# Report on the strategy paper on progress in the enlargement process

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PURPOSE: presentation of the 2005 progress report on **KOSOVO**.

CONTENT: This report reviews the progress made by Kosovo in terms of the three Copenhagen fundamental criteria. However, it is clear that the opening of negotiations on the future status of Kosovo represents a first challenge to be overcome to ensure the overall stability of the region. It is therefore vital that all the parties are committed to a multi-ethnic, stable and democratic Kosovo in order to arrive at a sustainable solution to promote closer relations between Kosovo and the EU.

**1) political criteria**: The situation in Kosovo remained stable during the parliamentary elections and the subsequent establishment of the coalition government, as well as on the occasion of the ICTY indictment and voluntary surrender of the former Prime Minister. However, substantial democratic and efficiency deficits weaken the performance of the provisional institutions of self-government. Relations between Kosovo Serbs and Kosovo Albanians have remained strained. The Kosovo Serbs' boycott of the 2004 elections undermined their capacity to address their community's legitimate concerns through democratic means. At the same time, the Kosovo Albanian majority failed to create the necessary conditions to facilitate Kosovo Serb participation in the political process. The implementation of local self government reform was significantly hampered by this situation. Overall, the rule of law needs to be significantly strengthened. The administration of justice continues to be a major problem as the backlog of cases increases. The judicial institutions and the law enforcement agencies need to be substantially improved to fully enforce the law. Corruption is widespread and there is a lack of cohesive and forceful action against it. Kosovo's administrative capacity remains extremely weak. Its public administration is inefficient and subject to political interference, and does not always act equitably. There is a lack of transparency and accountability. Improving basic public service provision to all communities is a priority, not least to help reduce the demand for services provided by the parallel structures that continue to operate in most predominantly Kosovo-Serb municipalities. An anti-discrimination law was adopted but now needs to be fully implemented if it is to properly protect the rights of the most vulnerable, in particular children and women. The ombudsperson institution has continued to play a crucial role in safeguarding human rights and the protection of minorities. The situation of ethnic minorities continues to be extremely difficult. Uncertainty over Kosovo's future status and fears about security, coupled with bleak employment prospects, is discouraging the return of Kosovo Serbs and other communities. Particular attention is required to ensuring a sustainable livelihood for all minority communities already living in Kosovo but the situation of Roma, Ashkalija and Egyptian communities, notably those living in health-hazardous conditions, requires urgent action. It should be noted that the technical dialogue with Belgrade has resumed.

**2) economic criteria**: Kosovo's economy operates within an emerging framework of functioning market principles. Further vigorous reform efforts are necessary to address the serious shortcomings in competitiveness of the economy. Monetary stability continued to be ensured through the use of the euro as the main currency in circulation. Inflation turned negative in the second half of 2004 and in early 2005. Structural reforms progressed and permitted the authorities to pursue relatively liberal trade and labour market policies and a broadly favourable entrepreneurial environment. However, economic growth has been rather weak, also affected by the decline in foreign aid. Unemployment remains very high and a large increase in public spending resulted in a sizeable budget deficit in 2004. The establishment of

property rights remains a challenge and legal uncertainty and weaknesses in law implementation and contract enforcement continue to hinder private sector development and investment. Insufficient basic infrastructure continues to impede economic activity.

**3) alignment toEuropean standards:** Kosovo has made progressin many areas though in an uneven way. New legislation and policies are now broadly checked for EU compliance from the phase of conception and early stages of drafting in line ministries and through the Office for European Integration Processes. Despite this progress, neither of these civil service structures are fully consolidated, nor is the parliamentary committee on international cooperation and EU integration fully operational yet. The main areas requiring reform are the following:

- *internal market*: progress needed in the area of intellectual property law, as well as in taxation and fighting fraud in excise duties;.
- *agriculture:* under-exploited sector with as poor infrastructure, property rights, inappropriate credit, inefficient quality control mechanisms and low education need to be tackled;
- *environment*: progress awaited regarding water and air quality;
- *transport:* Pristina airport is under civilian control and Kosovo is participating in the extension of the European Common Aviation Area to South East Europe. Its infrastructure needs to be strengthened.
- *justice, freedom and security*: the situation is still unsatisfactory. Need to implement money laundering legislation and establish a comprehensive anti-drug strategy, both in relation to trafficking and the increasing local drug abuse. The transition of power to the Kosovo Police Service is ongoing but further capacity building is needed, in particular for investigations and management and leadership skills. More progress is needed to bring perpetrators of crime to justice and enforce rule of law. The fight against organised crime and against financial crime must be stepped up and local capacities developed in view of any future further transfer of powers to local authorities.