

**First meeting of the Kosovo SAP Tracking Mechanism
Pristina, 13 March 2003**

Recommendations

The first meeting of the Kosovo SAP Tracking Mechanism (STM) was an important step in the gradual progress of Kosovo towards EU-compatible structural reforms.

The United Nations Interim Administration Mission in Kosovo (UNMIK) and the Provisional Institutions of Self-Government (PISG) expressed full commitment to the success of the STM process and to the implementation of recommendations formulated therein. Based on its experience in other countries, the European Commission welcomed the establishment of an internal **coordination structure** which has been put in place in UNMIK and the PISG. This structure should ensure the efficient preparation of future meetings and full and adequate follow-up to the recommendations, supported by a monitoring tool.

UNMIK and the PISG agreed that an analysis of the **compatibility** with EU standards should take place before the adoption of new legislation and policy measures. Therefore, an internal EU compatibility **screening mechanism** should be installed. The Commission stressed the crucial importance of not only adopting appropriate legislation and policies, but of actual **implementation** and the putting in place of efficient administrative structures to ensure such enforcement.

The first meeting of the STM formulated the following specific recommendations:

General political and economic reforms

Democracy, rule of law and respect for human and minority rights

The **functioning of the Assembly** should be substantially improved. It is important for the acceleration of structural reforms that key legislation is passed rapidly.

Judicial reforms, in particular training efforts, were welcomed and should be further pursued. Positive developments concerning crime control and law enforcement should continue. It is important to further enhance the efficiency of courts and to fully enforce their decisions. Political pressure notably on the local judiciary should be ruled out. The multiethnic composition of the judiciary should be strengthened.

The positive efforts to strengthen **minority participation** in the administration, both on central and municipal level, should be further deepened. The **de-politicisation** of the administration should be safeguarded.

School **textbooks** should be screened on their factual accuracy and be brought in line with Council of Europe standards.

Economic Situation and Reforms

The Commission took note of ongoing efforts to address the **current imbalances** in Kosovo's economy, including the reliance on foreign aid and the low export base, and encouraged the authorities to deal with these issues as a matter of urgency.

The **Organic Budget Law** should be passed quickly. The **budgets** for current and capital expenditure should be more closely integrated so as to provide a comprehensive picture of needs and to guide expenditure on the basis of agreed priorities. The **public wage bill** should be better controlled and the wage scale reformed.

Privatization of socially-owned enterprises should now rapidly enter its operational phase. The Land Use Regulation should be adopted urgently. The restructuring of publicly-owned enterprises should be accelerated.

In order to open concrete perspectives for **international borrowing** for Kosovo, the Commission welcomed UNMIK's intention to quickly clarify the SRSG's authority to enter into external commitments with potential lenders. The capacity to define bankable projects needs to be built. Preparations for the management of future debt should be undertaken.

The EU took good note of UNMIK's intention to actively pursue **trade liberalization** and to enter into free trade arrangements within the region. Internal capacity-building to this end should commence quickly.

Sectoral issues

In each sector, equal attention will be paid to the adoption of legislation compatible with the European Community acquis as well as to the putting in place of appropriate administrative and implementation mechanisms.

Energy policy

A clear, comprehensive and EU-compatible **energy strategy** should be developed, including work plans, timetables, investment plans and sources of financing. Priority should be given to issues relating to the functioning of opened markets.

Restructuring of KEK (the Kosovar electricity utility) **and institution-building** in the energy sector is essential, with a clear undisputed distribution of competencies among UNMIK, the PISG and other actors involved.

To ensure the necessary **sustainable investments** in KEK, a comprehensive investment plan should be drawn up, defining the financing sources, in particular for the short and medium term. KEK's operational costs should be reduced substantially in the framework of a broader restructuring plan.

The rates of progress for **metering, billing and collection of payments** for electricity consumed must improve drastically, to underscore individual and collective responsibility.

It is important that commitments deriving from the Memorandum of Understanding signed in November 2002 in Athens for the development of a **Regional Electricity Market in South East Europe** are fully implemented in the timeframe foreseen. Efforts to fully exploit the possibilities opened by the regional electricity market need to be undertaken. Analyses of interconnection needs and projects should be further pursued.

The **next meeting** of the STM will take place in a few months, when progress has been made in relation to these recommendations and when preparation of the next sectors for discussion has progressed well.

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