

## **Stabilization Association Process Dialogue (SAPD)**

### **Environment, Transport, Energy and Regional Developments**

**24 - 25 March 2011**

#### **Conclusions**

#### **INTRODUCTION**

The third sectorial Meeting in the 2011 cycle of the Stabilisation-Association Process Dialogue took place in Prishtina on 24 - 25 of March 2011.

The meeting was co-chaired by the Chief of Secretary General Office of the Ministry of European Integration (MEI), Mr Demush Shasha, and the EC ELARG Kosovo Desk Officer, Mr Nicholas Cendrowicz.

Kosovo authorities were represented by institutions of the Government of Kosovo and other responsible institutions, agencies, regulatory bodies, and companies (Please see Attachment 1 for a detailed list of participants).

On behalf of Kosovan institutions, Mr. Shasha emphasised the importance of implementation of the legislation that is in force, hence inviting representatives of all local institutions to engage in open discussions and to take on board recommendations proposed by the EC.

Opening the meeting on environment, Mr Hanley for the EC underlined the key challenges facing the environmental sector in Kosovo, including the low budget allocation and complicated institutional structures/responsibilities. He commented that much remains to be done in implementation but also in the adoption of the EU environmental policies and the establishment of clear institutional structures/ responsibilities in this sector. Mr. Hanley stressed the need for a longer term vision that would identify precisely what it will take to move Kosovo from the current poor state of environment towards progressive alignment with the basic requirements of the EU acquis. He warned that state of the environment in Kosovo may be declining, due to significant new developments such as urbanisation occurring without the necessary environment infrastructure being put in place.

#### **I. ENVIRONMENT**

##### **Achievements:**

##### *Policy Developments*

- ↳ Adoption of Law on Environmental Impact Assessment, No. 03/L-214 (14.10.2010)
- ↳ Adoption of the Law on Strategic Environmental Assessment, No. 03/L230 (18.10.2010) and its implementation through adoption of municipalities' development plans (municipality of Hani i Elezit and Junik municipality).
- ↳ Adoption of the Law on Nature Protection, No. 03/L-233 (30.09.2010)

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- ↳ Adoption of A.I. on determination the manner of public and stakeholders information and participation in the EIA procedures, No. 12/2010
- ↳ Adoption of the Law on Energy No. 03/L/184 (November 2010),
- ↳ Adoption of the Law o Electricity No. 03/1/201 (November 2010)
- ↳ Adoption of the Law on the Energy Regulator No. 03/1/185 (November 2010)

### *Air Quality*

- ↳ Public debates are held on various issues dealing with the environment such as: Air Quality Strategy and Action Plan/ 15.12.2010, Strategy and Action Plan for Biodiversity/ 16.12.2010 and Waste Management Strategy/ 28.10.2010
- ↳ The establishment of the working group between MESP, MTI and MED with the aim to address the Action Plan for the fulfilment of the Directive 1999/32/EC and Large Combustion Plants Directive 2001/80
- ↳ Kosovo Government has already sign the Agreement for exchange of information and consultations regarding EIA with Albania
- ↳ Start of air quality monitoring network with the first station coming online.

### *Inspectorate*

- ↳ Strengthening of the Inspectorate has been set out as a specific objective on the Strategic Development Plan of MESP
- ↳ The establishment of inter-ministerial working group that will draft the Law for inspectorate, will help harmonize the inspection work with legal requirements and will clearly define the competences.
- ↳ Strengthening of environmental Inspections- 205 conducted October 2010- March 2011.

### *Waste Management*

- ↳ Ministry of Finance has dedicated 600.000 Euro for the implementation of the recommendations of a study conducted by IFC-World Bank for concession of four regional landfill sites.

### *Water Protection*

- ↳ Government of Kosovo has already signed the agreement with neighbouring country- Albania regarding water management.
- ↳ Government of Kosovo has shown an improvement in bill collection in water sector.

### *Nature Protection*

- ↳ In an attempt to implement the Law on Nature Protection, Kosovo has received TAIEX support to recognize special protected areas.

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### **Challenges:**

#### *Policy Developments:*

- ↳ Address the options for establishing the Environmental Protection Fund. Solution: Not permitted under the current IMF rules. Perhaps a political solution might be found

#### *Inspectorate:*

- ↳ Strengthening the Inspectorate has been set out as a specific objective on the Strategic Development Plan of MESP

#### *Waste Management:*

- ↳ Kosovo Government will look forward to subsidize companies that are responsible for recycling and division of waste.

#### *Institutional Developments:*

- ↳ Budget for MESP reduced in 2011 from 11m Euro to 8m Euro as part of budget trimming to ensure funding for road-building programme. Solution: try to get more funding in the mid term review and use the EC assistance.

### **Future Plans:**

#### *Policy Developments*

- ↳ Adopt the A.I on municipal environmental permits deriving from Law on Environmental Protection (Q4-2011).
- ↳ Kosovo Government plans to sign the Agreement for exchange of information and consultations regarding EIA with Macedonia.

#### *Air Quality*

- ↳ With the establishment of the air quality monitoring system, the civil society and the public in general will have direct access to these data through online services.
- ↳ Kosovo will hire more people and train them fully for monitoring air quality data.

#### *Inspectorate*

- ↳ Strengthening of the Inspectorate in the local and central level through professional training.

#### *Waste Management*

- ↳ Kosovo Government will look forward to subsidize companies that are responsible for recycling and division of waste.
- ↳ Adoption a new Law for Waste.
- ↳ Amendment of a number of other laws in order to complement the new Law on

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Waste, such as: the Legislation on the Regulator, legislation on the public companies and the legislation on the local administration to ensure clarity and conformity.

### *Water Protection*

- ↳ Adopt the Water Strategy and 20 years Water Management Plans.
- ↳ Sign the agreement with Macedonia regarding water management.

### *Nature Protection*

- ↳ Kosovo will inform the Commission on the progress of implementing legislation resulting from last year's IPPC law.

### *Climate Change*

- ↳ To begin work on climate change and to take the responsibilities in this area that Kosovo is committed to assume, Kosovo will draw up a climate change strategy. It will also draw up an inventory of greenhouse gases.

### **EC Comments**

- ↳ Clear need for the institutions to work more effectively in a coordinated manner to coordinate the environmental activities.
- ↳ Improved collection of bills for utilities will provide financial resources for environmental projects.
- ↳ Investments in the environmental infrastructure should be considerably increased.
- ↳ EC is ready to assist in the effort for alignment with the acquis and encourages Kosovo Government to use all forms of assistance available and, in particular, to participate actively in the activities planned in the framework of the regional environmental network accession - RENA.
- ↳ EC emphasized the need for Kosovo Government to pay special attention to the quality of the EIA reports.
- ↳ Municipal Development Plans are critical element to ensure that the Spatial Development plans are subject to EIA for implementation in order to achieve improved coordination between land use development and environmental infrastructure.
- ↳ EC expressed concerned with regard to the low level of public participation in the decision making process; there is lack of public awareness campaign and access to the information.
- ↳ When drafting the national transposing act for IPPC, Kosovo Government should take into consideration the new Industrial Emission Directive, which resulted from merging 7 directives.
- ↳ EC stated that environment was still not perceived politically and institutionally as a priority, referring to the low budget provided to the MESP. It expressed doubts with regard to the ability of the municipalities to perform effectively the functions

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devolved to them, as they have little capacity in terms of human resources and expertises. Civil society should be a good partner in addressing the environmental challenges. A better vertical communication and better institutional coordination system should be established.

- ↳ EC would like to be as generous as possible regarding the assistance for the environmental sector, but it cannot compensate for the low level of allocation from the state budget. Environment is a sector that has really benefitted from EC assistance.

### *Air Quality*

- ↳ EC stressed the need to translate the data available from air quality monitoring and all environmental data into actual policies and measures designed to improve the quality of life of the Kosovo citizens.

### *Waste Management*

- ↳ EC recommends that Kosovo Institutions pay increased attention to the electronic waste directive, as well as mining waste directive.
- ↳ Kosovo needs to amend a number of other laws in order to complement the new Law on Waste, such as: the Legislation on the Water and Waste Regulator, legislation on the public companies and the legislation on the local administration to ensure clarity and conformity.
- ↳ EC expects to see more with regard to recycling and separation of the waste.
- ↳ EC raised the concern regarding the improvements of the coordination between the institutions involved on the waste sector. The decentralization of decision making powers raises the question as to whether local authorities have enough human and infrastructure resources and capacities to properly manage this sector.

### *Water Quality*

- ↳ Kosovo needs to have a long term vision regarding the management of the water resources, including of major infrastructures, such as dams, dykes etc., as well as ground water and river basin.
- ↳ EC expressed concerns regarding the bill collection of the water companies: while Kosovo Government presented the 6% increase in cash, this is offset by 5.6% increase in tariffs, 4% increase in costumers and 5% increase in production. The data on collection efficiency shows an actual decrease in the ratio between water distributed and the water paid for.

### *Nature Protection*

- ↳ It is important to make available the necessary human and institutional resources to monitor the environmental status of the areas already identified as special protected areas in accordance with the EU environmental acquis in the field of nature.

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### *Climate Change*

- ↳ EC expressed their surprise when hearing that the application from Serbia, included Kosovo as part of the project for Climate Change. In this regard, EC stated that they strictly defined the issues which are already defined.
- ↳ EC welcomes the Kosovo's involvement on the RENA working groups especially the second WG and will make sure that Kosovo Government gets a TAIEX support for drafting the Strategy for Climate Change as well as the Inventory of GHG.
- ↳ EC raised the question and suggested that Kosovo Government should plan how to address the issue of the data on the effects of the climate change in Kosovo, further more EC was interested to know if these data will be covered in the UNDP project.

### **Follow-up actions:**

#### *Policy Developments*

- ↳ Kosovo will keep the Commission up-to-date on the drafting of the proposed Strategy and Plan of Action in the field of environment
- ↳ Adoption of the new Law for trade with oil and oil products (Q4-2011)
- ↳ Kosovo will inform the Commission on the adoption of AIs to implement last year's laws on EIA. (Q3-2011).
- ↳ Kosovo will inform the Commission when the strategy for air quality is adopted (Q2-2011)
- ↳ Kosovo will inform the Commission on the adoption of Four AI deriving from Law on Nature Protection (Q3-2011)
- ↳ As well as adopting the new law on Waste, Kosovo will ensure that the legal framework on the Water and Waste Regulatory Office, on Local Administration, and on Public Companies are compatible with the new law to improve institutional co-ordination in this area (Q3-2011).
- ↳ Adoption of the Law on Water (Q3 2011)
- ↳ Four A.I. on Identifying IBA to be adopted on (Q3-2011)
- ↳ Adoption of the A.I. for Kosovo Environmental Protection Agency (Q3-2011)
- ↳ Kosovo will inform the Commission on plans to strengthen the environmental inspectorate (Q4-2011).
- ↳ Given the level of the funding of the Ministry of Environment and Spatial Planning, Kosovo will request a higher budget for environmental investment in the mid-term budget review (Q3-2011).
- ↳ Kosovo will inform the Commission when the AI on the organisational structure of KEPA is signed (Q3-2011).

#### *Air Quality*

- ↳ Kosovo will inform the Commission on the timetable for deploying additional air quality monitoring stations (Q4-2011).
- ↳ MESP will use the recommendations from the TAIEX expert regarding air quality monitoring system as well as air strategy expertise (Q2-2011).

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### *Waste Management*

- ↳ Kosovo will inform the Commission on the adoption of the local waste management plans, which will include provisions for sorting various waste streams and recycling (Q3-2011).
- ↳ Kosovo will set billing and collection rate targets for both water and waste sectors, to improve these rates and to improve the viability of the companies working in these areas (Q4-2011, WWRO and MF).

### *Water Quality*

- ↳ Accreditation of the Laboratory with ISO/IEC 17025 standards that is relevant to the scope of testing and calibration services as well as specifying the technical requirements for technical competence (Q3-2011).
- ↳ KIPH to establish a Department for Water quality (Q3- 2011)

### *Nature Protection*

- ↳ To assist in implementing the Nature Protection Law, Kosovo will request assistance to civil society organisations (for instance in drawing up the list of protected birds) (Q4-2011).

### *Climate Change*

- ↳ Provide a feedback from Kosovo Government regarding the last meetings in Zagreb and Montenegro (Q-3, 2011).
- ↳ Request a TAIEX support for drafting the GHG Inventory and also make the best use of regional projects under RENA.

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## **II. TRANSPORT**

### **Achievements**

#### *Road Transport*

- ↳ Review, evaluation and comparison of 4 laws (law on road traffic safety, law on road transport, law on road and the law on transport of dangerous goods) with respect to compliance with the acquis as required by draft Transport Community Treaty for SEE;
- ↳ In the year 2010 have been a decrease in the number of traffic accidents compared to 2009. Total accidents have dropped during 2010 to 6.7% compared with the previous year, accidents with injuries have dropped 9.5% while accidents with material damages have dropped 6.2%.
- ↳ Regarding road safety, in order to raise the awareness of drivers and pupils about the road safety, activities and campaign by MI in cooperation with civil society have been conducted where leaflets were distributed as well as lectures held regarding awareness on road safety

#### *Railways*

- ↳ Ministry of Infrastructure and Ministry of Economy has established working groups on separating Kosovo railways between railway infrastructure and operation (INFRAKOS/TRAINKOS)

#### *Aviation*

- ↳ Department of civil aviation has been established in the Ministry of Infrastructure.
- ↳ MI decided that the Pristina International Airport "Adem Jashari" to be categorized as a Scheduled Facilitated Airport and this decision is expected to enter into force on June 1, 2011. (*The decision has been taken after an expert hired by the Commission has conducted an independent capacity analysis of PIA and the final report recommended that the airport should be recategorized*)

#### ***Road Infrastructure***

- ↳ Construction of R7 has continued as planned, road rehabilitation and maintenance has continued throughout the Kosovo. (Road Infrastructure completed. M9/R6 Pristina Sllatine complete. M2/R6 Pristina Shkabaj complete. M7 Sections 1 and 2 55% complete.)

#### *Institutional developments*

- ↳ Regarding transport infrastructure expenses and capital expenditure proposed were presented for 2010 and within the MTEF for the time period of 2011-2013.
- ↳ Kosovo will continue to cooperate with EC on IPA and TAIEX plans to fulfill requirements of EPAP.

### **Challenge**

#### *Road Transport*

- ↳ Administrative and political obstacles on the ground, respectively in the northern part of Kosovo are preventing the full implementation of subsidies program for humanitarian transport



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- ↳ Nonapproval of green card issued by Kosovo is the main obstacle for the development of transport industry in Kosovo.
- ↳ Approximation of legislation on road transport with acquis .
- ↳ Impossibility of signing AETR agreement.
- ↳ Improving road safety;

### *Railways*

- ↳ Lack of financial resources for the Kosovo Railways

### *Aviation*

- ↳ Kosovo CAA still could not sign Working Arrangements with EASA on standardization and safety assessment of foreign aircraft, due to political circumstances.
- ↳ Increasing the institutional capacity and staff training in the Ministries responsible for economic regulation in air transport and for aviation security;

### *Infrastructure*

- ↳ Insufficient funds for rehabilitation and maintenance of roads.
- ↳ Timely completion of the ongoing roads construction projects.
- ↳ Lack of capacity for supervising construction projects.

### *Institutional developments*

- ↳ Lack of financial, technical and human resources for Transport Planning Unit
- ↳ Absence of the Law on Inspectorate.

### **Future Plans**

#### *Road Transport*

- ↳ Regarding the international passenger and freight transport, initiative paperwork were exchanged for bilateral agreements with Austria, Croatia, Italy and Czech Republic and further steps will be taken.
- ↳ Kosovo is planning to implement the AETR agreement to make it a law (see Follow-up Actions)
- ↳ Amendment of the Law on Road Transport (expected to be proposed in the second half of 2011)
- ↳ Amendment of the Law on Roads and the Law on Transport of Dangerous Goods will be proposed to be part of a legislative strategy for 2012.

#### *Railways*

- ↳ Models of track access charges are still under discussions. Nevertheless, after separation of the Kosovo Railways there will initially be only one operator, and while there will be only one operator, the railways will receive a percentage of profits by train operator for the infrastructure but at the moment when the second train operator is in operation, then the Kosovo railways will work according to the legislative framework of EU.
- ↳ Finalization of agreement for border crossing contract with Macedonia.

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### *Aviation*

The focus of all responsible institutions for civil aviation as well as those institutions dealing with social issues, consumer protection etc..., will be to transpose and implement legislation that is required in the second phase of the ECAA agreement (CCA has transposed more than 90% of the legislation regarding the second phase of the ECAA agreement).

### *Infrastructure*

- ↳ Regarding the construction of R6, process is under development and further clarifications and explanations will be provided during this year.
- ↳ Concerning the maintenance of R7, in the first two years the normal maintenance system will be used but when the 4 segments are completed a decision will be taken whether to proceed with a concession for operation and management.

## **EC Comments**

### *Road Transport*

- ↳ With regard to road transport law, the EC considers that the criterion for licensing (technical conditions of vehicles) is not fully compliant with EU legislation. Furthermore, within the criteria for licensing one criterion is missing (stable and effective establishment) from *acquis*. Also, there have been made changes related with conditions of financial standing for international transport, for the first car €9000, and for the second car is €4500 and in EU the figure is €5000. The EC expects Kosovo to take those differences into consideration to amend the AI according to EU legislation.
- ↳ The EC was grateful for the figures and detailed analysis presented in relation to road safety. Although compared to the countries of the region or beyond the number of accidents in Kosovo is much higher, according to them in spite of the number of people using cars is increasing, the situation is not getting worse. EC would like to see by next year different indicators with regard to accidents for instance accidents per kilometer driven.
- ↳ In relation to the AETR agreement, EC recommends that it is not necessary to make AETR as a national law but should search alternative solutions on how to implement the program of digital Tachograf with EC support.

### *Railways*

- ↳ EC was pleased with the progress achieved by the Kosovo Railways
- ↳ EC recommends that the RRA should be able to impose fines on train operators that do not respect its decisions or do not provide requested information.
- ↳ On the issue of the investigations of railways accidents, the EC notes that the accident investigator must be independent and can not be part of the RRA. Taking into account that Kosovo has limited railways, and a small number of potential accidents and due to economical reasons, the EC suggested that the investigation inspector of Railway accidents be part of the same structures as the air accident investigation authority.
- ↳ EC recommends that track access charges for train operators should be based on direct cost of operating a train service (as provided by Article 7 of Directive 2001/14/EC) not excluding the application of additional charges related to environmental issues.

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### *Aviation*

- ↳ EC congratulates the progress achieved by the aviation sector
- ↳ The EC raised concerns whether Kosovo needs and has sufficient financial and professional capacity to categorize the PIA as Scheduled Facilitated Airport.
- ↳ EC appreciates the achievements in terms of Implementation of the ECAA agreement by stressing that Kosovo is one of the countries that have better performance in this respect. However, lack of adoption of the law on State Aid is preventing full implementation of the ECAA agreement in which EC suggests intensifying efforts that this law gets approved to resolved pending issues regarding the European integration

### *Infrastructure*

- ↳ EC raised concerns about disproportion investments, on building new roads in relation to other expenditure on government sectors, other transport modes, maintenance and building of other parts of the road network.

### *Institutional developments*

- ↳ EC encourages the Kosovo Institutions to submit more applications for the technical assistance in the TAIEX, remanding that there are no restrictions regarding submitting applications and emphasizing that Kosovo could benefit enormously from foreign experts.

## **Follow up Actions:**

### *Road Transport*

- ↳ Draft Law on Amendments and Supplements to the Law No. 02/L-70 on Road Traffic Safety (31 October 2011) **(MI Q3 2011)**
- ↳ Kosovo will continue to keep the Commission informed on the development of criteria for access to the road transport profession, particularly financial standing. The drafting of new AI on freight transport will be in full compliance with the acquis. **( MI - Q2 2011 )**
- ↳ In presenting statistics on road safety, Kosovo will use some of the ratios used in the EC (such as accidents and fatalities per car or per journey km). **( MI - Q4 2011 )**
- ↳ Kosovo will continue to strengthen efforts to increase road safety **(MI - Q4 2011)**,
- ↳ MI will prepare the roads safety strategy and action plan **(MIQ4 2011)**
- ↳ Given the difficulties, as a non-member of the AETR, for Kosovo to receive the keys for the digital tachograph, the Commission will facilitate discussions, possibly with a third country **(MI - Q2 2012)**

### *Railways*

- ↳ Draft Law on Amendments and Supplements to the Law on Railways in the Republic of Kosovo 30 May 2011**(MI - Q3 2011)**.
- ↳ Kosovo will inform the Commission when the functions of the railway safety services within the Railways Regulatory Authority (RRA) are operational, (as well as the accompanying legislation), and on the establishment of the railways accident

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- investigation body separate from RRA. **(MI Q3 2011)**.
- ↳ Strengthening and maintaining the main functions of RRA that ensuring financial sustainable by issuing safety certificates and the ability to level fines on Train Operators who do not act in accordance with regulations of the RRA **(MI Q3 2011)**
- ↳ Kosovo will inform the Commission on progress in separating Kosovo railways between the train company (TRAINKOS) and the infrastructure manager (INFRAKOS) **( MI - Q3 2011 )**
- ↳ Track access charges for train operators will be applied based on direct costs **(KR J.S.C Q4 2011)**.

### *Aviation*

- ↳ Draft Law on Aeronautic and Railways Accident and Incident Investigation as a separate body in the Prime Ministers Office (Recommended TAIEX support) **( OPM Q1 2012 )**
- ↳ Draft Law on the Establishment of the Air Navigation Service Agency **(31 March 2011)**
- ↳ Given that the absence of a Law on State Aids is the one remaining comment made before Kosovo can meet the conditions for Provisional Phase I of the ECAA, Kosovo will inform the Commission on the progress of this law **(MF Q3 - 2011)**.
- ↳ Kosovo will inform the Commission when the decision to reclassify Pristina airport as a schedules facilitated airport will come into force on 1 June. **(MI Q3 2011)**
- ↳
- ↳ Establishment of the National Civil Aviation security Committee as required by the Law on Civil Aviation **( MIA Q3-2011)**;
- ↳ Develop a yearly plan of monitoring activities covering security measures as per reg 185/2010. Also recommended to avoid large scale single monitoring activities like audits, instead undertake announced and unannounced inspections (ECAA mission recommendation) **(MIA Q4-2011)** ;

### *Infrastructure*

- ↳ Kosovo will inform the Commission on evolutions in infrastructure spending as reflected in the actual MTEF (rather than the requests made to the Ministry of Finance) **(MI Q1 2012)**

### *Institutional developments*

- ↳ Kosovo will inform the Commission on plans to strengthen the resources of the Road Transport Inspectorate **(MI Q4 - 2011)**.
- ↳ Kosovo will submit more applications to use technical assistance through TAIEX **( MI Q1 2012 )**
- ↳ Improve the capacity of staff in the responsible Ministry on economic regulation (ECAA mission recommendation and French Civil Aviation Authority (EC Twinning Project) **(MI Q4 2011)**
- ↳ Improve the capacity of staff in the responsible Ministry in aviation security (ECAA mission recommendation and French Civil Aviation Authority (EC Twinning Project) **(MIA Q1 2012)**

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### III. ENERGY

#### Achievements

##### *Internal energy market:*

- ↳ Adoption of new Law on Energy, Law on Electricity and Law on Energy Regulator
- ↳ During the reporting period works have been carried out in increasing internal transmission network capacities; reducing technical losses, increase of security of supply performance in compliance with ENTSO/E technical requirements,
- ↳ Systematic replacement of High Voltage equipment (expiry of service life) with new modern equipment which helps in increasing reliability and security in the operation of the transmission system.
- ↳ Engagements for TPP New Kosova continued (the consultation phase with pre-qualified investors completed).
- ↳ In November 2010, ERO has approved the modifications made by KOSTT in the document on Transmission Connection Charging Methodology.

##### *Energy Efficiency and renewable energy:*

- ↳ In January 2011 with the support of GIZ ORF the project on developing the Monitoring Verification System on Energy Efficiency measures started. The system will be established in compliance with requirements of the Directive 2006/32/EC on energy end-use efficiency and energy services.
- ↳ In December 2010, the study on small HP was completed. The study revealed that a capacity of 128MW has been found in Kosovo Rivers.
- ↳ In regard to use of RES: One generator with three wind turbines is constructed in Golesh with a installed capacity of 3x450KWh; one generator from RES-wind is in process of construction; two applications in process for authorisation for RES-wind turbines, and two applications for construction of small HPP are in process for authorisation.
- ↳ Feasibility study completed for district heating-cogeneration project from Kosovo B;

##### *KEK Performance:*

- ↳ Increase of cash collection of billed electricity, from 81% in 2009 to 88% in 2010, electricity paid for as a proportion of electricity supplied increased from 65% in 2009 to 69% in 2010.
- ↳ Increase performance for coal production in South West Sibovc mine by replacing and rehabilitating the heavy coal mining machinery and other old equipment (financing support of Kosovo's budget and different donors such as EU and German Government).
- ↳ On 18 November 2010 an Investors' Conference was organized with all interested companies during the "The time of interest expression" on privatization of KEK Distribution and Supply;

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### Regulatory framework

- ↳ On 25 January “Invitation for Application for pre-qualification” was announced.
- ↳ In December 2010, ERO adopted two Rules:
  - ↳ Rule for the Establishment of a System of Certificates of Origin (for Electricity produced from RES) and
  - ↳ Rule for the Support of Electricity for which a Certificate of Origin has been issued and Procedures for Admission to the Support Scheme.
- ↳ In January 2011, ERO has set the Performance Standards for power supply and service that need to be met by the licensee.

### *Other Developments:*

- ↳ MTEF 2011-2013 is in line with the Energy strategy and thus supports power sector restructuring.
- ↳ Ongoing IPA assistance is focusing on 1).Promoting energy efficiency and renewable energy sources, and 2). Upgrading and development of the transmission capacities and interconnection infrastructure.
- ↳ Established bilateral co-operation MoUs with Albania and Bulgaria are being implemented.
- ↳ Co-operation was established with Macedonia and Slovenia - through MoU
- ↳ Agreed on the text of MoUs with Croatia and Montenegro.

## Challenges

### *Internal energy market*

- ↳ Adoption, implementation and enforcement of secondary legislation in order to meet the obligations of the Energy Community Treaty
- ↳ Integration of KOSTT in regional commercial mechanisms.
  - Implementation of the congestion management mechanism
  - Implementation of Inter TSO compensation mechanism and
  - Settlement that related to the past periodas outputs of the KOSTT 's submitted compliant against Serbia
- ↳ Membership in ENTSO-E
- ↳ Participation in SEE Regional Market
  
- ↳ Development and implementation of a market model that allows for genuine market opening.
- ↳ Preparation for the implementation of the third internal energy market package.

### *Energy Efficiency and renewable energy:*

- ↳ Clarification of the right to use the trans-boundary water flow of HP Zhur between Kosovo and Albania.
- ↳ Issues need to be agreed upon between KEK and COWI for co-generation.

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### *KEK Performance:*

- ↳ Urgent resolution for the electricity consumers on the Northern Side of Mitrovicë since KEK cannot further supply these costumers without defining a method of payment.
- ↳ Reduce KEK technical and commercial losses.
- ↳ Fight the electricity theft and treat this as criminal offence.
- ↳ Review the methodology to adjust power tariffs to ensure that these tariffs balance protection of the consumer with the economic sustainability of power utilities, notably the need for tariffs to be cost-reflective.

### **EC Comments:**

#### *Internal energy market*

- ↳ EC recommends paying attention to the treatment of 1,400 workers of Kosova A when that station is shut and the process linked with it and the possibility of employing a number of them in New Kosova plant.
- ↳ EC also reminded that there was a link between donor support for New Kosovo and Kosovo's commitment for an early closure of Kosovo A. The EU will continue to support the Kosovo Government on the decommissioning process of Kosovo A power plant (including the working groups that have already been established). This contract commenced in early April this year and it is supposed to be finalised in April next year.
- ↳ EC requires from the Government (Ministry of Economic Development) to provide more detailed information regarding the size and nature of the investments foreseen for Kosovo A., Considering the importance of this issue relevant for the environment and safety in operation, EC would like to be properly and timely updated regarding all future KEK activities planned to be performed on these old generation units.
- ↳ EC reminded the Government on the Treaty requirement to legally unbundle electricity distribution from other activities not related to distribution.
- ↳ EC advises Kosovo authorities that the Law on State Aid is required, and that Kosovo is the subject of a dispute settlement procedure with the ECT in the absence of the State Aid law..

#### *Energy Efficiency:*

The EC informed the Kosovo authorities that they have published the European Energy Efficiency Action Plan which proposes several new actions. EC therefore recommends to the Kosovo authorities that they keep up to date with the new requirements.

#### *Renewable energy*

- ↳ The EC recalled that the 2009 renewable energy directive addresses renewable energy in total energy demand, not just in electricity production. Therefore due attention needs to be paid to the promotion of renewable energy in transport and heating/cooling.
- ↳ The Commission furthermore recommended to set feed-in tariffs for other renewable energy sources than hydro and wind, notably for solar energy.



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### Follow up actions

#### *Internal energy market*

- ↳ Kosovo will inform the Commission on the development of secondary legislation to implement last year's package of 3 energy laws. **(MED Q2-2011)**,
- ↳ Given the role that the energy regulator, ERO, will have in implementing the new legislative framework, Kosovo will consider strengthening its role.
- ↳ Kosovo will continue to inform the Commission on plans to meet its commitment on decommissioning the Kosovo A power plant as stated in the Energy Strategy of the Republic of Kosovo 2009-2018, during 2011 and onwards.
- ↳ Kosovo will draw up a strategy to meet EU oil stocks requirements (with TAIEX assistance), **(MTI Q4-2011)**
- ↳ The Model of Electricity Market is to be finalized, **(KOSTT, ERO, Q3-2011)**
- ↳ Unbundling of KEK distribution from supply and other activities as required by the Kosovo Law on Electricity Art 14. **(MF Q4- 2012)**

#### *Energy Efficiency:*

- ↳ Approval of the Law on Energy Efficiency, **(MED, Q3-2011)**.
- ↳ Kosovo will inform the Commission on developments to establish an efficiency fund and to establish the energy efficiency agency<sup>1</sup>. Energy efficiency agency will be established after the Law on Energy Efficiency is adopted.
- ↳ Kosovo will inform the Commission on the implementation and monitoring of Kosovo's NEEAP. **(MED Periodical report Q4-2011)**
- ↳ Kosovo will inform the Commission on establishment of Certification Commission of the Energy Auditors, **(MED Q4-2011)**
- ↳ the Government will inform the EC on the billing/collection figures for Termokos for the last heating season and targets for the next heating season, planned subsidies for operational expenditures (mainly for the fuel purchase) for the next heating season and until the CHP project is completed. Additionally, the Government will inform on the timeframe for the CHP project implementation.

#### *Renewable Energy*

- ↳ Kosovo will inform the Commission on its Renewable Energy Action Plan (including targets), **(MED Q4-2011)**
- ↳ Kosovo will inform the Commission on the AI on biofuel, **(MTI Q3-2011)**
- ↳ Kosovo will inform the Commission on the process of concession for small hydro-plants launched in early 2010, as well as legally justified explanation for not applying the authorisation procedure based on law on energy regulator but the tender/concession procedure based on the law on concessions.
- ↳ Kosovo will inform on the progress of tendering procedure for the hydro plant Zhur.

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<sup>1</sup> As stressed during the meeting, the Central Budget Law does not authorize to have any separate fund other than the Kosovo Budget.



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### *Nuclear Safety and Radiation Protection:*

- ↳ Kosovo will inform the Commission on establishment of Radiation Protection Agency, (MESP Q4 - 2011).

### *KEK Performance*

- ↳ Kosovo will inform the Commission on targets for improving the power sector's billing and collection rate and for reducing losses (both technical and commercial loss/theft), including improving the proportion of electricity paid /electricity available for sale.
- ↳ Kosovo will inform also on the institutional support measures undertaken to reduce the theft of electricity and non-payment.

	Year 2011			
	Q-1	Q-2	Q-3	Q-4
<b>Energy Billed as a % of Energy Available for Sale</b>	73%	84%	91%	79%
<b>Euros Collected as a % of Euros Billed</b>	81%	100%	100%	80%
<b>Collections as % of value of energy available for sale</b>	59%	90%	91%	63%

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### IV. REGIONAL DEVELOPMENT

#### Achievements

##### *Decentralization*

- ↳ Four new Municipalities with Serbian majority established: Gracanica, Klokot, Ranillik, Partesh and the expansion of the municipality of Novo Berdo
- ↳ Establishment of a Civil Registration Office in the North Mitrovica and preparations for organizing the local elections

##### *Local Governance Reform*

- ↳ MLGA reported that the legislation necessary for local reform is completed. All laws envisaged by Ahtisaari's package and the government's legislative agenda have been finalized and approved by the Assembly
- ↳ The transfer of the own municipal competencies is completed; The transfer of delegated competencies is in the final process; The transfer of enhanced municipal competencies is not yet started,
- ↳ Decentralization of financial responsibility for schools to 10 municipalities.
- ↳ MLSW services transferred to municipalities
- ↳ Ministry of Culture has devolved responsibility for libraries and theatres to municipalities.
- ↳ Ministry of Agriculture Forestry inspectorate devolved to local level

##### *EURED*

- ↳ With the support of the technical assistance provided by the EC Liaison Office and under the guidance and political support of the Ministry of local Government Administration and Government, five regional development agencies were established by municipalities and are operational
- ↳ Department on Regional Development and European Integration established in MLGA to co-ordinate the activities of the REDs.
- ↳ Institutional frameworks for Cross Border Co-operation developed and contact made with CBC Institutions in Albania Montenegro and Macedonia
- ↳ Programs with Albania and Macedonia approved, with Montenegro Submitted

##### *Local Finances/ Fiscal Decentralization and Audit*

- ↳ The necessary legal infrastructure for functioning of Internal Audit has been enacted:
- ↳ CHU/FMC unit in cooperation with European Commission Project is developing secondary and tertiary legislation for FMC.

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- ↳ Two pilot units are set to be tested for FMC functioning (Treasury Department and Fushe Kosova Municipality)
- ↳ Internal Auditing has been decentralized; 64 Independent Internal Audit Units; 122 Internal Auditors;

### **Challenges:**

#### *Decentralization*

- ↳ In the field of protection of forests, organizing the inspection, and management of public enterprises (Enterprise for water and waste management), concerning public services, remain a challenge in the decentralization process.
- ↳ Organizing the Local Elections in Northern Mitrovica. Solution; will require a political resolution.

#### *Local Governance Reform*

- ↳ Formation of new municipalities (Mitrovica North) and its exercising its function. Solution: requires a political settlement.
- ↳ Line ministries transfer appropriate information from their management information systems to municipalities,
- ↳ Future control of municipal debt and borrowings. Solution: see follow-up actions.
- ↳ The budget managing of schools.
- ↳ Management capacity building. Solution; see follow-up action.

#### *EURED*

- ↳ Consolidation of the framework for regional economic development

#### *Local Finances/ Fiscal Decentralization and Audit*

- ↳ Long term financing of extended competencies (i.e. Higher Educ. Secondary care)
- ↳ Follow-up of the Audit Certification Program. Solution: see Follow-up actions.
- ↳ Establishing a system for delivery of a IT program for internal auditors; Solution request to ECLO for support
- ↳ Advancing the audit quality; Solution; cascade training, for auditors, pilot audits
- ↳ Establishing a system for delivery of continuous professional education to licensed auditors;
- ↳ Providing professional support to the audit community. Solution See Follow-up actions.

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### **Future Plans:**

#### *Decentralization*

- ↳ Organizing the Local Elections in Northern Mitrovica
- ↳ Opening of the office of the Municipal Preparation Team in North Mitrovica

#### *Local Governance Reform*

- ↳ MLGA in the process of drafting the Capacity Development Strategy (2011-2015) and finalizing the Action plan for strategy implementation by the end of 2011
- ↳ Capacity assessment of municipalities, to be reassessed at end 2011.

#### *EURED*

- ↳ Managing and guiding the network for regional economic development on central level
- ↳ Involving of sector policies (Education, SME, Rural development, EU Integration etc) in regional development policy and network

#### *Local Finances/ Fiscal Decentralization and Audit*

- ↳ A joint CHU&OAG request submitted to the ECLO for support of the IT program; Relay on ECLO professional and financial support- Q4 2012
- ↳ Putting in place a system of continuous professional education for auditors. CHU Q4 2012
- ↳ Support of CHU/IA from international experts. After the current EC Project.
- ↳ Approval of FMC procedures, end of May 2011 including annual reporting on FMC. March 2012, will be the first reporting to Assembly of Kosovo, for Financial Management and Control

### **EC Comments**

#### *Decentralization*

- ↳ The service agreement defining the relationship between the municipalities and the water companies needs to be reviewed and decided upon in order to allocate the appropriate role and involvement of municipalities in providing water services to its citizens according to the law on local self government. More work should be done to define this relationship between the two actors in water services delivery and maintenance. The regional water companies should remain consolidated around the river basins principle according to the EU Water Framework Directive.
- ↳ Waste management should be a core function of the municipalities; revision to the Waste Law should proceed. Consideration should be given to de-regulation of waste collection services and for the Water and Waste Regulatory Office to concentrate on the water sector. Municipalities should develop Waste Management Plans. The

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focus should be on effectiveness of service and environmental protection.

### *Local Governance Reform*

- ↳ PAK is reminded that they have a legal obligation to consult with the municipalities prior to privatization. Municipalities know in detail the history and potential of the different SOEs and have valuable information relating to them. It would be sensible to develop a consultation protocol with them, including the possibility for some SOEs to be considered for land-swap or expropriation if that is in the public interest.
- ↳ Privatization of municipal bus stations should not proceed without analysis as to how they are integrated into the Kosovo transport systems, how central they are to existing economic activities (access to work for much of the population) and how they can be protected as bus stations into the future.

### *EURED*

- ↳ Regarding the RDA's we would like to ask for a more coherent approach on the central level in the sense of a greater involvement on several ministries: the Ministry of Education, Ministry of Labor and Social Welfare and the Ministry of Environment. There should be a single line for monitoring and reporting the progress in these RDA's.

### *Local Finances/ Fiscal Decentralization and Audit*

- ↳ The staff, payroll and operative expenditure constraints fixed by the MF for the municipalities seem to be applied without any recent analysis. They also contradict the different policies from the Ministries of Education, Health and Local Government. The operative expenditure constraint does not give any space to maintain and use new capital assets. Also these constraints have not changed in response to the extra resources for municipalities (from 2009). This is damaging the implementation of decentralization. It is necessary to make research and change before the municipal budget circular for 2012 is published. The Ministry should prepare for some moderate increases in payroll and operative expenditure in the municipalities.

### **Follow up Actions**

- ↳ Clarify and resolve national-level issues for coordination of Regional Economic Development. Kosovo will ensure that key ministries other than the MLGA is engaged in the process (**MLGA, Q4 2011**)
- ↳ Develop capacity building and mentoring link with successful regional policy approaches across EU (OPEN DAYS) (**MLGA, Q3 2011**)
- ↳ MLGA and PAK to send a report to EC on how the consultation process between PAK and Municipalities regarding the process to sell socially-owned land to attract

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- economic investment will look in the future (*MLGA, PAK Q3 2011*)
- ↳ Kosovo will develop the link between SME Agency at the Ministry of Trade and Industry and the RDAs in areas such as a range of SME finance issues that currently limits the capacity of the sector to grow. (*MLGA Q4 2011*)
- ↳ MLGA will draft the “MLGA Strategy 2012-2016” (*MLGA, Q4 2011*)
- ↳ **Experts’ database.** – MLGA will install the experts and trainers’ database in July 2011; they will be supported by UNDP in certain areas based on the municipal needs. (*MLGA, Q4 2011*)
- ↳ Training of local audit tutors from the current project. (*MF, Q3 2011*)
- ↳ Handover of ownership over the Training and Certification Program (TCP) from CIPHA to local agencies in order to continue the TCP. (*MF Q3 2011*)
- ↳ Performing pilot- audits in co-operation with the international experts. In April 11 pilot- audits will be implemented. (*MF, Q2 2011*)
- ↳ Testing of two pilot projects for FMC functioning. Pilot projects are foreseen to be completed by end of June 2011 (*MF Q 4 2011*)

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## Attachment 1

### List of participants

#### 1. Government of Kosovo

##### Ministry of European Integration

Demush Shasha,	Chief Executive of the General Secretary Office, MEI
Albinot Bimbashi	Directorate for Infrastructure and Human Development, MEI
Vjosa Beqaj	Senior Officer, Directorate for Infrastructure MEI
Azra Krasniqi	Senior Officer, Directorate for Infrastructure MEI
Iilir Muçaj	Senior Officer, Directorate for Infrastructure MEI
Dardan Sadriu	Senior Officer, Department for Economy and Trade, MEI

##### Environment

Arben Çitaku	Permanent Secretary MESP
Muhamet Malsiu	Director, Department of Environmental Protection MESP
Naser Bajraktari	Director, Water Department MESP
Ismail Rudari	Director, Central Administration Department MESP
Mustaf Hyseni	Inspector for Environment Protection MESP
Lulzim Korelica	Head of Environment Division MED
Rizah Hajdari	Director, Directorate for Environmental Reporting, KEPA
Hazbije Krasniqi	Head, Office for International Cooperation and EI MESP
Miradije Asllanaj	Officer, Office for International Cooperation and EI MESP
Hikmete Morina,	Senior Programming Officer for IPA MESP
Sami Hasani	Head, Department of Tariffs WWRO
Qamil Musa	Head, Performance Department WWRO
Ramadan Buzhala,	Director MTI
Visar Bajraktari,	Officer MTI

##### Transport

Skender Gashi,	General Secretary MI
Qamil Feka	Director, Road Transport Department MI
Nebih Shatri	Director, Vehicles Department MI
Ali Aliu	Director, Civil Aviation Department MI
Avdi Kamerolli	Director, Legal Department MI
Ramë Qupeva	Director, Road Infrastructure Department MI
Albert Kolgeci	Head, Transport Planning Unit MI
Çerkin Dukolli	CEO of the Inspectorate MI
Jakup Hoti	Director, Secretariat of Road Safety Council MI
Besnik Hajdari	Director, Budget and Finance Department MI
Martin Halilaj	Head, Railway Sector MI
Lulzim Rama	Head, Office for EI MI
Kastriot Gashi	Head, Division for Civil Aviation Security MIA
Dritan Gjonbalaj	CEO, Civil Aviation Authority CAA
Besnike Ukmata	Director, International Affairs and Economic Regulation CAA
Kreshnik Gashi	Chairman, Aeronautical Accident and Incident AAIC
Halit Gara	Chairman of Board, Railways Regulatory Authority RRA
Kosovo Railways,	Xhevat Ramosaj CEO, Kosovo Railways

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### Energy

Hakif Jashari,	General Secretary, (MED)
Besim Veselaj,	Head of Energy Division, (MED)
Sabit Gashi,	Director of Energy Department, (MED)
Agim Thaçi,	Head of Finance, (MED)
Rinon Pallaska,	Senior Officer for IPA Programming, (MED)
Ardita Konushevci,	Senior Officer, (MED)
Lorik Haxhiu,	Project Manager, (LPTAP)
Resmije Ahma,	Director of Legal and Regulatory Affairs Department, (KOSTT)
Skender Gjonbalaj,	Director of Market Operation Department, (KOSTT)
Gazmend Kabashi,	Manager of section for System Development , (KOSTT)
Rexhep Vasolli,	Head of European Integration Office, (MF)
Ramadan Sejdiu,	Head of Division of Publicly Owned Enterprise (MF)
Burim Hashani,	(KKDFE Unit, MF)
Ramdan Buzhala,	Head of Licensing, Regulation and Monitoring Offi oil sector, (MTI)
Visar Bajraktari,	Senior Officer, (MTI)
Bujar Istogu,	Senior Officer for Standards, (MTI)
Nezakete Hakaj,	Head Environment Protection Division, (MESP)
Illir Rama, Advisor,	(MF)
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Shefqet Avdiu,	Generation Coordinator, (KEK)
Naim Sahiti,	Director of Supply Division (KEK)
Adil Jonuzi,	Director of Coal Production Division, (KEK)
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Ardian Berisha,	Acting Head of Tariff Department (ERO)

### Regional Development

Besnik Osmani,	General Secretary, MLGA
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Kosum Aliu,	CHUIA, MF
Lulzim Ismajli,	Director Treasury Department, MF
Selim Thaci,	Head of Macroeconomic Unit, MF

### 2. European Commission

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