

Institute for Advanced Studies GAP

**2009 Progress Report -
challenges**

6 November 2009

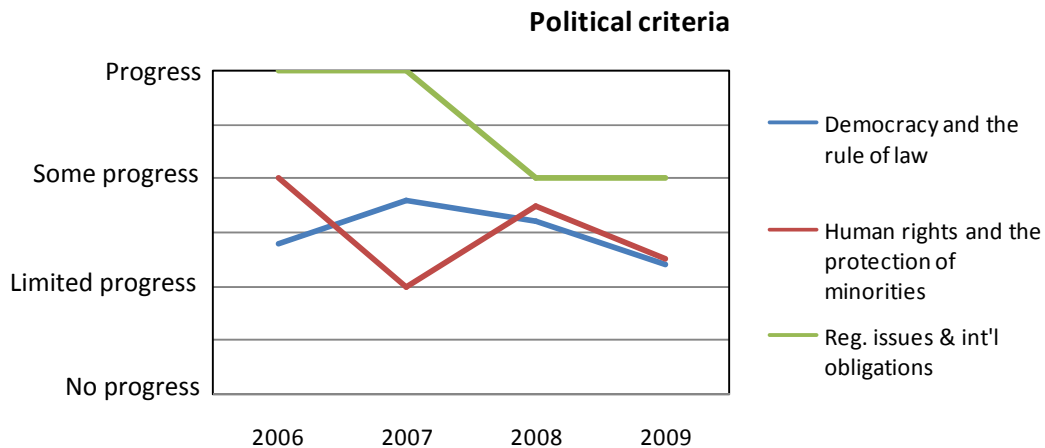
“The government’s delivery on EU integration commitments needs to be significantly improved”¹

The European Commission’s 2009 Progress Report has received different reactions. While the opposition has called it regress report, the institutions have called it historic. The report clearly states that Kosovo has made little progress in the year to September 2009, and in some areas, has got worse. With the goal of improving the public debate on the progress report, GAP institute has prepared this brief on the progress in the last years as well as the main challenges.

Summary of Kosovo’s progress

Political criteria

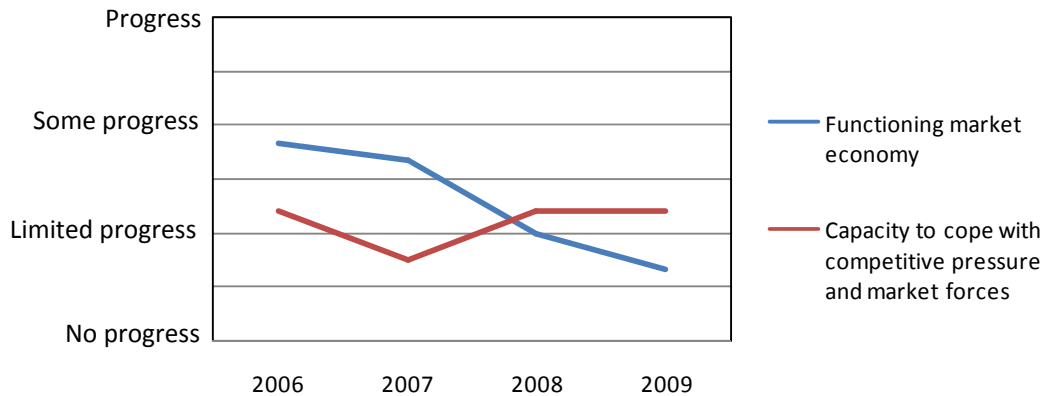
In 2006, Kosovo was making good progress in fulfilling its international obligations and in dealing with regional issues, but since then, progress has stalled. In the fields of democracy and the rule of law, the situation in Kosovo has been deteriorating since 2007. Progress in protecting human rights and minorities has been erratic, and by 2009, the situation had got worse. The Progress Report highlights problems with implementing laws, the independence of institutions from the undue influence of government, and weak capacity within institutions.



Economic criteria

Kosovo’s capacity to cope with competitive pressures and market forces i.e. its ability to function within the EU economy has made only limited progress over the past four Progress Reports. More seriously, the establishment of a functioning market economy has made less progress as the years have passed. In 2009, the enormous trade imbalance, the shift away from privatisation towards capital investments as a stimulus for economic growth (including “worrying developments” in the field of public procurement), and the large unemployment rate especially among young people all undermine Kosovo’s economic progress.

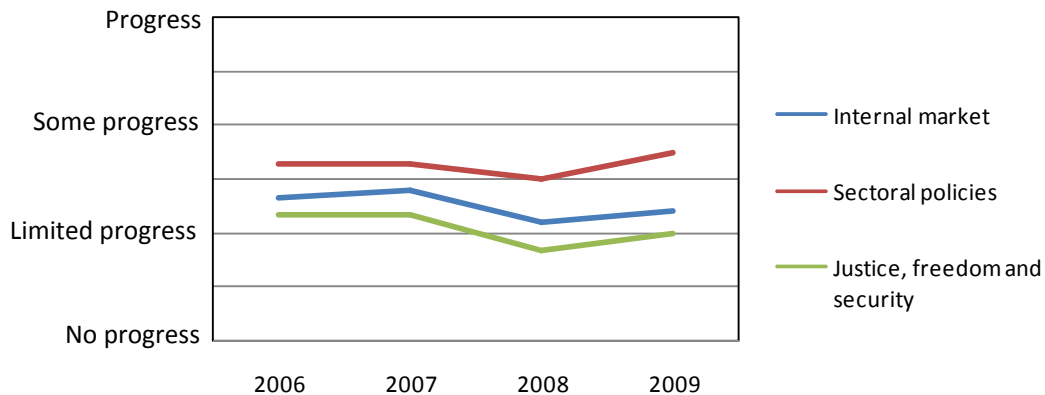
Economic criteria



European standards criteria

In the field of European standards i.e. Kosovo's ability to implement the *acquis communautaire*, Kosovo has made some progress in the past two years. However, looked at over the longer term, Kosovo has yet to catch up with its progress rate in 2006.

European standards criteria



The areas where progress is most lacking

There are several themes in the 2009 Progress Report which cut across the different criteria against which the European Commission judges Kosovo's progress towards EU integration. Below are quotations from the Progress Report, grouped into these common areas of concern.

Weak oversight

Oversight bodies – from the parliament to independent regulatory institutions to the media – are not performing their duties of holding the executive to account. This impairs the functioning not only of democracy, but also of the economy.

“Parliamentary oversight of the executive branch needs further improvement,”² and “democratic oversight of Kosovo security sector needs to be strengthened”³. “The strength of supervisory mechanisms [of political parties] and the lack of transparency regarding the funding of political parties remain issues of serious concern”⁴. The “independence and impartiality of ... RTK are not fully ensured...[and] overall, freedom of expression is not fully guaranteed...Cases of political intimidation call for more robust measures by the Kosovo authorities.”⁵ “The implementation of the RTK law and the appointment of the new RTK board remain the most serious issues of concern” in the field of Kosovo’s media and information society development.⁶ “Oversight of the private sector and particularly the real estate sector needs to be urgently addressed.”⁷

Poor capacity to implement

Government institutions and agencies are not able to do their jobs, even where laws are in place which would allow them to do this. Without stronger capacity in these institutions, Kosovo cannot hope to develop as a democratic and effective state.

Capacity of government institutions is weak, and the situation in the judicial sector, which is “weak, vulnerable to political interference and inefficient,”⁸ needs urgent attention. The Agency for Co-ordination of Development and European Integration needs “increased high-level political support to carry out its mandate” including focusing on implementing the revised European Partnership Action Plan.⁹ “Labour legislation is poorly implemented and remains weak”¹⁰ and while “the institutional and legal framework has been strengthened” in the field of property rights, this has led to “limited progress in practice”¹¹. “The public administration has insufficient capacity” for modern public financial management¹². The “administrative capacity to implement [European standards and legislation in the area of free movement of goods] is inadequate. Considerable efforts are still needed in this respect”¹³. “The capacity of judicial and law enforcement authorities to deal with money laundering has not progressed”¹⁴. “Kosovo has initiated processes to address priorities in [the area of policing]. However, urgently a number of severe deficiencies need to be addressed.”¹⁵

Political interference

The report cites “political interference” on several occasions in areas where it is totally inappropriate.

There is political interference in the judicial sector¹⁶; “there have been cases of political interference in appointments to key civil service positions (including senior civilian positions within ministries, boards of publicly-owned enterprises, Ombudsman’s office, Constitutional Court”¹⁷. The independence of authorities to regulate major industries “was undermined by politicisation of appointments in their boards”¹⁸.

Corruption

Corruption, a phenomenon linked to the weak rule of law, poor oversight of government and political interference in key appointments, appears to be getting worse. This damages democracy and economic development.

“Corruption remains prevalent in many areas in Kosovo and continues to be a very serious concern”¹⁹. “Allegations of corruption and misconduct in the judiciary have not been

adequately investigated”²⁰. “The weak rule of law continued to be a major obstacle to socio-economic development”²¹ and overall, “weak administration and the rule of law, unreliable energy supply, limited access to finance, corruption and poorly defined property rights...hinder market entry and exit”²² and continue “to impair the efficiency of market mechanisms”²³. Corruption “is a concern in the area of customs” and the “fight against corruption needs to be intensified”²⁴. “Licences to fly to and from Pristina are granted in a non-transparent way and with unjustifiable delays” and there have been “worrying developments in the area of aviation”²⁵.

Public procurement

“The situation concerning procurement has worsened compared to the previous year” and “the implementation of the law [on Public Procurement] in practice gives rise to serious concerns”²⁶. “Procurement officers in Kosovo remain vulnerable to interference and intimidation,” which has a “negative impact on the quality of public procurement”²⁷. “The use of single source tenders rose from €50 million to €164 million,”²⁸ meaning that €164 million of public money has been awarded to companies without competition.

No economic strategy

Kosovo’s economic difficulties are made worse by the lack of clear, long-term strategic thinking in this area.

There is a “low quality of budgetary planning and execution” which means that “Kosovo has yet to fully assume its responsibility for macro-economic stability”.²⁹ Economic growth has been increasingly driven by government spending: public investment grew by 194 % but private investment dropped by 10.2 %³⁰. Kosovo’s trade deficit continues to widen: The amount Kosovo exports is growing only slowly, to 5.3 % of gross domestic product. In comparison, imports increased to 50.2 % of GDP.³¹ “As in previous years, the net balance on the capital and financial account was lower than the current account deficit, leaving a significant portion of the financing unexplained.”³² The Statistical Office of Kosovo “is still unable to produce sufficient statistics on economy to underpin effective policy-making”.³³ While statistical data is unreliable, unemployment remains extremely high, at around 40 %.³⁴ Youth unemployment is even higher³⁵, and “for many, emigrating and working abroad remains the only viable option to support their families in Kosovo”;³⁶ “little progress was made towards better developing the economic potential of Kosovo’s young population”³⁷. “Overall, the technology base and the state of physical infrastructure remain weak and the pool of qualified human capital small. As a result, Kosovo companies are too rarely competitive even in sectors where competitive potential exists.”³⁸

Visas

Kosovo is a very long way from joining the EU’s Schengen White List.

“Kosovo has only started to address its priorities as regards visa policy and border and boundary management. Kosovo needs to start developing a coherent visa police [sic. assume policy?] in line with European standards”³⁹

Organised crime

Developments in the field of organised crime in Kosovo are extremely worrying.

“There has been limited progress in tackling organised crime, which remains an issue of serious concern, particularly in the north of Kosovo and on the border/boundary line between Kosovo and Serbia.”⁴⁰ “Kosovo does not have a crime reduction strategy. Kosovo lacks adequate resources to tackle this phenomenon effectively.”⁴¹ “Money laundering remains an issue of serious concern.”⁴² “Tackling financial crime is a key European Partnership priority. However, Kosovo took only a few steps to address this phenomenon effectively...The legislative framework needs to be strengthened in order to ensure that money laundering is defined as a crime, that the future Kosovo financial intelligence unit is independent from undue political and other influence and that the relevant legal acts are in line with European standards.”⁴³

Annex: Summary of the past four Progress Reports

Field			2006	2007	2008	2009
Political	Democracy and the rule of law	Assembly				
		Government				
		Public Administration				
		Judiciary				
		Anti-corruption policy				
	Human rights and the protection of minorities	Observance of international human rights law	n/a			
		Civil and political rights				
		Economic and social rights				
		Minority rights, cultural rights, protection of minorities				
	Regional issues and international obligations					
Economic	Functioning market economy	Economic policy essentials				
		Macroeconomic stability				
		Interplay of market forces				
		Market entry and exit				
		Legal system				
		Financial sector development				
	Capacity to cope with competitive pressure and market forces	Existence of a functioning market economy				
		Human and physical capital				
		Sectoral and enterprise structure				
		State/government influence on competitiveness				
		Economic integration and convergence with the EU		n/a		
European standards	Internal market	Free movement of goods				
		Movement of persons, services and right of establishment				
		Free movement of capital				
		Customs				
		Taxation				
		Competition				
		Public procurement				
		Intellectual property law				
		Employment and social policies				
		Education and research	n/a			
	WTO issues	n/a	n/a	n/a	n/a	
	Sectoral policies	Industry and SMEs				
		Agriculture and fisheries				
		Environment				
		Transport policy				
		Energy				
		Information society and media				
		Financial control				
		Statistics				
	Justice, freedom and security	Visa, border management, asylum and migration				
		Money laundering				
		Drugs				
		Police				
Fighting organised crime and terrorism						
Protection of personal data						

Key:

No progress/ serious concerns/ worrying developments	
Little/limited/very limited progress	
Some progress	
Progress/good progress	

¹ Commission Staff Working Document: Kosovo under UNSCR 12/4499 2009 Progress Report, p8.
All subsequent references are from this document.

² p7	¹² p21	²² p24	³² p22	⁴² p45
³ p7	¹³ p28	²³ p26	³³ p44	⁴³ p45
⁴ p11	¹⁴ p45	²⁴ p30	³⁴ p22	
⁵ p14	¹⁵ p47	²⁵ p39	³⁵ p34	
⁶ p42	¹⁶ p11	²⁶ p31	³⁶ p23	
⁷ p45	¹⁷ p8	²⁷ p31	³⁷ p26	
⁸ p11	¹⁸ p26	²⁸ p32	³⁸ p26	
⁹ p8	¹⁹ p11	²⁹ p24	³⁹ p44	
¹⁰ p15	²⁰ p10	³⁰ pp 21-22	⁴⁰ p47	
¹¹ p16	²¹ p21	³¹ p22	⁴¹ p47	