of technical, safety and environment standards through development and supplement of secondary legislation¹⁷².

3.6. Water transport and Kosovo

Ministry of Infrastructure does not regulate/monitor any activity that refers to water/sea transport. However, Ministry of Infrastructure agrees to respect all requirements that derive from the Transport Community Treaty with SEE countries (upon its signature and entry into force)¹⁷³. Kosovo will also reflect upon best practices¹⁷⁴ of cooperation for states that don't have access to seas but use transport that is accessible to sea.

3.7. Air Transport

European Common Aviation Area (ECAA) Agreement and Kosovo

Based on the Law No. 03/L-051 on Civil Aviation approved on 13 March 2008, all activities of civil aviation in Kosovo are completed in line with the norms of ECAA Agreement¹⁷⁵. Full harmonization of the legislation of the First Part of the ECAA Agreement is finalized and its implementation is monitored by respective authorities. Regarding the Second Phase of the ECAA Agreement, complete legislation on aviation safety was harmonized while the work is on-going on harmonization of other bylaws that are listed in

¹⁷² Republic of Kosovo Government 'Answers to the questionnaire on the preparation of the Feasibility Study for a Stabilisation and Association Agreement' June 2012

¹⁷³ SEE SEETO and Strategic Development Plan 2010-2014

¹⁷⁴ Technical Support to the Ministry of Transport and Communications to continue the development of a Multi-Modal Transport Strategy and Action Plan Final Strategy and Action Plan May 2009/ Plani zhvillimor strategjik 2010-2014

¹⁷⁵ ec.europa.eu/world/agreements/prepareCreateTreatiesWorkspace/treatiesGeneralData.do?step=0&redirect=true&treatyId=2661

Annex I of the Agreement. Kosovo Aeronautic Authorities are in the process of meeting all requirements that derive from the Agreement, by putting the emphasis on implementation of legal norms and instructions on aviation industry in order to facilitate their implementation into practice.

Bilateral agreement with ECAA non-member states

ECAA Agreement and norms of EC Regulation 1008/2008 are already part of the internal legislation of the Republic of Kosovo through Regulation 2010/1 of the Ministry of Infrastructure, which essentially is the only legal framework that authorises air transport services between Kosovo and ECAA member states since 2006. Transporters of air community are subject to unlimited traffic rights between Prishtina and any other destination within the Community. Air transporters licensed at ECAA partners states enjoy unlimited traffic rights between Prishtina and any other destination in other states. There are two applicable agreements of air services with Swiss Confederation (2010) and Republic of Turkey (2011).

Airport, operators and regulatory control over them

Airports in the Republic of Kosovo are certified based on Regulation 1/2008 on Airports of Civil Aviation Authority¹⁷⁶, which implements standards defined in Annex 14 of Chicago Convention¹⁷⁷. Prishtina International Airport is certified as an international civil airport by Civil Aviation Authority in December 2008. Air transport operators are licensed in line with the EC Regulation 1008/2008 (harmonized through Regulation 2010/1 of the Ministry of Infrastructure).

Based on the Law on Civil Aviation, Kosovo Civil Aviation Authority (KCAA) is in charge for regulation on civil aviation safety, including certification of airports, certification of service providers of air navigation, and certification of air operators and respective staff. Also KCAA monitors implementation of safety requirements through regular audits and inspection of operators.

Air Navigation Services (ANS) and their certification

Kosovar ANS currently completes its tasks and responsibilities independently from CAA, but its full autonomy will be provided by the Law on Civil Navigation Services and establishment of Civil Navigation Agency¹⁷⁸ (CNA). Kosovar ANS is the authority

¹⁷⁶ Republic of Kosovo Government 'Answers to the questionnaire on the preparation of the Feasibility Study for a Stabilisation and Association Agreement' June 2012

¹⁷⁷ Convention on International Civil Aviation, Signed at Chicago, 7 December 1944 /ANNEX 14 to the Convention on International Civil Aviation | Aerodromes

¹⁷⁸ Republic of Kosovo Government 'Answers to the questionnaire on the preparation of the Feasibility Study for a Stabilisation and Association Agreement' June 2012

in charge for certification of air navigation services based on SES legislation¹⁷⁹ which has become now part of Kosovo's rule of law legislation. CAA is revising ANS application for certification.

Civil Aviation Safety

Law no. 03/L-051 on Civil Aviation on 13 March 2008, regulates all activities of civil aviation in Kosovo. The Ministry of Internal Affairs in the Republic of Kosovo, as the institution in charge of aviation safety has harmonized eleven EU regulations on safety and EU inspectors are monitoring implementation of respective standards. Besides, required programmes on Civil Aviation Safety started in Kosovo as of 2011, i.e. National Programme on Civil Aviation Safety, National Quality Control Programme and National Civil Aviation Safety Training Programme.

Topics that were discussed by participants in the thematic round table, and challenges for the future:

During discussions that took place during two days thematic work roundtable, that was focused on transport sector, organized in...in Durres, representatives, employees and specialists of the sector, offers of various respective services and leaders of technical level, have discussed about developing crucial issues in Kosovo, which have been summarized, as follows:

In order to offer quality services, and to avoid delays, it is necessary that the licence process is delegated though local level;

A more dynamic and effective communication is required same as inside the sector, through their specialists, managers and technical personnel and decision makers of the political level. It is by this, shall be improving the whole process of drafting and implementation of transport policies in Kosovo, by arranging it in an coordinated way and maximising sources in order to meet needs that shall derive for development of the country and EU integration. As a part of this process there must be an inter-institutional communication at a central and local level.

In the contexts of public administrative development capacity, in order to handle successfully obligations that shall derive towards institutions, from the EU integration process, in the adequate administration plan of the human resources and improvement of strategic planning and implementation of legal staff on the department level, there is a need for an assessment and revision process for their functions, personnel duties and delegation into structures closer to the citizens, when these shall offer better and quality services for them;

Regarding improving citizen`s services for passengers and facilitating business condi-

¹⁷⁹ Single European Sky' (SES) Agreement

tions within the transporting sector, national operators tackled by the crises in other continents, requires assistance from state structures to remove or decrease customs obligations for new transport vehicles (buses).

Railway Sector development is actually linked with issues that are limited not only by relevant structure managerial skills but firstly with the full implementation of legislation in power, drafting and implementing service agreements in compliance with principles of this legislation as well as timely planning of investments in the sector through drafting and implementation of one strategic document that will consider their problems, needs and political objectives of transport in Kosovo.

Sector Challenges

Experience, from developed countries and developing countries shows that the process of institutional development, effective implementation of public sector policies and ongoing training of relevant staff is long, complex and difficult. Any chance of success depends on six essential elements that must be provided: i) strong local political leadership, ii) concentration in the final results, iii) measurement of citizens' "requirements", iv) institutional changes in a process and not spontaneous, v) appropriate and coordinated behavior of donors and vi) realistic time frame and expectations. These factors are very important to select and build up possible roads of intervention in order to make a positive change in the sector, but primarily these factors help us to translate the critical issues cited above into strategic objectives related to two important aspects: provision of quality safe and on timely transportation services for all in Kosovo and the correct application of EU standards in the sector, to enable its integration into the common European space.

In order to have such a strategic objective becoming a tangible reality for citizens, the staff the Ministry of Infrastructure and to all parties involved in the development of the sector, should cope with the following challenges:

- continuous improvement of conditions in which vehicles circulate in general and cars in particular.
- Safety and reduction of environmental pollution from vehicles, particularly on urban roads. Ensuring the free movement of vehicles or passengers, to avoid distortion of competition or discrimination on grounds of nationality.
- Harmonization of competition conditions between road carriers of different nationalities and between different modes of transport,
- Establishment of infrastructure costs for the infrastructure users;
- Common rules for minimum prices for annual taxes on goods' heavy vehicles (through different categories according to the total allowable weight and number of axles), to avoid double taxation; Common rules for the drivers work and rest periods are intended to harmonize the conditions of competition between carriers of different nationalities, to improve road safety and to help social progress of drivers;

- They are essential for the further implementation of the EU market rules; In order to have them being productive, it is necessary review the acts of driving and rest times.

3.8. Challenges of the transport sector

I. Infrastructure:

Improvement, development and maintenance of the transportation infrastructure, which is integrated in the pan-European transportation network in line with international standards.

- Development and maintenance of transportation infrastructure is relevant to support Kosovo's economic development as well as to help Kosovo address its priorities and EU regulation and its integration in regional and international networks.
- 70÷80% of prioritized national roads developed and maintained in line with international standards.
- Road segments 6 and 7 developed and connected to the pan-European network.
- The railway network electrified, equipped with signaling instruments and maintained
- Investment in Bus Stations, Train Stations and modernization of goods terminals
- Modernization of the PIA "Adem Jashari", and operationalization of Dumosh airport for domestic needs.
- The status of Gjakova Airport
- Port of Shengjin

II. Regulatory and Legal Framework Environment:

Creating a favorable and secure regulatory and legal framework for maximizing the quality of services in the field of transportation.

- Drafting new documents and improving the existing ones in order to create a legal and regulatory framework, which is in line with the development and integration aspiration of the Republic of Kosovo.
- The sectoral and multimodal transportation strategy approved and implemented
- Road safety strategy implemented
- Laws /Roads, Road Safety, Road Transportation, Transportation of dangerous goods, Air Navigation Service/ are complemented by bylaws and implemented.

III. Transportation services:

Increase safety in communication – modernization of transportation services:

1. Road safety:

- a. Reduce accidents
- b. Minimizing and elimination of black spots
- c. Information campaigns for raising the awareness of especially young people
- d. Crossroads with railways

2. Land transportation:

- Access to public transportation for all Kosovo's citizens.
- Quality and affordable inter-urban transportation for citizens and sustainable for the businesses.
- Modernization of railway transportation and its connection to other types of transportation.
- Providing smoother procedures and online access for the licensing and certification process.
- Creating conditions for the local industry to participate in the international transportation industry through elimination of various barriers.
- Advancing professional training activities.

3. Vehicles:

- Reformation of the testing system for candidates acquiring their driving license, including digitalization of the exam process.
- Advancing technical control of vehicles.
- Providing smoother procedures and online access for the licensing and certification process.

4. Air transport

- Lack of a national strategy on air transport
- Non existence of a air company of Kosovo.

5. Inspection and supervision:

- Redefining the statuses of inspectors/safety, authorization, etc
- Redefining the relations and responsibilities between controlling mechanisms of different levels, i.e. central, local; then among various authorities, i.e. MI, MIA, MF, authorities, etc.
- Courts' efficiency

6. International activities:

- Membership in various organizations and bodies, and playing an active role in such organizations.

7. Human resources:

- Reformation of the administration
- Balancing human resources in relation to responsibilities/relationship: authorities, MI, etc.

4. Regional Development

4.1. Legal and institutional framework

There is no legal framework that regulates regional development in Kosovo. Currently, Kosovo does not have national policies for regional development or a specific regional development framework in place. However, there is an initiative that is leading the efforts in creating the conditions for regional development framework in Kosovo. As part of this initiative, with the objective at introducing Kosovo to EU economic and social cohesion policy, the EURED process was launched by the Kosovo Authorities and the European Commission Liaison Office (ECLLO) to Kosovo to support socio-economic development in Kosovo through the Regional Economic Development approach in line with EU practice.

The model of integrated development involves a process in which all the community stakeholders, both public and private, participate in designing and implementing a development strategy for renewing their region, stimulating the growth of enterprises, developing the infrastructure, providing social services and employment generation schemes. Under IPA 2008, the European Commission Liaison Office to Kosovo supported the process through three major tools: I) Institutional Support to the five Regional Development Agencies (RDAs); II) Grant Scheme for regional projects on creating the conditions for competitive businesses and on business related small scale infrastructure; III) Expert support to the RDAs and to the implementation of the Grant Scheme. The EURED approach was introduced to Kosovo municipalities and central governmental institutions. On December 16, 2008, five Regional Development Agencies (RDAs) were established in Kosovo's economic regions (Centre, East, North, South, and West) through an agreement among the municipalities. However, as EURED is a new process in Kosovo, further support is needed in order to consolidate the process.¹⁸⁰

As part of the model of integrated development are efforts to support Kosovo institutions to participate in Cross Border Cooperation, CBC, initiatives with Albania, Montenegro and the former Yugoslav Republic of Macedonia. CBC and EURED processes represent an integrated approach of regional development and cross border cooperation. These initiatives together with other linked activities would form a 'EURED umbrella' providing Kosovo with an efficient tool for implementing its development strategies.¹⁸¹

¹⁸⁰ 2011 Annual Programme Regional Economic Development : 04-2011/2, http://ec.europa.eu/enlargement/pdf/kosovo/ipa/2011/4_psd_-_regional_economic_development_111006.pdf

¹⁸¹ Ibid.

The EURED approach is directly aimed at introducing Kosovo to EU economic and social cohesion policy. Cohesion policy aims to reinforce economic and social cohesion by redressing the main regional imbalances via support for the development of regional economies. The way in which Cohesion policy programmes are designed and managed fosters partnership between different levels of government, between public and private players, and between government and non-government bodies. This approach contributes to the development of a multi-level decision-making environment which, when properly managed, leads to economic and social development. Nevertheless, the management of Cohesion policy is not costless. This is particularly true for those governments and public administrations which are not familiar with structural fund regulation nor public procurement, strategic approach, programming activities or sound financial management. As the enlargement process continues, financial assistance to candidate and potential candidate countries is becoming even more crucial. On the basis of the lessons learnt in the past, the European Commission (EC) has rationalized financial assistance to these countries into a common instrument that very much resembles structural funds management: the Instrument for Pre-Accession (IPA). By gaining first-hand experience at running these programmes today these countries will be well placed to absorb future structural funds once they become available to them. The target audience is primarily public administration staff and officials in the Western Balkans and Turkey managing structural funds and/or seeking to access the EU structural funds programmes. It can also act as a training tool for officials who are new to structural funds and for other parties that have a role or an interest in Cohesion policy.¹⁸² *In this regard, Kosovo still needs to define and streamline the legal and institutional framework for regional development, its policies, strategic approach, programming activities and financial management, in compliance with its European perspective.*

The existing legal framework that can be used for regional development (RD) and cross-border cooperation (CBC)

Law on Public Enterprises (regional public enterprises);

Law on Inter-Municipal Cooperation;

- Inter-municipal internal cooperation (own competencies);
- International municipal cooperation (technical and administrative).

These laws can be considered as secondary laws to regulate the process of regional development in Kosovo, but aren't sufficient to regulate and define the role and mandate of stakeholders in this process. The primary legal basis should be established to clearly define the institutional framework, role and mandate of stakeholders, and the relevant entity who will be the carrier of this process

The Law on State Administration of the Republic of Kosovo, promulgated in accordance

¹⁸² Introduction to European Cohesion Policy for Candidate and Potential Candidate Countries, Framework, Experiences and Instruments, © 2009 Institut Universitari d'Estudis Europeus, <http://www.iuee.eu/pdf-dossier/30/w4XR5Bsmz6FP3Aa4xNEx.PDF>

with Article 80.5 of the Constitution of the Republic of Kosovo, on the 6th of October 2010 didn't exist when the Regional Development Process started and when the Regional Development Agencies were established. Now this law can be used for regulating the Regional Development and defining the role and mandate of RDAs and relevant stakeholders.

Further steps taken in the direction of defining legal and institutional framework for regional development were undertaken by the Ministry of Local Government Administration, MLGA. The conceptual-document for regional development in Kosovo was drafted by MLGA in cooperation with line ministries, EURED project and PAI Public Administration Institution Building (a project founded from DFID UK Government). The conceptual document was drafted in 2011 and submitted on 15.02.2012 to the Government for approval, but has not been yet approved (pending revision stage). The purpose of this document is to:

- Define the institutional structure for regional development in Kosovo;
- Be in line with the Chapter 22 of *acquis communautaire* for regional development;
- Define main actors at the central level dealing with this issue;
- Define objectives for balanced regional development and create pre-conditions for drafting of national policies for regional development.

Parallel to institutional infrastructure and development policies for economic development at the local level, the Office of the European Union in Kosovo has financially supported municipalities and NGOs through EURED program. Nine projects implemented by municipalities and NGOs were financed in the amount of 2.866.466, 00 Euro (EURED/GS-2) in 2011. The Government has allocated-co-financed the projects of EURED/GS, in the amount 900.000,00 Euros and now MLGA is in the process of the implementation of 12 projects in cooperation with municipalities.¹⁸³

4.2. Strategic Documents

Regional Development and Cross Border Cooperation initiatives are in line with the national/sectoral investment plans and on-going processes outlined below.

- **Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports** - Along with the rest of the region, Kosovo is embracing the European agenda, underpinned by the EU policy for the Western Balkans, the Stabilisation and Association Process (SAP). In the 2010 Action Plan for implementing the European Partnership, the Government of Kosovo aims to encourage job creation through the improvement and promotion of the business environment to make it the engine of economic development. The Action Plan also seeks to promote regional cooperation through the development of the capacity of central and local institutional capacities to prepare projects on cross

¹⁸³ EU – Kosovo Stabilization Association Process Dialogue (SAPD), Sectoral Meeting on Transport, Environment, Energy and Regional Development, Brussels, 22 – 23 May, Meeting report

- border cooperation focused on the tourism and infrastructure sectors.¹⁸⁴
- **Link with the Multiannual Indicative Planning Document (MIPD)** - Kosovo MIPD 2011-2013 identifies Private Sector Development as a Priority Sector. It says: “ Within the framework of the European strategy for smart, sustainable and inclusive growth (Europe 2020), IPA is to support actions aimed to improve the competitiveness of Kosovo’s economy, increase the productivity and strength of its export sector, improve the skills levels and employment prospects of its workforce, particularly by enhancing the performance of education systems and by facilitating the transition from education to employment, entry of young people to the labour market and support their skills set through support for issues such as non-formal learning, participation, volunteering and mobility modernise its physical support infrastructure in a sustainable manner and encourage private investment”.
 - MIPD for CBC 2011-2013, emphasises a need for “building the capacity of local, regional and national institutions to manage EU programmes and to prepare them for the management of future Structural Funds under the European Territorial Cooperation objective”. It states that “ In Kosovo, five Regional Development Strategies were drafted in 2010 for the respective economic regions: South, North, Centre, East and West. Those regions in combination form the programming areas for the three cross-border programmes: Kosovo-Albania, Kosovo-the former Yugoslav Republic of Macedonia and Kosovo-Montenegro. The strategies were drafted by the five Regional Development Agencies in close cooperation with their founding municipalities and other stakeholders in the region. The priorities of the Regional Development Strategies are reflected in the cross-border programmes in which the regions participate.”¹⁸⁵
 - **Link with the Medium Term Expenditure Framework (MTEF)** - The Medium-Term Expenditure Framework 2009-2011 acknowledges as a priority that conditions for a “rapid sustainable economic growth for the benefits of all citizens in Kosovo” should be created. The Medium Term Expenditure framework of Government of Kosovo foresees numerous infrastructure projects developed by municipalities to enhance the social and economic aspects of their communities. The Action Plan for the Implementation of the Decentralization process of Government of Kosovo also represents a set of detailed actions required.¹⁸⁶

Link with national/ sectoral investment plans

Other complementary initiatives in Kosovo that are related to Regional Development and Cross Border Cooperation initiatives are:

- Local Development Strategies – for each of the Municipalities of Kosovo. These documents emphasize the dimension of regional development and cross border cooperation as a tool for supporting socio-economic development and the pro-

¹⁸⁴ 2011 Annual Programme Regional Economic Development : 04-2011/2, http://ec.europa.eu/enlargement/pdf/kosovo/ipa/2011/4_psd_-_regional_economic_development_111006.pdf

¹⁸⁵ Ibid.

¹⁸⁶ 2011 Annual Programme Regional Economic Development : 04-2011/2, http://ec.europa.eu/enlargement/pdf/kosovo/ipa/2011/4_psd_-_regional_economic_development_111006.pdf.

- tection and preservation of the environment.
- Regional Economic Development Strategies - developed with support of EU funding (EURED) for five economic regions in Kosovo. Regional Economic Development Strategies aim at strengthening the Kosovo economic regions and expanding a regional development framework in line with EU standards. They will support development of institutional capacities to manage the process of economic development, and supporting economic regeneration, job creation and human infrastructure development in different regions.
 - Kosovo has recently prepared three Cross Border Cooperation Programmes with its neighbouring countries, Albania, the former Yugoslav Republic of Macedonia and Montenegro. The implementation of the first two started in 2011, while the Kosovo CBC Programme with Montenegro started in 2012.
 - 2008 Laws on Social Self-Government and 2008-2010 Action Plan for the Implementation of Decentralisation – aiming at establishing a sustainable system of local self-government and improving the efficiency of local public services throughout Kosovo.
 - European Partnership Action Plan (EPAP) for Kosovo – which put great emphasis on regional development and cooperation as a vehicle for development of Kosovo in the view of overall European Integration Process.
 - There exist a significant number of sector and cross sectoral strategies in Kosovo that relate to regional development and cross border cooperation initiatives.¹⁸⁷

4.3. Current state of affairs

The current institutional framework dealing with regional development in Kosovo comprises of MLGA and the five RDAs that are currently operating under an operational grant contract financed by EU Office in Kosovo and co-financed from municipalities of the respective regions. The current grant contracts run until June 2013.

Ministry of Local Government Administration, MLGA is tasked with the following responsibilities: support inter-municipal cooperation; monitor the quality of municipal services; develop a professional municipal civil service; assist the municipalities in the development of their own budgets and financial management systems; provide legal guidance and advice to the municipalities; coordinate the activities of international agencies and non-governmental organizations pertaining to the municipalities; assist the municipalities in making their activities transparent to the public; and oversee compliance of municipalities with responsibilities and powers delegated to the municipalities. In addition, MLGA conducts administrative oversight of all municipal decisions to verify their compliance with laws. MLGA's mission is to ensure Local Government advancement by working with municipalities – through coordination, empowerment, assistance – to provide effective and responsive service as close as possible to the citizens.¹⁸⁸

¹⁸⁷ 2011 Annual Programme Regional Economic Development : 04-2011/2, http://ec.europa.eu/enlargement/pdf/kosovo/ipa/2011/4_psd_-_regional_economic_development_111006.pdf

¹⁸⁸ <http://mapl.rks-gov.net/Main-menu/Ministria.aspx>

Regional Development Agency Centre (RDA Centre) is an intermunicipal entity founded on December 2008 by the partner municipalities of: Prishtinë/Priština, Drenas/Glogovac, Fushë Kosovë/Kosovo Polje, Obiliq/Obilić, Podujevë/Podujevo and Shtime/Štimlje, which are part of the Economic Region Centre. On February 22, 2010 Municipality of Graçanicë/Gračanica joined the partnership of RDA-Centre. Whereas Municipality of Lipjan/Lipljan joined EURED process on 23rd March 2011. RDA – Centre is overseen by the Board of Partners, which is composed by the mayors of founding municipalities. 93% of the RDA-Centre operational budget is co-funded by ECLO, while the remaining 7% is funded by the founding municipalities. RDA-Centre takes into account the political and financial guidance from EU, and adjusts its activities with European Commission Liaison Office in Kosovo. RDA-Centre’s mission is to guide, facilitate and strengthen the economic development of the Economic Region Centre and its surrounding areas. It aims at being a catalyst and the coordinator of all development projects that will serve the implementation of the Regional Development Strategy and Program, by acting as an umbrella for all the existing development initiatives in the Economic Region Centre.¹⁸⁹ RDA Centre assists European Union Office in Kosovo in coordination of projects that benefited from the EU Grant Schemes in line with the Regional Development Strategy for the Economic Region Centre 2010-2013, that has three main economic development priorities, that are:

- Priority 1: Improving Business Competitiveness;
- Priority 2: Improving the Workforce and Increasing Employment.
- Priority 3: Improving Infrastructure, Services and Environment.¹⁹⁰

Regional Development Agency North (RDA North) is founded on equal partnership by the Municipalities representing the Economic Region North: Mitrovicë/Mitrovica, Vushtrri/Vučitrn, Skenderaj/Srbica and Zubin Potok by an inter-municipal agreement. Its mission is to guide and strengthen the Regional Economic Development in the North Region of Kosovo by building capacities and strengthening skills of economic initiatives, supporting their implementation and coordinating their activities toward development policies. RDA North and the Regional Development process are financially supported by the European Commission through its Liaison Office in Kosovo, by funds that come under the components of the Instrument of Pre-Accession (IPA).¹⁹¹ RDA North assists European Union Office in Kosovo in coordination of projects that benefited from the EU Grant Schemes in line with the Regional Development Strategy for the Economic Region North 2010-2013, that has four main economic development priorities, that are:

- Priority 1: Developing an ecologically acceptable region that makes rational use of its natural resources;
- Priority 2: Improving the competitive business environment;
- Priority 3: Development of agricultural production and services, and the

¹⁸⁹ <http://www.rdacentre.org/?id=1>

¹⁹⁰ http://www.rdacentre.org/data/File/RDS_Centre_final.pdf

¹⁹¹ <http://www.rdanorth.org/new/?id=1>

- food-processing industry;
- Priority 4: Strengthening human resources and increasing employment.¹⁹²

Regional Development Agency West (RDA West) has been founded in December 2008 as partnership of the municipalities of Peja/Peć, Decan/Decani, Istog, Klina, Junik to act and function as a coordinator and driver of development activities in the Economic Region West and its Municipalities. The municipality of Gjakova signed the partnership agreement on 10th of March 2011. So, the RDA West covers 6 municipalities of western Kosovo: Pejë/Pec, Gjakovë/ Djakovica, Istog/Istok, Klinë/Klina, Decan/Decani, Junik/Junik. Regional Development Agency West aims at becoming the key institution in the economic region – West, engaged in fostering the EU Regional Economic Development (EURED) process in the country, to confirm a strategic role towards its partners assisting in the interethnic reconciliation, and assisting in the integration of local governments into Kosovo’s European integration process.¹⁹³ RDA West assists European Union Office in Kosovo in coordination of projects that benefited from the EU Grant Schemes in line with the Regional Development Strategy for the Economic Region West 2010-2013, that has four main economic development priorities, that are:

- Priority 1: Creating the Conditions for Sustainable Economic Growth
- Priority 2: Stimulating an Innovative and Competitive Business Base
- Priority 3: Developing West Kosovo’s Human Capital
- Priority 4: Community Based Sustainable Development¹⁹⁴

Regional Development Agency South (RDA South) has been founded in December 2008 as partnership of the municipalities of Prizren/Prizren, Dragash/Dragas, Rahovec/Orahovac, Suhareke/Suvaroka, Malisheva/Malisevo and Mamusha/Mamusa to act and function as a coordinator and driver of development activities in the southern economic region and its municipalities. The RDA South performs this work under contract with European Commission Liaison Office (ECLO). In addition, ECLO will provide funding for the grant scheme for regional development projects supported and coordinated by RDA South. RDA South is being managed by the Board of Partners, which is consisted by the Mayors of Municipalities of the Economic Region South.¹⁹⁵RDA South assists European Union Office in Kosovo in coordination of projects that benefited from the EU Grant Schemes in line with the Regional Development Strategy for the Economic Region South 2010-2013, that has three main economic development priorities, that are:

- Priority 1: Development of the Business Environment;
- Priority 2: Development of agriculture and food processing industry; and
- Priority 3: Development of tourism.¹⁹⁶

¹⁹² http://www.rdanorth.org/new/data/resource_listing/en_7302_rds_north_english-pdf

¹⁹³ <http://www.rdawest.org/>

¹⁹⁴ http://www.rdawest.org/images/stories/downloads/5_RDS_West_English_opt.pdf

¹⁹⁵ <http://www.rda-south.org/index.php?lang=en&id=1>

¹⁹⁶ http://eured-kosovo.org/wp-content/uploads/2011/04/RDS_South_final.pdf.

Regional Development Agency East (RDA East) has been founded as a partnership between the municipalities of Gjilan, Ferizaj, Hani i Elezit, Kaçanik, Novoberde, Shterpe, Kamenice and Viti to act and function as a coordinator and driver of development activities in the eastern economic region and its municipalities. In February 2010 municipalities Ranilug and Klokot have joined and in October Partesh municipality have joined the partnership of municipalities for RDA East Region. The RDA-East has the following purposes in its economic area: to foster the economic development and the regional regeneration; to promote business efficiency, investment and competitiveness; to promote employment and to enhance development and application of skills relevant to employment; to contribute to the achievement of sustainable development.¹⁹⁷ RDA East assists European Union Office in Kosovo in coordination of projects that benefited from the EU Grant Schemes in line with the Regional Development Strategy for the Economic Region East 2010-2013, that has four main economic development priorities, that are:

- Priority 1: Economic Development of the Region
- Priority 2: Development of Economic Infrastructure
- Priority 3: Human Resources Development
- Priority 4: Institutional strengthening and international and interregional integration and cooperation.¹⁹⁸

4.4. Programming

The Annual Programme for Kosovo* under the IPA Transition Assistance and Institution Building Component for 2011, allocated 41.75 EUR million for the priority/measure of Private Sector Development, Smart, Sustainable and Inclusive Growth, where 5.7 EUR million are allocated to the Regional Economic Development (04-2011/2) to the Ministry Of Local Government Administration as a Project Beneficiary. The main purpose is to achieve these objectives:

- To support the implementation of the regional strategies already prepared in each of the five economic regions of Kosovo Implementation: 1 grant scheme (EUR 4.5 million) to be launched in Q2 2012
- To enable Kosovo stakeholders to actively participate and benefit from joint Cross-Border Cooperation (CBC) initiatives with Montenegro, Albania and the former Yugoslav Republic of Macedonia¹⁹⁹

Programming for EURED - Programming for regional economic development in Kosovo covers the implementation of Regional Economic Development Strategies and Action/Implementation Plans in the five regions of Kosovo. The strategies together with the action/implementation plans specify the objectives pursued, the fields of intervention, the expected results, the management procedures and total amount of financing

¹⁹⁷ <http://www.rdaeast.org/>

¹⁹⁸ http://www.rdaeast.org/img/permbajtja/pdf/RDS_East_ENGLISH.pdf.

¹⁹⁹ Annual Programme for Kosovo* under the IPA Transition Assistance and Institution Building Component for 2011, http://ec.europa.eu/enlargement/pdf/kosovo/ipa/2011/1_en_annexe_part1_v1.pdf.

planned in order to achieve the desired results.

RDAs, together with their regional stakeholders, Core Partnership Working Groups (CPWG), drafted the Regional Economic Development Strategies (REDS). The operational part of the strategy has an Action/ Implementation Plan with a time horizon of 3 years. While the Strategy itself identifies a long-term regional development vision, opportunities and priorities, the Implementation Plan presents interventions over a mid-term period of three years (2011-2013) which corresponds to the length of the mid-term local government budgeting framework. It contains a set of specifically prioritized and ranked programs that are related to the priority areas chosen by the Core Partnership Working Group members for the respective region.²⁰⁰

The strategy building process has been based on three basic principles that reflect the best practices in the area of regional development planning. These are: I) that regional economic development should very closely engage a region-wide partnership that involves municipal governments, stakeholders from the business community (both, private and public sectors as well as business associations), NGO's and media; II) that the approach to regional development should be 'bottom up' - that is, regional stakeholders should be directly involved in identifying the needs of the Economic Regions and developing the strategies and projects to address those needs; and, III) that the regional development outlined in the strategy should be seen as an integrated process, rather than a series of individual projects and programs.²⁰¹

The "bottom up" approach adopted during the strategy building process is based on the principle related to subsidiarity rule. Namely, that people in the region are best placed to identify their needs and decide on the solutions which address in the best possible way their development needs. Keeping the ownership of the strategy process with the regional partners and building regional capacity has proven in many countries to be a key factor in the regeneration of economically depressed or struggling regions. In the future, when coordination with the central-level institutions becomes stronger, the approach may need to evolve into a combination of "bottom up" and "top down".²⁰²

Programming for CBC- The main goal of the Cross Border Cooperation is to promote and establish cross-border cooperation and socio-economic integration between Kosovo border regions and adjoining regions in neighboring countries by strengthening economic, social, environmental and cultural ties. Kosovo is currently engaged in cross border cooperation with its Macedonian, Albanian and Montenegrin neighbours.²⁰³

²⁰⁰ "Regional Development Agencies in Kosovo, Current State of Affairs and Future Development Challenges", European Union Support to Regional Economic Development in Kosovo, EURED Project report

²⁰¹ "Regional Development Agencies in Kosovo, Current State of Affairs and Future Development Challenges", European Union Support to Regional Economic Development in Kosovo, EURED Project report.

²⁰² Ibid.

²⁰³ http://www.cbckosovo.eu/?page_id=676

The CBC programme was jointly prepared over the period January to April 2010, following a process of wide consultation with the local stakeholders on both sides of the border, both with Albania and fYRoM. The programming process was coordinated by the respective CBC Operating Structures: the Ministry of Local Government Administration (MLGA) in Kosovo and the Ministry of European Integration (MEI) in Albania. The final draft document was submitted to the European Commission in April 2010. The document was officially approved in December 2010. Both countries will be managing the programme through a centralised management model. This means that the contracting and payment for all CBC projects within this CBC programme will be done by the EU Delegation in Albania and the EC Liaison Office to Kosovo. The JTS (Joint Technical Secretariat) will be located in Kukës, Albania, and the Antenna office to the JTS in Prizren, Kosovo.²⁰⁴

For CBC with fYRoM, the programming process was coordinated by the respective CBC Operating Structures: the Ministry of Local Government Administration (MLGA) in Kosovo and the Ministry of Local Self Government in fYRoM. The final draft programming document was submitted to the European Commission in May 2010. The document was officially approved in December 2010. Both countries will be managing the programme through a centralised management model. This means that the contracting and payment for all CBC projects within this CBC programme will be done by the Macedonian EU Delegation and the EC Liaison Office to Kosovo. The JTS (Joint Technical Secretariat) will be located in Kumanovo, fYRoM and the Antenna office to the JTS in Gjilan, Kosovo.²⁰⁵

For CBC with Montenegro, the CBC programme was jointly prepared over the period September 2010 – February 2011, following a process of wide consultation with the local stakeholders in both sides of the border. The programming process was coordinated by the respective CBC Operating Structures: the Ministry of Local Government Administration in Kosovo and the Ministry of Foreign Affairs and European Integration in Montenegro. The final draft programming document was submitted to the European Commission in February 2011. The document was approved in December 2011.²⁰⁶

The Regional Development Program and CBC should take into consideration the specific features of areas, geographic links, various resources, number of citizens and defining regions based on the statistical areas harmonized according to the Nomenclature of Territorial Units for Statistics (NUTS). It is necessary to make the profiling of the regions and to define industrial areas, protected areas and touristic areas, etc. in order to have the best utilization of the available resources. All these should be part of a comprehensive national development strategy.

Also, for a more efficient implementation of the Action Plan of Regional Strategies the

²⁰⁴ http://www.cbckosovo.eu/?page_id=232

²⁰⁵ http://www.cbckosovo.eu/?page_id=234

²⁰⁶ http://www.cbckosovo.eu/?page_id=236

respective municipalities should take into consideration and consult these documents while drafting the budget. It will be good if these documents are part of a comprehensive framework during the municipal budget planning process.

4.5. Monitoring and Evaluation

Monitoring and evaluation of the projects that benefited from the EURED grants schemes is very important in order to assess and evaluate the progress being made in reaching important milestones defined in the Action/Implementation Plans. Monitoring and evaluation of the projects that benefited from the EURED grant schemes is performed by the European Union Office in Kosovo. RDAs support the EU Office in Kosovo through coordinating the monitoring and evaluation activities in relation to implementing partners.

Work on establishing a range of monitoring parameters has already been undertaken by RDAs in relation to projects that have been funded by the EURED Grant Scheme and are in the implementation process. While monitoring needs to be a continuous activity, RDAs do not have a formal mandate to request that information from the implementing partners as it is not part of the funding contract. Instead, RDAs will gather appropriate information provided by the implementers on voluntary basis as part of the regular biweekly meetings organized for the purpose of supporting and coordinating the implementation process by the Agency. This information will be sufficient to enable an assessment of the overall implementation progress.²⁰⁷

Evaluations of the CBC takes place in compliance with Article 141 of the IPA Implementing Regulation. The evaluation aims to improve the quality, effectiveness and consistency of the assistance from the Community funds and the strategy and implementation of crossborder programmes while taking account the objective of sustainable development and the relevant Community legislation concerning environmental impact. An ex-ante evaluation has not been carried out in line with the provisions of Article 141 in the light of the proportionality principle. During the programming period, participating countries and/or the European Commission carries out evaluations linked to the monitoring of the cross-border programme in particular where that monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of cross-border programme. The results are sent to the joint monitoring committee for the cross-border programme and to the Commission. Evaluations will be carried out by experts or bodies, internal or external. The results will be published according to the applicable rules on access to documents. Evaluation will be financed from the technical assistance budget of the programme.²⁰⁸

²⁰⁷ “Regional Development Agencies in Kosovo, Current State of Affairs and Future Development Challenges”, European Union Support to Regional Economic Development in Kosovo, EURED Project report

²⁰⁸ IPA Cross-Border Programme between Republic of Macedonia and Kosovo, 22 April 2010, p.58, http://www.cbckosovo.eu/wp-content/uploads/2011/06/CBCP-MK-KOS-Draft_2204.pdf

4.6. Management and Financial Control

For projects financed under the EURED Grant Schemes and CBC Programme, the European Commission is the Contracting Authority and takes decisions based on a centralised management model. The European Union Office in Kosovo handles tendering, contracting and payment functions, on the basis of documents provided by beneficiaries, and in accordance with the contracting and procurement rules set out in the “Practical Guide to Contract Procedures for EU external actions” (PRAG). For CBC Programme, the Joint Monitoring Committee will ensure that reliable computerised accounting; monitoring and financial reporting is in place that will provide an adequate audit trail. The EU and national auditing authorities will have the power of audit over the EURED and Crossborder Programme.²⁰⁹

4.7. Main challenges and recommendations

- There is no legal framework that regulates regional development in Kosovo.
- Which will be the main body/department that will lead the Regional Development?
- Is the legal basis complete?
- Is the regional development going to be included in the development policies of Kosovo?
- Are RDAs robust and sustainable structures that will continue existing even after the EU will stop financing their operational budget?

Kosovo government needs to define and streamline the legal and institutional framework for regional development, its policies, strategic approach, programming activities and financial management, in compliance with its European perspective. The proposed legal and institutional structures should be in line with the Chapter 22 of *acquis communautaire* for regional development. The main actors at the central level dealing with this issue should be defined, as well as, defining the objectives for balanced regional development in order to create pre-conditions for drafting of national policies for regional development.²¹⁰

- Funding of the Regional Development Strategies in five Economic Regions.

The operational part of the strategy (programming), particularly under the circumstances where funding mechanisms for major priority areas are not clearly prescribed, is always in danger of becoming just a “wish list” of development partners. To avoid this trap, partners need to use clear prioritizing and sequencing criteria. Programs need to be focused on relieving constraints of future growth, using region’s competitive advantage,

²⁰⁹ Cross-Border Programme 2010-2011, IPA CBC Albania-Kosovo, 23th of April 2010, MIE & MLGA, <http://www.cbckosovo.eu/wp-content/uploads/2011/06/Final-Draft-23-Aprill-IPA-CBC-Programme-AL-KO.pdf>

²¹⁰ EU – Kosovo Stabilization Association Process Dialogue (SAPD), Sectoral Meeting on Transport, Environment, Energy and Regional Development, Brussels, 22 – 23 May, Meeting report

increasing employment and rising productivity.²¹¹

- Capacity Building in the context of EU funds absorption at local level institutions.

The RDAs and municipalities must be coached and trained in how to assess, present and deliver initiatives which improve regional or local economies. The demand for this kind of strategic thinking should come from the municipalities and the RDAs must translate it to fit available funding over a three to five year planning period. Obviously, the start position for this scenario would be that the RDAs lead the process with the municipalities and therefore front-loaded training should be a priority.²¹²

Challenges of inter-municipal cooperation:

- Lack of sustainable inter-municipal cooperation in providing qualitative services at a lower financial cost.
- Lack of financial resources for full implementation of powers;
- Management of municipal public property;
- Participation of citizens in the local decision-making process;
- Effectiveness and efficiency in provision of sustainable municipal services;
- Lack of adequate human resources in municipal administration, especially in small and medium municipalities to exercise the municipal powers;
- Lack of municipal capacities to identify common areas of CBC;
- Reluctance of political and decision-making structures to enter the CBC.

Conclusions of the Working Group meeting of the 9th March 2013:

- The Regional Development to be kosovarised, it should not remain only as an EU attempt to install structure/s of fundraising, but, to internalize this process by including it in the national strategic documents within the Strategy of Comprehensive Economical Development for Kosovo.
- The agencies should be linked somewhere - be anchored – a legislative solution to be provided that will define the role and mandate of these agencies. They may become open models co-financed by many stakeholders or shareholders, or administrative structures under the state control.
- RDAs as the up to date carriers of this process, should have a facilitating role in creation of regional development policies and in implementation of the development plans.
- It is necessary to define various financial modalities that will assist to finance the investment plans deriving from the Regional Strategy.

In order to have a sustainable development municipalities should also have capacity building in managing funds coming from EU (IPA funds, and latter the structural funds).

²¹¹ “Regional Development Agencies in Kosovo, Current State of Affairs and Future Development Challenges”, European Union Support to Regional Economic Development in Kosovo, EURED Project report

²¹² European Union supporting Regional Economic Development of Kosovo, EURED Technical Assistance Final Report, p.24

Institution	Emri dhe mbiemri
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Ministry of Local Government Administration- MLGA	Jeton Qela
Ministry of Economic Development	Lulzim Korenica
Ministry of Health	Shaban Osmanaj
Assembly of Kosovo	Teuta Sahatqija
Assembly of Kosovo	Visar Ymeri
Assembly of Kosovo	Armend Ademaj
Assembly of Kosovo	Besim Haliti
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Ombudsperson institution	Jashar Kastrati
Ombudsperson institution	Valbona Puka
Kosovo Police	Clirim Hajdini
KEK	Hanumshahe Ibrahim
Women NGO	Ola Syla
SHUKOS	Nadire Vitija
Faculty of Agriculture	Xhevdet Elezi

Faculty of Education	Sylejman Berisha
NGO Eko – Trepca	Ramadan Uka
Board on Environment	Bexhet Mustafa
IKS	Brikena Hoxha
KUR Prishtina	Shyqeri Krasniqi
Water Regulatory Office	Qamil Musa
Water Regulatory Office	Zoge Spahiu
Association of Municipalities	Agim Haziri
INDEP	Sinan Neziri
GIZ	Gabriele Becker
GIZ	Agim Rysha
GIZ	Besnik Vasolli
GIZ	Samir Hyseini
Independent expert/GIZ	Zeqir Veselaj
Independent Expert/GIZ	Tush Markaj
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Ministry of Economic Development (TCKR)	Valon Stavileci
Ministry of Economic Development	Skender Xani
Ministry of Economic Development AKEE	Bedri Dragusha
Ministry of European Integration	Azra Krasniqi
Ministry of Trade and Industry	Visar Bajraktari
Ministry of Trade and Industry	Shaban Halimi
KEDS	Fillanza Hoxha
KEDS –PIU	Burim Hashani
KFOS – PIU	Valon Syla
KOSTT	Kadri Kadriu
KOSTT	Vjosa Reznici
KOSTT	Gazmend Kabashi
ERO	Afrim Ajvazi
ERO	Rifat Blakaj
KARPNS	Ferki Fejza
KEK	Petrit Pepaj
KEK	Naim Sahiti
KEK	Adil Januzi
KEK	Ismet Raca
IFC World Bank Group	Shpresa Kastrati
German Chamber of Commerce	Bardhyl Metaj
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Muqa Solar Company	Xhevat Muqaj

SHERK - Association for Renewable Energy	Hamdi Malushaj
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Assembly of Kosovo	Muhamet Morina
Assembly of Kosovo	Xheladin Hoxha
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Ministry of Finance	Rexhep Vasolli
Ministry of Internal Affairs	Kastriot Gashi
Ministry of Internal Affairs	Sebahate Muharremi-Pllana
Kosovo Police	Nazmija Basovic
Kosovo Customs	Yll Mehmetaj
Civil Aviation Authority	Arianit Dobroshti

Kosovo Competition Authority	Avni Gjocaj
Kosovo Competition Authority	Shehrije Saliuku
Railway Regulatory Authority	Enis Berisha
Railway Regulatory Authority	Avdylkader Mucaj
KHALIA	Avdi Shala
Kosovo Railways-Infrakos	Agron Thaci
Infrakos	Hysen Fazliu
TrainKos	Hasan Ibraj
TrainKos	Besfort Metaj
Termokos Sh.A	Kreshnik Boqolli
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Association of passenger road transport	Jakup Berisha
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Regional Development Agency-East	Almir Hyseni
Regional Development Agency-North	Fatos Raifi
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Municipality of Shtime	Naim Ismaili
Municipality of Shtime	Ejup Ismajli
Municipality of Lipjan	Nijazi Ibrahim
ZIE	Kimete Bajraktari
Municipality of Skenderaj	Muhamet Bajraktari
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