

2010 Annual Programme — Project Fiche 2
Governance

1. Basic information

- 1.1 CRIS number:** 2010/022-452
1.2 Title: Governance
1.3 ELARG statistical code: 01.23
1.4 Location: Kosovo*

Implementing arrangements

- 1.5 Contracting authority:** European Commission Liaison Office to Kosovo
1.6 Implementing agency: n/a
1.7 Beneficiary:

Project activity	Beneficiary (institutions, target group, etc.)	Contact point responsible for project/activity coordination
Project against economic crime in Kosovo	Overall Coordination Counterpart: Office for Good Governance, Human Rights, Equal Opportunities and Gender Issues (OGG) at the Office of the Prime Minister of Kosovo. Anti-corruption Coordinator: Kosovo Anti Corruption Agency (KAA) and Anti-money laundering Coordinator: Financial Intelligence Centre (FIC)	Mr Habit Hajredini, Head of the Office, Mother Theresa Street Room N-319 38000, Pristina, Kosovo habit.hajredini@ks-gov.net
Enhancing human rights protection in Kosovo	Main beneficiary: Ombudsperson in Kosovo Other beneficiaries: Human rights adviser to the Office of the Prime Minister, Human Rights Units in the relevant ministries and municipalities, Office for Good Governance (OOG), possibly other relevant institutions, depending on adoption of the Human Rights Law, and civil society organisations	Mr Sami Kurteshi — Ombudsperson, ++377 44955 821, skurteshi@ombudspersonkosovo.org

Financing

- 1.8 Overall cost (VAT excluded):** EUR 2.2 million
1.9 EU contribution: EUR 2.0 million
1.10 Final date for contracting: 2 years after signing the financing agreement
1.11 Final date for execution of contracts: 2 years following the final date for contracting
1.12 Final date for disbursements: 1 year after the final date for execution of contracts

* Under UNSCR 1244/1999.

2. Overall objective and project purpose

2.1 Overall objective

To contribute to democracy and the rule of law by preventing and controlling corruption, money-laundering and financing of terrorism and improving implementation of standards under the European Convention on Human Rights (ECHR), of the standards and findings of the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) and of the Framework Convention for the Protection of National Minorities (FCNM) in Kosovo.

2.2 Project purpose

This project will serve two main purposes:

- Strengthening institutional capacity to counter corruption, money-laundering and financing of terrorism in Kosovo in accordance with European standards based on thorough assessments and recommendations for improving and streamlining of reforms targeting economic crime.
- Build the capacity of institutional and non-institutional human rights stakeholders to apply and ensure compliance with European human rights standards in Kosovo.

2.3 Link with European Partnership/Stabilisation and Association Process Dialogue/Progress Reports

Project against economic crime in Kosovo

Kosovo is participating in the Stabilisation and Association Process (SAP) and the associated dialogue which is divided between seven sub-committees. As part of the Stabilisation and Association Process, the **European Partnership** and the inclusion of Kosovo, as defined by United Nations Security Council Resolution 1244/99, is intended to provide additional, tailored support to the authorities in order to realise the European aspirations of the Western Balkan countries¹. The aim is to identify priority areas in which further efforts and reforms are needed, calling, in particular, for Kosovo's legislation to be brought into line with that of the Community. It also provides a reference framework for financial assistance from Community funds. In order to guarantee a secure, democratic and multi-ethnic Kosovo, its short- and long-term priorities are based on the standards laid down by Resolution 1244/99 of the United Nations Security Council. They consist of certain key priorities involving political, economic and legislative criteria. In addition this project is directly linked to the Strategy on Anti-Corruption and on Crime prevention

The short-term key priorities set in the European Partnership relate to respecting the rule of law, human rights, guaranteeing democratic governance and provision of public services and setting up a transparent and accountable public administration while the fight against corruption, organised crime and terrorism must be continued. Other criteria relate to the need to focus on the fight against organised crime, terrorism and corruption, alongside parliament and elections, public administration and the judicial system as political criteria.

Enhancing human rights protection in Kosovo

Chapter 2.2 'Human rights and protection of minorities' of the 2009 European Commission (EC) Progress Report stated that some progress had been made in the area of human rights, but that the institutional framework for compliance with international human rights norms in Kosovo needed to be significantly strengthened. Ensuring full respect for human rights is a key European Partnership priority.

¹ http://europa.eu/legislation_summaries/enlargement/western_balkans/r18015_en.htm.

2.4 Link with the Multiannual Indicative Planning Document (MIPD)

Project against economic crime in Kosovo

The Multi-annual Indicative Planning Document (MIPD) for 2009-11 describes corruption, money-laundering, terrorism and organised crime as threats to the aims of EC assistance, which need to be taken seriously. Furthermore, the transition assistance and institution-building objectives/choices in the MIPD relate its political criteria to the support that needs to be given to the fight against corruption and organised crime. One expected result would be stronger governance confirmed, *inter alia*, by an increase in the number of corruption cases detected and successfully prosecuted and in the quality of policy and legislation drafted and implemented, measured against specific benchmarks. The MIPD also fosters cross-cutting issues such as strengthening good governance by introducing monitoring, evaluation and control mechanisms. Civic and practitioner-targeted awareness campaigns involving the wider public are, in turn, expected to contribute to the fight against corruption and money-laundering.

The Multi-annual Indicative Planning Document (MIPD) for 2009-11 describes anchoring the rule of law and a powerful judiciary as important to achieve the aims of EU transition and institution-building assistance.

Enhancing human rights protection in Kosovo

The transition assistance and institution-building objectives/choices in the MIPD relate its political criteria to the support that needs to be given to consolidation of the rule of law and of civil society and to promoting human rights and protecting minorities. One expected result would be stronger governance confirmed, *inter alia*, by a decrease in the number of cases detected and successfully dealt with along with an increase in the quality of policies and legislation drafted and implemented, measured against specific benchmarks. The MIPD also fosters cross-cutting issues such as strengthening good governance by introducing monitoring, evaluation and control mechanisms. Civic and practitioner-targeted awareness campaigns involving civil society are, in turn, expected to contribute more meaningfully to greater protection of human rights in Kosovo.

2.5 Link with National Development Plan

Project against economic crime in Kosovo

Council Regulation (EC) No 533/2004 on the establishment of European partnerships in the framework of the stabilisation and association process contains a special annex where the EU states the priorities and action that should be taken for approximation of Kosovo to the EU. The European Partnership clearly states that implementation of standards for Kosovo is a general short-term priority. Besides standards, the EU has identified other short-term and medium-term priorities.

Enhancing human rights protection in Kosovo

The Council Decision 2008/213/EC on the principles, priorities and conditions contained in the European Partnership with Serbia including Kosovo contains a special annex where the EU states priorities and actions for Kosovo to be undertaken for the approximation of Kosovo to the EU. The European Partnership clearly states that implementation of Standards for Kosovo is a general short-term priority. Besides the Standards, the EU has identified other short-term and medium-term priorities which do not belong to Standards

3. Description of project

3.1 Background and justification

Project against economic crime in Kosovo

Economic crime — including corruption, money-laundering, financing terrorism, trafficking in human beings, cybercrime and other forms of financial and organised crime — are serious concerns in Kosovo. In response, the Council of Europe has been supporting Kosovo for a number of years in the form of technical cooperation activities focusing on legislative drafting, training and policy advice, with the cooperation of the United Nations Mission in Kosovo (UNMIK), the Organisation for Security and

Cooperation in Europe (OSCE) and the recent European Union Rule of Law Mission in Kosovo (EULEX Kosovo). This has included drafting the (provisional) criminal and criminal procedure codes, specific legislation concerning prosecution and investigation procedures, legislation against corruption and money-laundering, capacity-building for the Anti-Corruption Agency and training on use of special means of investigation, financial investigations, witness protection and other measures against organised crime. The programme proposed will build on these and the other tangible achievements made thanks to other technical assistance, support and advice from the EU, OSCE, UNMIK, UNDP and other organisations.

The conclusions of the European Commission's 2009 Progress Report on Kosovo confirm that Kosovo still faces major challenges. Although it has made further progress towards establishing and consolidating the rule of law, it still needs to improve the functioning and independence of its judiciary. It needs to establish a track record in the fight against corruption, money-laundering and organised crime by demonstrating practical results. Kosovo also needs to strengthen the capacity, independence and professionalism of its public administration and to improve its business environment, including regulation, supervision and corporate governance.

Results of a preliminary needs assessment on economic crime (corruption and money-laundering/counter-terrorism) by the Council of Europe (CoE) in October 2009 revealed a significant number of remaining issues connected with strengthening the rule of law by taking effective measures against corruption, money-laundering and other forms of economic crime.

The Kosovo' Anti-corruption Agency (KAA) is now operational since its establishment in 2006 and has managed to increase and strengthen its capacities, and as of recently is operating under a new amended law². KAA is in charge of policy formulation as well as monitoring the implementation of the anti-corruption action plan and of the control processes related to conflict of interests, declaration of assets. The Office of Good Governance, Human Rights, Equal Opportunities and Gender Issues (OGG) is in charge of coordinating other corruption and good governance efforts in a cross-sectoral approach. However, some issues of competences, institutional and human capacities and financing of political parties remain still a challenge in terms of coordination and synergies.

At the same time, the Financial Investigation Unit (FIU) and the Financial Intelligence Centre (FIC) seem to have been facing numerous capacity-building and human resource challenges since they were established. Their operations have been financed mainly by international assistance providers. Although some measures have been taken, corruption and money-laundering remain prevalent in Kosovo. In recent years significant steps have been taken in Kosovo to bring the legal and institutional framework to combat economic crime into line with international standards.

It remains to be assessed whether the overall legal framework, including the latest legal reforms, meets the international and European standards, including the levels of implementation. The legislative framework has been amended many times, but still requires streamlining and/or remains vague at certain levels.

New draft criminal and criminal procedures codes are being finalised and are expected to be presented to the Assembly in 2010. An Anti-Corruption Strategy and Action Plan for 2009-11 appears to be the leading strategy paper. Monitoring of the measures taken to implement it has been entrusted to the Anti-Corruption Agency in accordance with the new law.

The current legislation on anti-money laundering and countering terrorism financing (AML/CTF) is based on an UNMIK³ Regulation which lays down the basic principles. A new draft AML/CTF law has undergone the Council of Europe's expert review twice and is currently before the Assembly for consideration. Drafting of the new law is 'sponsored' by the Ministry of Economic and Financial Affairs, which is responsible for its final shape, but has been strongly supported by EULEX, which gave technical advice on the drafting process, and reviewed by the Council of Europe and other

² Law Nr. 03/L-159 on the Anti-corruption Agency of Kosovo, decreed on 19 January 2010.

³ UNMIK Regulation No 2005/42 of 30 August 2005 amending UNMIK Regulation No 2004/2, as amended, on the deterrence of money-laundering and related criminal offences.

international experts in order to ensure its approximation with the European standards on AML/CTF. The CoE's support in this matter has been greatly appreciated by all players and should be continued.

The new law on the administration of confiscated and seized property, adopted on 31 July 2009, seems *prima facie* to introduce the necessary provisions (third-party confiscation, reversal of the burden of proof, etc.) and should therefore be useful for further development of the assets recovery system. However, the police and prosecutors office would still require further awareness of this new law and of the tools offered by UNMIK Regulation No 2005/42⁴.

As far as the financial sector is concerned, the Central Bank of Kosovo (CBK)⁵ is the sole supervisor and regulator of the financial institutions in Kosovo. There is no capital market in Kosovo and all banks are primarily retail banks. Around 80% of them are owned by foreign financial institutions. Even though Kosovo has a predominantly cash economy, confidence in the banking system is steadily increasing by around 20% per year. All banks have compliance officers and apply a risk-based approach against money-laundering and financing of terrorism. The governing authorities of the CBK are convinced that the risk of money-laundering and financing of terrorism in the banking sector is low, as this sector is well organised and has strict AML/CTF rules. However, this point of view is not shared by the police who have valid reasons to believe that banks are used for money-laundering. Insurance companies have no compliance officers, as they believe that the risk of money-laundering is very low, since all their transactions go through banks (policies can be paid for by bank transfers only or purchased online and there are no cash transactions). Around 86% of policies are for car insurance; hence, the amounts involved are not significant. Strict investment limits are imposed on the insurance sector. Pension funds have been affected by the crisis (10.4% drop), as they mainly invest on international markets (95%). Again, according to the CBK governing authorities, the greatest risks of money-laundering should be sought in the informal sector. Training has been organised for CBK staff and compliance officers, in some cases together with FIC staff and/or the police.

Enhancing human rights protection in Kosovo

Turning to the second activity under this project, the 2009 EC Progress Report confirms that full respect for human rights is a key priority for the European Partnership. To this end, the institutional framework for compliance with international human rights norms in Kosovo needs to be significantly strengthened. The Council of Europe (CoE) has been working on the same objective in Kosovo since 1999 and has well-established relationships with the local institutions. To follow up the numerous capacity-building and monitoring activities to promote the standards of the ECHR, the CPT and the FCNM, the CoE has received requests from all partners to implement a comprehensive human rights project with the aim of capacity-building, legislative harmonisation and closer cooperation between the different stakeholders working on human rights in Kosovo and across Europe.

The aim of this activity is **to improve implementation of the ECHR, of CPT standards and findings and of FCNM standards in Kosovo.**

The CoE has enjoyed a unique position in Kosovo due to the direct applicability of the ECHR within Kosovo legal framework. In addition, separate arrangements with UNMIK in 2003 made it possible to implement two other major CoE conventions, namely the FCNM and the CPT. Since then, missions to Kosovo by **the monitoring bodies under these instruments** have led to publication of reports, including recommendations to improve the situation of individual communities and prevent ill-treatment in places of detention.

A restricted memorandum from **the Rapporteur of the Political Affairs Committee of the Parliamentary Assembly of the Council of Europe**, Mr von Sydow, followed by an information note on his fact-finding visit to Kosovo (21-26 February 2010), concluded that the CoE should step up its involvement in Kosovo. It highlighted that the justice sector has fewer resources than the police and lacks appropriate training for judges and prosecutors who completed their studies before 1999 and are

⁴ UNMIK Regulation No 2005/42 amended UNMIK Regulation No 2004/2 on the deterrence of money-laundering and related criminal offences.

⁵ There are a total of 74 institutions, including 8 banks, 11 insurance companies, 2 pension funds and 15 micro-financial institutions.

no longer up to date with the relevant law. It has also established that the ECHR, the FCNM and the CPT are no guarantee of effective protection, because the general knowledge of these instruments amongst the legal profession and the judiciary is limited and people are not fully aware of these instruments or of the rights they confer.

The report by the **Council of Europe Commissioner for Human Rights** on his special mission to Kosovo (23-27 March 2009), as a basis for future cooperation and follow-up, considered strengthening the Ombudsperson Institution in Kosovo (OIK) a priority for protection of human rights.

Between 1 September 2005 and 30 June 2008, the CoE implemented a comprehensive capacity-building project on ‘**Support for the Ombudsperson Institution in Kosovo**’, funded by the Swedish International Development Cooperation Agency (SIDA). This included training on the ECHR and other human rights treaties, with a special focus on non-discrimination, minority and gender issues, plus non-human-rights activities such as training courses to improve the writing, reporting and language skills of the staff and establishment of a case-law database and a document management system.

On 4 June 2009, the Kosovo Assembly elected Mr Sami Kurteshi as the Ombudsman for Kosovo. Mr Hilmi Jashari is currently the Deputy Ombudsman. The three other deputies — one from the Kosovo Albanian community, one from the Kosovo Serb community and one from a non-majority community — are expected to be elected shortly. Regardless of ethnicity, the Ombudsman and his deputies must be independent of the authorities and Assembly and credible partners for all the people of Kosovo.

This project builds on the achievements of the SIDA project, while at the same time taking into account the new challenges faced by the OIK in particular as regards monitoring places of detention.

The aim is to bring the regulatory and institutional framework for human rights closer into line with European human rights standards and to increase the capacity of the OIK, the human rights adviser to the Office of the Prime Minister, institutions such as the Human Rights Units in the relevant ministries and municipalities, the Advisory Office on Good Governance and civil society organisations on reporting requirements and skills.

While reforms of the legal framework for protection and promotion of human rights have been underway for several years, including under the guidance of international intergovernmental organisations, there has been no process of assessing the effectiveness and impact of such reforms: key institutions exist in most areas, but their status varies significantly (independent or ministry-run institutions). In some cases, skills still need to be tailored to the regulations. Inter-agency cooperation and coordination need to be streamlined and steered to ensure effective protection of human rights and to consolidate the rule of law.

The powers of staff employed in the main Kosovo institutions need to be increased, especially in relation to implementation of European standards. The CoE and EU standards, along with those of other relevant organisations, should serve as a reference framework for benchmarking and assessment of measures to prevent or respond to violations of human rights in Kosovo.

The strength of the CoE is that standard-setting activities in this field are backed up by **monitoring and technical cooperation**. The findings of the CoE monitoring mechanisms set up under the instruments applicable to Kosovo should be taken as a starting-point to assess the measures to be taken against breaches of human rights and rule of law standards in Kosovo and to assist with preparation of the legislative and regulatory framework necessary to secure the reforms needed.

3.2 Assessment of project impact, catalytic effect, sustainability and cross-border impact

Project against economic crime in Kosovo

A concerted effort by the EU and the CoE, based on the experience from the many successful joint projects in this area, would be an appropriate approach to ensure that European standards and practices are clearly followed in Kosovo. Such efforts would contribute to coherent anti-corruption and money-laundering reforms in Kosovo, also to the benefit of EULEX Kosovo, thus making the results of the reforms more sustainable and bringing them into line with European standards.

The powers of staff employed in the main Kosovo institutions need to be increased, especially in relation to implementation of European standards. The standards of the Council of Europe, of the European Union and of other relevant organisations should serve as a reference framework for benchmarking and assessment of measures against economic crime and, more specifically, corruption and money-laundering in Kosovo. In general, the strength of the Council of Europe is that standard-setting activities in this field are backed up by **monitoring** and **technical cooperation**. However, Kosovo cannot participate in, and thus benefit from, these monitoring bodies. Nevertheless, the experience acquired and criteria applied by the Council of Europe's monitoring mechanisms — such as the Group of States against Corruption (GRECO)⁶ and the Committee of Experts on the Evaluation of Anti-Money-Laundering Measures and the Financing of Terrorism (MONEYVAL)⁷ — are expected to be useful if specifically tailored to Kosovo.

These models should be the reference framework for assessing measures against corruption and money-laundering in Kosovo and preparing recommendations for reform. In due course, such recommendations for reform will be unified and streamlined and, thus, have an impact and serve for:

- assessing and benchmarking current measures against economic crime (corruption, money laundering and terrorism financing); and
- providing recommendations and tools for leading the reforms necessary to tighten up the measures against economic crime in Kosovo⁸.

In terms of catalytic effects, for the first time a specially designed programme will have the purpose, strategy and resources to undertake periodic thorough assessments in Kosovo on issues related to economic crime and, more specifically, corruption and money-laundering. The assessments will cover institutional, legal, policy and resource matters divided into separate themes mostly modelled on the Council of Europe's mechanisms (GRECO and MONEYVAL).

Once embedded as a core functioning benchmarking and assessment system, those periodic assessments will enhance Kosovo's and international capacity to perform supporting and monitoring roles in the area of economic crime (corruption and money-laundering).

Furthermore, the impact and sustainability of this dimension will be enhanced by the part of the project (assessment reports/recommendations) focusing on providing clear and specific recommendations and guidelines on preventing and fighting corruption and money-laundering.

⁶ www.coe.int/greco.

⁷ www.coe.int/moneyval.

⁸ Measures will be taken to ensure that in the end such action and recommendations will be discussed in consultations and shared with leading technical assistance and aid groups (by the Council of Europe, the World Bank, the IMF, the European Union, EULEX, the UN and UNDP, etc.) in order to streamline and improve reforms targeting economic crime in Kosovo in line with European standards.

Enhancement of Human Rights Protection in Kosovo

The human rights component aims at improving the implementation of the ECHR, CPT and FCNM and related standards by the following means: strengthening the knowledge by institutional and non-institutional human-rights related actors; building their capacity to apply and ensure respect for these standards in Kosovo; and contributing to the correct reporting by these actors on the human rights situation in Kosovo, including the monitoring of the enforcement by the same actors, notably the Ombudsperson Institution. .

While assessing and benchmarking under ECHR, CPT and FCNM modelled mechanisms; it will support and enhance the institutional capacities of the relevant Kosovo structures to report on certain standards in the human rights field. It can be safely assumed that the strengthening of these key mechanisms will not only serve one sector but rather ensure that solid reporting mechanisms are set up and applied in line with European best practices. The training activities creating long-term capacity for effective peer support and engagement in the monitoring and reporting process of all relevant stakeholders will allow for large horizontal and sustainable impact of the project. It will enable peer-to-peer dialogue and good practice exchange among professionals, practitioners as well as equivalent institutions in other countries.

Developing and implementing monitoring and reporting mechanisms in the area of human rights will enable Kosovo to compare its performance with other countries in the region as well as other CoE member states and thus further enhance its integration in the international community.

3.3 Results and measurable indicators

As mentioned above, there will be two main activities under this project:

1. Project against economic crime in Kosovo;
2. Enhancing human rights protection in Kosovo.

The results and measurable indicators for the two activities are as follows:

Activity 1: The project against economic crime in Kosovo will have two components:

Component 1: Assessment of anti-corruption measures

Expected results

- Assessment reports on the level of compliance by applicable regulations and practices with European standards (based on the experience acquired and criteria applied by GRECO and other relevant bodies of the Council of Europe).
- Kosovo institutions capable of supporting and applying peer assessments on anti-corruption measures based on the European monitoring mechanisms methodology.
- Recommendations on regulatory, institutional and policy matters, based on the periodic assessments of measures against corruption.
- Final assessment and compliance reports published and disseminated in English, Albanian and Serbian.

Measurable indicators

- One compliance matrix established and approved by the Steering Committee.
- Terms of reference for ‘Assessment of measures against corruption’ approved by the Steering Committee.
- First assessment report on anti-corruption measures available.
- Second assessment report on anti-corruption measures available.

- Kosovo institutions produce all the data and information necessary to enhance understanding and assessment tools on anti-corruption measures.
- Recommendations of the first compliance report available to Kosovo authorities.
- Recommendations of the second compliance report available to Kosovo authorities.
- Group of practitioners and institutional experts in the field of anti-corruption measures and good governance identified and trained to manage and follow up international assessment mechanisms/exercises.
- Number of reports published and translated and number of institutions to which they are disseminated.

Component 2: Assessment of measures against money-laundering and financing of terrorism

Expected results

- Assessment reports on the level of compliance by applicable regulations and practices with European standards (based on the experience acquired and criteria applied by MONEYVAL and other relevant international bodies).
- Kosovo institutions capable of supporting and applying peer assessments on measures against money-laundering and financing of terrorism based on the European methodology or other international assessment mechanisms.
- Recommendations on regulatory, institutional and policy matters, based on the international cooperation mechanisms for the periodic assessments.
- Final assessment and compliance reports published and disseminated in English, Albanian and Serbian.

Measurable indicators

- Compliance matrix established and approved by the Steering Committee by month 6.
- Terms of reference on ‘Assessment of measures against money-laundering and financing of terrorism’ approved by the Steering Committee.
- First assessment report on measures against money-laundering and financing of terrorism available.
- Second assessment report on measures against money-laundering and financing of terrorism available.
- Kosovo institutions produce all the data and information necessary to enhance understanding and assessment tools on measures against money-laundering and financing of terrorism.
- Recommendations of the first compliance report available to Kosovo authorities.
- Recommendations of the second compliance report available to Kosovo authorities.
- Group of practitioners and institutional experts in the field of measures against money-laundering identified and trained to manage and follow up international assessment mechanisms/exercises.
- Number of reports published and translated and number of institutions to which they are disseminated.

Activity 2: Enhancing human rights protection in Kosovo

Expected result 1

- Human rights regulatory and institutional framework in line with European human rights standards.

Measurable indicators

- Kosovo institutions produce all the necessary data by the end of the project.
- Legislation in line with European human rights standards is put in place.
- At least three awareness-raising conferences on human rights organised for and in collaboration with relevant human rights institutions.

Expected result 2

- The Monitoring capacity of the OIK and civil society strengthened.

Measurable indicators

- Increase in the number of human rights complaints handled by the OIK.
- At least two monitoring visits on application of European human rights standards by two selected civil society organisations and two good-quality level reports on their findings drafted.
- At least 60% of the staff members of the human rights institutions trained in drafting reports, notes and official documents referring to European human rights standards; and

3.4 Activities

Activity 1: The project against economic crime in Kosovo will include the following activities:

Component 1- Assessment of level of compliance and of the measures against corruption in Kosovo:

Two periodic assessments (every 12 months) in line with the standards introduced to evaluate the level and quality of measures against corruption, in accordance with the:

- Twenty Guiding Principles for the Fight against Corruption (Resolution (97) 24);
- Criminal Law Convention on Corruption (ETS⁹ No 173) and its Additional Protocol (ETS No 191);
- Civil Law Convention on Corruption (ETS No 174);
- Recommendation on Codes of Conduct for Public Officials (CM Recommendation No R (2000) 10);
- Common Rules against Corruption in the Funding of Political Parties and Electoral Campaigns (CM Rec (2003) 4).

- Activity 1.1: Initiate proceedings to support the launching of the periodic assessments of measures against corruption.
- Activity 1.2: Organise two periodic assessments of measures against corruption at a 12-month interval.
- Activity 1.3: Prepare a compliance matrix and set priorities for corruption assessments.
- Activity 1.4: Support Kosovo institutions to enhance their reporting capacity in line with the assessment methodology on measures against corruption.
- Activity 1.5: Support Kosovo institutions to develop mechanisms for collecting and processing the data necessary for reporting on anti-corruption reforms.
- Activity 1.6: Prepare and introduce recommendations based on the assessments and ensure a unified understanding of the proposed reforms and measures.
- Activity 1.7: Publish, translate, disseminate and raise awareness of the final assessment and compliance reports in English, Albanian and Serbian.

Component 2 - Assessment of level of compliance and of measures against Money-laundering and financing of terrorism:

Undertake two periodic assessments (every 12 months) in line with the standards introduced to evaluate the level and quality of measures against money-laundering and financing of terrorism in accordance with the:

⁹ European Treaty series of the Council of Europe.

- 40 + 9 Financial Action Task Force (FATF) Recommendations;
- UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention);
- United Nations Convention against Transnational Organised Crime (Palermo Convention);
- Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (Strasbourg Convention);
- United Nations Convention for the Suppression of the Financing of Terrorism;
- Relevant UN Security Council Resolutions on the freezing of terrorist assets;
- Directive 2005/60/EC of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money-laundering and terrorist financing;
- Commission Directive 2006/70/EC laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of politically exposed person and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.

- Activity 2.1: Organise two periodic assessments of measures against money-laundering and financing of terrorism.
- Activity 2.2: Prepare a compliance matrix and set priorities for assessments of money-laundering and financing of terrorism.
- Activity 2.3: Support Kosovo institutions to enhance their reporting capacity in line with the assessment methodology on measures against money-laundering and financing of terrorism.
- Activity 2.4: Support Kosovo institutions to develop mechanisms for collecting and processing the data necessary for reporting on reforms of measures against money-laundering and financing of terrorism.
- Activity 2.5: Prepare recommendations based on the assessments.
- Activity 2.6: Support and promote conclusion of the necessary bilateral or multilateral MoUs or participation by key institutions in relevant international networks (e.g. the Egmont Group).
- Activity 2.7: Publish, translate, disseminate and raise awareness of the final assessment and compliance reports in English, Albanian and Serbian.

The main operating methods will be based on established and agreed specific terms of reference (ToR) for assessment of each component. Those ToRs will be the guiding principles for the assessment methodology, steps, use of assessment outcomes and compliance procedures. They will also provide timelines and procedures for endorsement of final assessments and compliance reports, including recommendations from the highest authorities relevant to each specific institution. The operational aspects will involve: reviews; collecting information via questionnaires; on-site visits enabling assessment teams on measures against corruption, money-laundering and terrorism to solicit further information during high- and technical-level discussions; and assessment rounds with key domestic players. The progress made and solutions found to difficulties encountered during the project will be discussed regularly by the Project Steering Committee.

Activity 2: Enhancing human rights protection in Kosovo

Component 1: Aligning the regulatory and institutional framework for human rights with European human rights standards

Activity 1.1: Mapping of relevant human rights actors at central and local level and their capacity (training needs and stakeholders analysis). This activity involves needs assessment visits and reports to identify the human rights-related actors, testing their capacity to absorb the results of the project, including the production of all necessary data at the end of the project.

Activity 1.2: Support to the completion of the legal framework related to human rights, as necessary; This activity involves providing legislative expertise followed by round tables on draft legislation related to human rights.

Activity 1.3: Capacity building for the relevant Kosovo institutions on reporting requirements and skills.

An initial training course to select future trainers from human rights institutions, using e-learning methodology. Through a rigorous selection process based on testing and the level of participation during the initial phase, representatives of these institutions will be selected to take part in the ToT phase.

ToT training sessions on substantive ECHR, FCNM and CPT issues and on methodology, including e-learning, for future trainers. The ToT sessions are aimed at establishing a pool of national trainers able to provide subsequent ECHR, FCNM and CPT training themselves to their peers. They will offer assistance on drafting and job simulations.

Subsequent ECHR, FCNM and CPT cascade training seminars for staff working in human rights institutions in Pristina and other municipalities. They will be conducted by those trainers who successfully passed the tests organised at the end of each ToT session

Activity 1.4: Support to the development of systematic consultation with the civil society and of reporting mechanisms within Kosovo institutions in line with European human rights standards

Working meetings between human rights institutions, the OIK and civil society representatives to establish human rights reporting mechanisms.

Awareness-raising conferences for representatives of human rights institutions on the ECHR, FCNM and CPT.

Working visits to the CoE, including the European Court of Human Rights (ECtHR). It will further increase the understanding of the functioning of the ECHR, the FCNM and the CPT, thus making them less abstract for the participants.

Placements in and exchanges with similar institutions in EU/CoE member states.

Round tables between human rights institutions and non-governmental actors, such as the OIK and the civil society, on practical aspects related to the implementation of human rights standards.

Translation and publication in Albanian and Serbian of human rights training materials. The translated version of these materials relevant to the work of human rights institutions will be distributed to all the institutions throughout Kosovo.

Component 2: Strengthening the monitoring capacity of the OIK and civil society.

Activity 2.1: Capacity building for OIK on reporting requirements and skills

Training seminars for the OIK staff on how to carry out preventive visits against ill-treatment to places of deprivation of liberty and on reporting. They will include assistance on drafting and job simulations.

Working visits of the staff of the OIK to the CoE, including the ECtHR. It will further increase the understanding of the functioning of the ECHR, the FCNM and the CPT, thus making them less abstract for the participants.

Placements in and exchanges with Ombudsman institutions in EU/CoE member states.

Activity 2.2: Awareness-raising for civil society organisations on CoE conventions and their implementation

Round tables on the consultation process between human rights institutions and the civil society in implementing and reporting on human rights standards to be held in the municipalities of Kosovo.

Workshops for the civil society on the ECHR, FCNM and CPT and their implementation to be held in the municipalities of Kosovo. They will include assistance on drafting and job simulations.

Translation and Publication in Albanian and Serbian of human rights training materials. The translated version of these materials relevant to the work of human rights institutions will be distributed to all the institutions throughout Kosovo.

Activity 2.3: Enabling the OIK to carry out preventive visits against ill-treatment to places of deprivation of liberty reflecting the applicable European and international standards.

Contacting Arrangements

Both activities under this project (1. Project against Economic Crime in Kosovo and 2. Enhancing Human Rights Protection in Kosovo) will be implemented through contribution agreements with Council of Europe.

A concerted effort of the EU and the CoE, based on the experience of many successful joint projects in this area would be an appropriate approach to ensure that European standards and practices are clearly followed when applied in Kosovo. Such an effort would contribute to coherent anti-corruption and money laundering reforms in Kosovo, also to the benefit of EULEX mission in Kosovo, thus make reform results more sustainable and bring them in line with European standards

3.5 Conditionality and sequencing

Project against Economic Crime in Kosovo

The Office of Good Governance, Human Rights, Equal Opportunities and Gender Issues (OGG) at the Office of Prime Minister and relevant Ministries will be the office that will assign the two Project Directors/Liaisons as referred above. Moreover, the OGG and the OIK will ensure coordination and implementation support at the senior level of all activities and deliveries of this project. This office and the relevant Ministries office will ensure that Assessment and Compliance reports related to anti-corruption are analysed through the assessment sessions (facilitated and organised by this project) but also followed up and politically supported by the relevant institutions involved in these assessments.

The three months prior to the start of specific activities will be the inception phase of the project. This period is used for project start-up activities, initial contacts and networking, drafting the workplan and timetable and hiring the local and international staff and experts/consultants. At the end of the first three months (inception phase), a launch event will be organised to provide information and instructions and to announce the main expected deliverables and beneficiaries for the project, along with details of project implementation.

Adequate staffing resources should be mobilised at central and municipal level to carry out the project tasks.

3.6 Linked activities

The project builds on previous technical assistance and cooperation programmes in Kosovo over the last five to six years to combat economic and serious crime (corruption, money-laundering, financing of terrorism, trafficking in human beings, cybercrime and international cooperation on criminal matters). More specifically, the activities organised previously under PACO Impact, PACO Kosovo, CARDS and PROSECO will be expanded and their sustainability will be ensured by this project. In due course, it will support the work and capacity of key ministries and bodies in Kosovo (such as the Office of Good Governance, Human Rights, Equal Opportunities and Gender Issues (OGG), Ministry of Justice, Ministry of the Interior, Ministry of Financial Affairs and the judiciary) to address issues concerning reforms of measures against corruption, money-laundering and financing of terrorism, based on a single analysis of those assessment reports and recommendations for improvements.

This project will build on previous and current assistance and support from the EU and other international organisations for the rule of law and good governance, particularly for the following:

Name of project	Start/End	Activities/Results
Support for the anti-corruption institutions of Kosovo (IPA 2007) EUR 1.0 million	2/2009-1/2011	This project aims to develop and enforce anti-corruption policies and a legal framework in line with EU standards and to raise public awareness, in order to combat corruption in Kosovo's institutions effectively and systematically.
Strengthening the human resources and institutional capacity of the local public administration in Kosovo (IPA 2009) EUR 6.5 million	2010-12	This project will support development of professional administrative capacity for implementation of the European Partnership action to ensure more effective and efficient service delivery and dialogue with citizens.
Improvement of the IT system for taxation (IPA 2009) EUR 5.0 million	2010-12	This project will improve the capacity of the IT system in the Tax Administration and move ahead with transforming it into a modern administration by delivering a new IT system which will bring the revenue collection mechanisms closer to the EU systems and foster good governance by introducing a monitoring, evaluation and control mechanism, thus increasing transparency and contributing to the fight against corruption.
Strengthening the rule of law in Kosovo (IPA 2009) EUR 15.35 million	2009-12	This project aims to strengthen the rule of law in Kosovo by means of further reforms of the relevant institutions and alignment with and implementation of the <i>acquis communautaire</i> and other European standards in the areas of justice, freedom and security.
Twinning with the Ministry of Justice (IPA 2009) EUR 2.4 million	2009-11	This twinning project is building on the activities carried out under previous European Agency for Reconstruction projects. In addition to capacity-building, this project is also seeking to develop mechanisms for arbitration, juvenile justice and a bailiff system in order to reduce the backlog of cases in courts.
Rule of law: institutional capacity-building project (USD 300 000)/UNDP	2007-10	1) Capacity-building in justice institutions. 2) Capacity-building for improved judicial practices. 3) Improved knowledge on access to justice in Kosovo. 4) Increased knowledge on transitional justice amongst practitioners.
Kosovo Justice Support Programme/USAID	2009-11	Improving the administration of courts and professionalism of staff. Enhancing respect for ethics and delivery of quality services. Establishing a court system serving and representing all

		ethnic groups. Building an effective public prosecutors service.
Kosovo Civil Society Strengthening Programme Institute for Sustainable Communities	2009-10	Capacity-building and advocacy. Outreach and inclusion of Kosovo Serb and other minority NGOs. Improving the legal and regulatory framework for NGOs.
Access to justice/UNDP (USD 1.63 million)	2009-11	The project aims to improve access to justice by providing legal aid and information and raising awareness at community level.

Numerous initiatives and permanent international advisory and monitoring mechanisms have been established to fight corruption, money-laundering and financing of terrorism. These will serve as inter-linked models, networks and initiatives for delivery of this project:

FATF — the Financial Action Task Force — is an intergovernmental body with worldwide membership whose purpose is to develop and promote national and international policies to combat money-laundering and financing of terrorism. The FATF is a policymaking body set up in 1989 to generate the political will necessary to bring about legislative and regulatory reforms in these areas. The FATF has published its forty recommendations on money-laundering and nine special recommendations on financing of terrorism in order to set standards and meet its objective. It has also produced the methodology for mutual evaluation, which is used by MONEYVAL too.

MONEYVAL — the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money-Laundering Measures (formerly PC-R-EV) — was established in 1997. This evaluation and peer pressure mechanism reviews the anti-money-laundering measures (including confiscation) and measures to counter the financing of terrorism in Council of Europe Member States (and applicants which wish to adhere to the terms of reference) which are not members of the FATF. The evaluation is based on the common AML/CFT methodology, agreed between MONEYVAL and the IMF and the World Bank. The evaluation reports evaluate the efficiency of the measures in place and make recommendations for improvements.

GRECO — the Group of States against Corruption — is a monitoring body of the Council of Europe which aims to improve its members' capacity to fight corruption by monitoring their compliance with the undertakings which they have given in this field. In this way, it will contribute to identifying deficiencies and insufficiencies in national mechanisms against corruption and to prompting the legislative, institutional and practical reforms necessary in order to prevent and combat corruption better. GRECO is responsible, in particular, for monitoring observance of the Guiding Principles for the Fight against Corruption and implementation of the international legal instruments adopted under the Programme of Action against Corruption (PAC). Since the Criminal Law Convention on Corruption also includes provisions concerning confiscation of proceeds, GRECO monitors this field too. Its findings, conclusions and recommendations can be a valuable source of information on the deficiency of confiscation measures in a given country.

CARIN — the Camden Asset Recovery Inter-Agency Network (CARIN) — is an informal network for improving cooperation on all aspects of tackling the proceeds of crime. Specifically, CARIN aims to increase the effectiveness of members' efforts to deprive criminals of their illicit profits by means of inter-agency cooperation and information-sharing. Membership is open, in principle, to the EU Member States, but other States can have observer status and take part in CARIN's work (in the Western Balkan region Slovenia is a member and Croatia has observer status).

The **Egmont Group**¹⁰ was established in 1995 when a group of Financial Intelligence Units (FIUs) decided to establish an informal network to facilitate international cooperation. These FIUs meet regularly to find ways to cooperate, especially on exchanges of information, training and sharing of expertise. More specifically, they work on: expanding international cooperation on reciprocal exchanges of information and making it more systematic; increasing the effectiveness of FIUs by offering training and promoting staff exchanges to improve the expertise and capabilities of personnel employed by FIUs; fostering better and secure communication between FIUs by applying technology such as the Egmont Secure Web (ESW); fostering closer coordination and greater support between the operational divisions of member FIUs; promoting the operational autonomy of FIUs; and promoting the establishment of FIUs in conjunction with jurisdictions with an AML/CFT programme in place or in the early stages of development.

Enhancing human rights protection in Kosovo

Name of project (Amount EUR million)	Start End	Activities/Results
Promoting the Protection of Minority Rights in Kosovo (EIDHR 2007) (Humanitarian Law Center)	2009-2010	To contribute to combating discrimination, promoting the protection and development of equal participation of men and women from minority communities in the social, economic and political life of Kosovo within the broader context of strengthening human rights, political pluralism and democratic political participation in Kosovo
Trafficking Prevention for Vulnerable Youth & Women in Kosovo (EIDHR 2007) (Centre for Protection of Victims and Prevention of Trafficking in Human Beings)	2009-2010	To combat and forestall trafficking in human beings by raising awareness about the threat among the most vulnerable: 1,500 young people in primary schools (aged 12-15), and 500 girls dropped out of school and women (mothers of potential trafficking and gender-based violence victims), in rural areas of Kosovo. The project will also give vocational training to 30 selected young women to increase their capacity to resist trafficking and build independent lives. This project will increase the capacity of local NGOs in the area of trafficking in human beings, making the project itself more sustainable and continuously raising public awareness about counter-trafficking-in accordance with our mission.
Preventing torture and other forms of human rights violations in places of detention in Kosovo (EIDHR 2007) Kosovo Rehabilitation Centre for Torture Victims	2009-2010	1. To increase respect for human rights and humanitarian guarantees applicable to persons deprived of their liberty through independent monitoring of places of detention. 2. To build coalitions with national and regional civil society organisations as well as other relevant international actors with the common goal of combating ill-treatment in places of detention. 3. To advocate for legislative changes in the prevention of torture and ill-treatment.
Strengthening the participation of people with mental disabilities in Kosovo society (EIDHR 2007) (Kosovo Mental Disability Rights Initiative)	2009-2010	Strengthen the capacity of people with mental disabilities through Ne për Ne and Surviving Together; Establishing an independent Mental Disability Rights Committee; Raise public awareness about human rights of people with mental disabilities and the UN Convention of the Rights of Persons with Disabilities.
Research and Monitoring of the Implementation of the Law	2010-2011	To establish a monitoring mechanism for implementation of the Law on Gender Equality and to advocate for better

¹⁰ <http://www.egmontgroup.org>.

on Gender Equality (EIDHR 2008) (lawyers association NORMA)		realisation of human rights in general and women's rights in particular while increasing the professional and quality level of the competent authorities by application of the effective proceedings.
Women Together for Human Rights (EIDHR 2008) Caritas Kosovo	2010-2011	To bring together women from Mitrovica municipality irrespective of their ethnic, social or religious background to work on promoting their human rights. This contract aims in particular at (i) establishing 5 Multi-ethnic Women Groups in the municipality of Mitrovica engaged in Human Rights' activities; (ii) creating a Multi-ethnic Women Groups' Association co-ordinating activities for human rights in Mitrovica; and (iii) developing relevant pedagogical materials and sharing them with other groups and organisations.
Power Sharing – Basis for Coexistence in Kosovo (EIDHR 2008) Kosova Development Center	2010-2011	To improve the quality of life in multiethnic communities, through effective functioning of the model of consensual democracy, and to improve of decisions/instruments/strategies for protection of minorities' rights by the Law on Local Self-government and the Law for Protection and Promotion of Rights of Minorities in Kosovo.

3.7 Lessons learned

Previous experience of CoE technical assistance projects in Kosovo and in the region has, on the whole, been satisfactory. However, certain good practices and lessons learned are worth sharing and taking into account for future action in order to improve the impact and quality of assistance. These include:

- Close coordination between CoE and ECLO;
- Local ownership through maximum possible involvement of stakeholders throughout of project implementation and dialogue through peer involvement and advice exchange;
- Capacity building of local staff and institutional management concerned through direct and indirect “on job” involvement;
- Deep consideration of the historical, cultural and ethnic circumstances in the field of project activities;
- Ensure sufficient absorption capacities and ensure full contribution by the staff of local partners to the implementation of activities
- Avoid donor congestion when organising activities that may fall under the same theme umbrella with other donors and technical assistance providers;
- Sufficient financial planning of activities as well as support and management time for project team (in Kosovo and in Strasbourg) in order to ensure smooth and quality result oriented actions;
- Ensure follow up and information dissemination when delivering project results in order to maintain the momentum as well as ensure continuation of reforms.
- Sharing information and planning with other governmental and non-governmental organisations in Kosovo and in the region in order to avoid duplication, but also ensure joint partnerships and coordination of efforts.

4. Indicative budget (amounts in EUR million)

			TOTAL EXPENDITURE	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION (CoE)	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1 — Economic crime			1.1	1.0	91						0.1	9
Contract 1: contribution agreement with CoE	X		1.1	1.0	91						0.1	9
Activity 2 — Human rights			1.1	1.0	91						0.1	9
Contract 2: contribution agreement with CoE	X		1.1	1.0	91						0.1	9
TOTAL IB			2.2	2.0	91						0.2	9
TOTAL INV												
TOTAL PROJECT			2.2	2.0	91						0.2	9

NOTE: Amounts net of VAT

(1) In the Activities column use 'X' to identify whether institution building (IB) or investment (INV).

(2) Expressed in % of the **total** expenditure (EXP) (column (a))

5. Indicative implementation schedule (periods broken down by quarter)

Contracts	Start of tendering	Signature of contract	Completion of project
Contribution agreement with CoE	N/A	Q2 2011	Q3 2012
Contribution agreement with CoE	N/A	Q2 2011	Q3 2012

6. Cross-cutting issues

6.1 Equal opportunities

The project will take what measures are available to promote the requirements of the gender equality and a more active participation of women in this sector area as well as emphasise ethical and training dimension in avoiding and preventing gender discrimination.

Important as it is to promote a numerical gender balance in the institutions involved and in the activities planned, it is even more important to address gender mainstreaming in the substance of this project. Public authorities play a unique role in ensuring gender equality, not least in changing stereotypes about women. To mainstream gender issues into all activities in the programme, special emphasis should be placed on, *inter alia*:

- Mainstreaming gender in the training planned on the two components of the project.
- Planned awareness-raising campaigns for civil servants and civic education on human rights issues should be gender-specific and include women's rights issues, not least in relation to laws on violence against women and trafficking.
- Advice given on draft legislation should include the specific needs of national minorities and how to mainstream gender equality.
- The focus on equal opportunities, gender equality and children in the Human Rights Units should be sharpened. They should be provided with the ability to address specific issues concerning gender discrimination among minorities and to conduct gender awareness-raising activities, including women's rights.

6.2 Environment

Environmental issues shall be actively mainstreamed throughout the project.

6.3 Minorities

This project intends to encompass the entire relevant administration/population with no discrimination. It will include measures to involve all minority groups in Kosovo as much as possible and to provide information and support in the minority languages recognised under UNSC Resolution 1244/99. The human rights activity is expected to give the various minorities in Kosovo equal opportunities to achieve a higher level of professionalism with the aid of the ToT selection process;

ANNEXES

- Annex I- Log frame in standard format
- Annex II- Amounts contracted and disbursed per quarter over the full duration of the programme
- Annex III- Description of institutional framework
- Annex IV - Reference to laws, regulations and strategic documents
- Annex V- Details per EU-funded contract

ANNEX 1: Logical framework matrix in standard format

Title: Governance		Programme name and number: IPA 2010	
		Contracting period expires: See Section 1.10	Disbursement period expires: See Section 1.12
		Total budget: EUR 2.2 million	IPA budget: EUR 2.0 million
Overall objective	Objectively verifiable indicators	Sources of verification	
To contribute to democracy and the rule of law by preventing and controlling corruption, money-laundering and financing of terrorism in Kosovo and improving implementation of the ECHR, CPT and FCNM standards in Kosovo.	<ul style="list-style-type: none"> ▪ The ECHR, the CPT and the FCNM standards are implemented and applied better by human rights stakeholders in Kosovo. 	<ul style="list-style-type: none"> • Project final report. • CoE monitoring bodies' reports. • EU reports. • NGO/OSCE reports. 	<ul style="list-style-type: none"> - Political support for the project. - Cooperation of the relevant institutions. - Availability of experts. - Absorption capacity.
Project purpose	Objectively verifiable indicators	Sources of verification	Assumptions
<p>Strengthen institutional capacity to counter corruption, money-laundering and financing of terrorism in Kosovo in accordance with European standards based on thorough assessments and recommendations.</p> <p>This specific project aims at building the capacity of human rights stakeholders (institutional and non-institutional) to apply and ensure compliance with European human rights standards in Kosovo.</p>	<ul style="list-style-type: none"> ▪ Higher levels of compliance with international standards. ▪ Increased and improved reporting, investigation, prosecution and judgment of corruption and money-laundering offences. ▪ Increased seizure and confiscation of criminal proceeds. ▪ Increased public awareness and support. ▪ Increase in references to European human rights standards in official documents and reports. ▪ OIK and selected civil society organisations are able to monitor and report on the human rights situation in line with European HR standards. 	<ul style="list-style-type: none"> ▪ Corruption assessment reports. ▪ Money-laundering assessment reports. ▪ Survey results. ▪ Official statistics. ▪ European Commission Progress Reports. ▪ Project reports. ▪ CoE monitoring bodies' reports. 	<ul style="list-style-type: none"> - Political will at all levels, including ministries and parliament, to engage in the fight against corruption, money-laundering and financing of terrorism. - Continued understanding and support of policy-makers and decision-takers. - Kosovo authorities are prepared to follow up the results of the assessment and to implement its recommendations. - Cooperation of the relevant institutions. - Availability of experts. - Absorption capacity. <p>Risks</p> <ul style="list-style-type: none"> ▪ Political instability; ▪ Contradicting interests between partner institutions; ▪ Lack of common goals and priorities among the stakeholders within the same reforms; ▪ Economic instability affecting the capacity of the stakeholders to implement the recommendations; <p>Lack of cooperation between</p>

			independent institutions and governmental structures
Results	Objectively verifiable indicators	Sources of verification	Assumptions
<p><i>Project against economic crime in Kosovo</i></p> <p>Component 1: Assessment of level of compliance and of anti-corruption measures in Kosovo</p> <p>Result 1.1 Assessment reports on the level of compliance by applicable regulations and practices with European standards (based on the experience acquired and criteria applied by GRECO and other relevant bodies of the Council of Europe).</p> <p>Result 1.2 Kosovo institutions understand and are capable of supporting and applying peer evaluations on anti-corruption measures based on the European monitoring mechanisms methodology.</p> <p>Result 1.3 Specific recommendations issued, when relevant, on regulatory, institutional and policy matters, based on the periodic assessments of measures against corruption.</p> <p>Result 1.4 Final assessment and compliance reports published and disseminated in English, Albanian and Serbian.</p> <p>Component 2: Assessment of level of compliance and of measures against money-laundering and financing of terrorism</p> <p>Result 2.1 Assessment reports on the level of compliance by applicable regulations and practices with European standards (based on the experience acquired and criteria applied by MONEYVAL and other relevant international bodies).</p>	<p>Fighting Economic Crime in Kosovo</p> <p>Component 1</p> <ul style="list-style-type: none"> • Compliance Matrix established in the first year of the project • 1st Assessment report on Anti-corruption available by the end of first year of the project; • 2nd Assessment report on Anti-corruption available by the end of second year of the project; • Mechanism established within Kosovo institutions for provision of data and information necessary for assessment of implementation of anti-corruption measures; • At least one comprehensive compliance report by Kosovo institutions by the end of the project; • Group of practitioners and institutional experts in the field of anti-corruption and good governance has been identified and trained to manage and follow up international assessment/mechanisms exercises as such; • Number of reports published, translated and number of disseminated institutions. <p>Component 2</p> <ul style="list-style-type: none"> • Compliance Matrix established and approved by the Steering Committee by month 6; • Terms of Reference on “Measures against money laundering and financing of terrorism Evaluation/Assessment” prepared and approved by Steering Committee • 1st Assessment report on Measures money laundering and financing of terrorism ready; • 2nd Assessment report on Measures money laundering and financing of terrorism ready; • Kosovo institutions produce all necessary data and information to enhance understanding and assessment 	<ul style="list-style-type: none"> ▪ Official statistics. ▪ Three assessment session reports and compliance matrix. ▪ Project progress reports. ▪ Official gazette. ▪ Experts’ reports evaluating the results of tests and quality of drafting. ▪ Experts’ reports evaluating the quality of monitoring reports. ▪ OIK annual report. ▪ External evaluation. 	<ul style="list-style-type: none"> ▪ Kosovo authorities are prepared to follow up on the results of the assessment and implement its recommendations ▪ Kosovo authorities at all levels will be able to effectively co-operate with the project. ▪ Willingness of partner institutions to extend co-operation and adapt their policies, in line with the European standards; ▪ Government continues to pursue policy of European integration and to implement recommendations stemming from the assessment reports; ▪ Staff working on relevant anti-corruption structures is available to participate and provide peer review and follow up in terms of procedural assessments; ▪ Staff availability and continuity; ▪ Adequate supply of expertise and advice by the Council of Europe. ▪ Permanent international advisory and monitoring mechanisms established in relation to the fight against corruption will serve as inter-linked models, networks, and initiatives in terms of deliveries and regional out reaching of networks

Result 2.2

Kosovo institutions understand and are capable of supporting and applying peer evaluations on measures against money-laundering and financing of terrorism based on the European methodology or other international assessment mechanisms.

Result 2.3

Specific recommendations issued, when relevant, on regulatory, institutional and policy matters, based on the international cooperation mechanisms for the periodic evaluations.

Result 2.4

Final assessment and compliance reports published and disseminated in English, Albanian and Serbian and documentation used.

Enhancing human rights protection in Kosovo

Result 1. Human rights regulatory and institutional framework in line with European HR standards.

Result 2. Monitoring capacity of the Ombudsperson Institution in Kosovo (OIK) and civil society strengthened.

tools on anti-money laundering and financing of terrorism;

- 1st Recommendations Compliance Report available by Kosovo authorities;
- 2nd Recommendations Compliance Report available by Kosovo authorities
- Group of practitioners and institutional experts in the field of anti-money laundering has been identified and trained to manage and follow up international assessment/mechanisms exercises as such;
- Number of reports published, translated and number of disseminated institutions.

Enhancing Human Rights Protection in Kosovo

Component 1

- Kosovo institutions produce all necessary data by the end of the project;
- A legislation is put in place in line with European human rights standards;
- At least three awareness-raising conferences on human rights are organised for and in collaboration with relevant human rights institutions;

Component 2

- The number of human rights complaints handled by the OIK increases by 10%;
 - At least two monitoring visits on the application of European human rights standards are carried out by two selected civil society organisations and two reports on their findings are drafted by them;
 - At least 60% of the staff members of the human rights institutions trained in drafting reports, notes and official documents referring to European human rights standards.
- Kosovo institutions produce all the necessary data by the end of the project.
 - Legislation in line with European human rights standards is put in place.
 - At least three awareness-raising conferences organised for human

	<p>rights institutions.</p> <ul style="list-style-type: none"> ▪ At least 60% of the staff members of the human rights institutions trained to a good quality level on drafting reports, notes and official documents referring to European HR standards. ▪ At least two monitoring visits on application of European HR standards by two selected civil society organisations and two good-quality level reports on their findings drafted. ▪ Increase in the number of human rights complaints handled by the OIK. ▪ At least four publications on human rights standards published and distributed. 		
Activities	Means	Costs	Assumptions
<p>1. Fighting Economic Crime in Kosovo</p> <p>2. Enhancing Human Rights Protection in Kosovo</p> <p><i>Component 1: Alignment of the human rights regulatory and institutional framework with European human rights standards</i></p> <p>Activity 1.1: Mapping of relevant human rights actors at central and local level and their capacity (training needs and stakeholders analysis).</p> <p>Activity 1.2: Support to the completion of the legal framework related to human rights, as necessary;</p> <p>Activity 1.3: Capacity building for the relevant Kosovo institutions on reporting requirements and skills.</p> <p>Activity 1.4: Support to the development of systematic consultation with the civil society and of reporting mechanisms within Kosovo institutions in line with European human rights standards</p> <p><i>Component 2: Strengthening monitoring capacity of OIK and civil society</i></p>	<ul style="list-style-type: none"> • Contribution agreement with Council of Europe. • Contribution agreement with Council of Europe. 	<p>Total European Commission budget: EUR 1.0 million Total CoE contribution: EUR 0.1 million</p> <p>Total European Commission budget: EUR 1.0 million Total CoE contribution: EUR 0.1 million</p>	<p>Adequate staffing resources mobilised at beneficiary (central and municipal) level to carry out project tasks.</p>

<p>Activity 2.1: Capacity building for OIK on reporting requirements and skills</p>		
<p>Activity 2.2: Awareness-raising for civil society organisations on CoE conventions and their implementation</p>		
<p>Activity 2.3: Enabling the OIK to carry out preventive visits against ill-treatment to places of deprivation of liberty reflecting the applicable European and international standards.</p>		

ANNEX II: Amounts (in EUR million) contracted and disbursed by quarter for the project

	2010	2011				2012				2013				2014
Contracted	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Activity 1		1.0												
Activity 2		1.0												
Cumulated		2.0												
Disbursed														
Activity 1			0.3				0.35		0.35					
Activity 2			0.3				0.35		0.35					
Cumulated			0.6	0.6	0.6	0.6	1.3	1.3	2.0					

ANNEX III: Institutional framework

Project against economic crime in Kosovo

As an intergovernmental organisation, the **Council of Europe** draws on the experience of its 47 Member States and its more than 200 European conventions, notably concerning the rule of law. The CoE operates in Kosovo under UNSC Resolution 1244 (1999). Although neutral with regard to the status of Kosovo, the CoE's decision-making bodies (the Parliamentary Assembly and the Committee of Ministers) have both attached particular importance to ensuring implementation of CoE standards, norms and best practice in Kosovo in their recent decisions. With a Secretariat Office in Pristina since 1999, the CoE is well placed to cooperate with all relevant partners in Kosovo and to provide infrastructure for project management on the ground.

Beyond that, the OGG is still in charge of coordinating all efforts and policy reforms concerning anti-corruption and good governance in line with international standards, while the Kosovo Anti-Corruption Agency is now in charge of the implementation and monitoring aspects of the new 2009-11 Anti-Corruption Strategy and Action Plan. As the OGG has policy adviser status in the Office of the Prime Minister, it will be the main counterpart/liaison institution on this project. The OGG was the first anti-corruption body created since the introduction of Provisional Institutions of Self-Government in Kosovo (PISG) and now has a complex role ranging from protection of human rights to governance, democracy and gender equality. The office advises the government on general anti-corruption and good governance policies (since it is attached to the Office of the Prime Minister), in addition to the creation of other important institutions such as the Kosovo Anti-corruption Agency. The Kosovo Anti-Corruption Agency is an independent body in charge of developing and implementing anti-corruption policies. The **Kosovo Anti-Corruption Agency (KAA)** was established in 2006 but did not come into operation until February 2007, with a modest budget and number of staff. The director is selected by the Assembly of Kosovo and submits an annual report to the Assembly. The KAA currently has the number of staff envisaged in the budget plan (35 officials). The Agency's remit focuses mainly on fighting and preventing corruption and educating citizens and officials in the area of anti-corruption. However, the new Law on the Anti-Corruption Agency, adopted in January 2010, clarifies the duties and powers of the Agency, which, to some extent, were not clearly defined when it was set up. The KAA is accountable to the Assembly of Kosovo and to the Oversight Commission of the Assembly.

As regards the institutional setting, the **Financial Intelligence Centre (FIC)** is the classical form which the FIU takes in Kosovo. It is run by EULEX within its limited executive powers. The staff consist of five international officers, including the Director, his deputy (both from the Guardia di Finanza) and an IT expert (plus two vacancies), two local administrative staff, one local IT expert, seven local analysts (including liaison officers with the customs and tax administration), one local legal officer and a local deputy director. The FIC has signed Memoranda of Understanding (MoUs) with the FIUs of Montenegro, the former Yugoslav Republic of Macedonia and Albania. Two other MoUs are being negotiated (with Slovenia and Italy). The FIC is an administrative FIU and receives suspicious transaction reports (STRs) and reports of other transactions from 10000 euros upwards. Local staff have received training, mainly organised by the US Treasury (eight seminars on financial investigations and analysis). Preparations are under way for handing over to the Kosovo authorities by the end of 2010.

These will be the three main institutions involved in coordinating issues relating to all structures and assessments relevant to measures against corruption and money-laundering, given their specialised mandates. In addition, other institutions and beneficiaries will be involved in peer reviews and discussions. Moreover, the **Ministry of Justice** will be involved and interlinked with all exercises and action taken under this project, especially its deliverables, which will provide all the necessary information and advice for the Ministry of Justice when launching legislative reforms in line with the recommendations made in the assessments.

As regards the **financial sector**, the Central Bank of Kosovo (CBK) is the sole supervisor and regulator of financial institutions in Kosovo^{***}. It covers all financial institutions except casinos (not regulated so far) and two banks in the Serb-populated area which are licensed by the National Bank of Serbia (NBS). These two banks pose a potentially high risk, as it is not certain if they report to the FIU of Serbia and are effectively supervised by the NBS. CBK has signed an MoU with the FIC and they organise joint on-site inspections which have proved quite successful (two sanctions against banks have been imposed so far). CBK has 34 inspectors, of whom 15 specialise in inspecting banks and some in AML/CTF.

As regards **law enforcement**, the police has a specialised unit to fight organised crime — five policemen at HQ dealing with ‘integrated cases’, i.e. cases where the organised crime element has been established. There are also three economic crime investigators at HQ and two in each region (25 posts in all, but some are vacant). On certain cases these staff cooperate with EULEX police. There have also been examples of joint investigations. The police have received some training on AML/CTF, but far from sufficient. The same goes for cybercrime. The police face serious problems with international cooperation, which is based on private contacts only. There are no institutionalised links. Criminal statistics are not public and are not satisfactory. The police investigated about 30 money-laundering cases in 2009, 15 of which were initiated by the FIC. The quality of cases received from the FIC varies. There are also money-laundering cases linked with corruption and trafficking (financial investigation is the best way to reveal terrorism financing and trafficking schemes). The police has no access to typologies except to those it detects itself. A new procedure introduced makes it possible to conduct financial investigations in parallel to criminal investigation for all economic crimes (previously, this was possible for organised crime only).

Enhancing human rights protection in Kosovo

The Office on Good Governance, Human Rights, Equal Opportunities and Gender Issues (OOG) was established within the Office of the Prime Minister in 2002. It coordinates human rights issues within the line ministries and municipalities and monitors their performance.

The **Ombudsperson Institution in Kosovo (OIK)** was established in 2000 under United Nations Interim Administration Mission in Kosovo (UNMIK) Regulation No 2000/38, which was replaced by UNMIK Regulation No 2006/06 in February 2006. Under the new Regulation, the OIK has a mandate to investigate complaints against local authorities, but can no longer investigate complaints against international administrative bodies in Kosovo. It was also given a mandate to address alleged human rights violations or abuses of authority by public authorities in Kosovo and to monitor the policies and laws adopted by local authorities to ensure compliance with human rights standards and with the requirements for good governance.

^{***} There are 74 institutions in all, including eight banks, 11 insurance companies, two pension funds and 15 micro-financial institutions.

ANNEX IV: Laws, regulations and strategy papers

Project against economic crime in Kosovo

Recently, a package of relevant legislation was adopted in Kosovo, in particular:

- Law No 03/L-128 on internal audit, adopted on 13 October 2009;
- Law No 03/L-141 on the administration of confiscated and seized property, adopted on 31 July 2009;
- Law No 03/L-155 amending Law No 02/L-133 for prevention of conflicts of interest when exercising public functions, adopted on 10 December 2009;
- Law No 03/L-159 on the Anti-Corruption Agency, adopted on 19 January 2010;
- Law No 03/L-151 on the declaration and control of the origin of the assets and gifts of high public officials, adopted on 2 March 2010;
- Ordinance of the Ministry of Justice on international cooperation on legal matters, issued in September 2009;
- Code No 03/L-109 (Customs and Excise Code of Kosovo), adopted in 2008.

Enhancing human rights protection in Kosovo

- Constitution of Kosovo
- Strategy and Action Plan on Human Rights 2009-2011
- Strategy for the Integration of Roma, Ashkali and Egyptian Communities and Action Plan
- National Plan for Persons with Disabilities
- Strategy for Children Rights
- Law 2004/2 on Gender Equality
- Law 2004/3 , the Anti-Discrimination Law
- Law 03/L-047 on the Promotion and Protection of Rights of Communities and Their Members
- Law No. 02/L-17 on Social and Family Services
- Law No. 03/L-022 on Material Support for Families of Children with Permanent Disability
- UNIK regulation 2004/46, Law on Execution of Penal Sanctions
- Law 03/L-134 on Freedom of Association in Non-governmental Organisations
- Law 02/L-37 on the Use of Languages

ANNEX V: Details per EU-funded contract

This project will be implemented by the European Commission by joint management with the Council of Europe following Article 53d of the Financial Regulation and the corresponding provisions of the Implementing Rules. To this end, the Commission will conclude Contribution Agreements with the Council of Europe.

Both activities under this project (the project against economic crime in Kosovo and enhancing human rights protection in Kosovo) will be implemented by the Council of Europe. Joint management is considered to be an optimal arrangement drawing on the previous cooperation of the two institutions.

A concerted effort of the EU and the CoE, based on the experience of many successful joint projects in this area would be an appropriate approach to ensure that European standards and practices are clearly followed when applied in Kosovo. Such an effort would contribute to coherent anti-corruption and money laundering reforms in Kosovo, also to the benefit of EULEX mission in Kosovo, thus make reform results more sustainable and bring them in line with European standards.