

II

(Acts whose publication is not obligatory)

COUNCIL

COUNCIL DECISION

of 14 June 2004

on the principles, priorities and conditions contained in the European Partnership with Serbia and Montenegro including Kosovo as defined by the United Nations Security Council Resolution 1244 of 10 June 1999

(2004/520/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 533/2004 of 22 March 2004 on the establishment of European partnerships in the framework of the stabilisation and association process⁽¹⁾ and in particular to Article 2 thereof,

Having regard to the proposal from the Commission,

Whereas:

- (1) The Thessaloniki European Council of 19 and 20 June 2003 endorsed the 'Thessaloniki Agenda for the western Balkans: moving towards European integration' where the drawing up of European partnerships is mentioned as one of the means to intensify the stabilisation and association process.
- (2) Regulation (EC) No 533/2004 sets out that the Council is to decide, by a qualified majority and following a proposal from the Commission, on the principles, priorities and conditions to be contained in the European partnerships, as well as any subsequent adjustments. It also states that the follow up of the implementation of the European partnerships will be ensured through the mechanisms established under the stabilisation and association process, notably the Annual Reports.
- (3) The 2004 Commission's Annual Report presents an analysis of the preparations of Serbia and Montenegro including Kosovo as defined by the United Nations Security Council Resolution 1244 for further integration into the European Union and identifies a number of priority areas for further work.

- (4) In order to prepare for further integration into the European Union, the competent authorities in Serbia and Montenegro should develop a plan with a timetable and details in terms of measures Serbia and Montenegro intends to take to this end. As Kosovo is at present under international interim administration pursuant to United Nations Security Council Resolution 1244, a separate plan addressing the priorities concerning Kosovo should be developed under the authority of the United Nations Interim Administration in Kosovo,

HAS DECIDED AS FOLLOWS:

Article 1

In accordance with Article 1 of Regulation (EC) No 533/2004, the principles, priorities and conditions in the European Partnership with Serbia and Montenegro including Kosovo as defined by the United Nations Security Council Resolution 1244 are set out in the annex hereto, which forms an integral part of this Decision.

Article 2

The implementation of the European Partnership shall be examined through the mechanisms established under the Stabilisation and Association process.

Article 3

This Decision shall take effect on the third day following its publication in the *Official Journal of the European Union*.

Done at Luxembourg, 14 June 2004.

For the Council
The President
B. COWEN

⁽¹⁾ OJ L 86, 24.3.2004, p. 1.

ANNEX

1. INTRODUCTION

The Thessaloniki Agenda identifies ways and means of intensifying the stabilisation and association process, *inter alia*, through the introduction of European partnerships.

Based on the Commission's Annual Report, the purpose of the European Partnership with Serbia and Montenegro including Kosovo as defined by the United Nations Security Council Resolution 1244 (Serbia and Montenegro including Kosovo) is to identify priorities for action in order to support efforts to move closer to the European Union within a coherent framework. The priorities are adapted to specific needs and stage of preparation of Serbia and Montenegro including Kosovo and will be updated as necessary. The European Partnership also provides guidance for financial assistance to Serbia and Montenegro including Kosovo.

It is expected that Serbia and Montenegro including Kosovo will adopt plans including a timetable and details in terms of how they intend to address the European Partnership priorities. The plan should also indicate ways to pursue the Thessaloniki Agenda, the priorities on fighting organised crime and corruption identified at the 2002 London Conference and at the Ministerial meeting held in Brussels on 28 November 2003 in the framework of the EU-western Balkans Forum and the measures presented by each of the western Balkan countries at the meeting of 5 November 2003 in Belgrade as a follow-up to the Ohrid Conference on integrated border management.

2. PRINCIPLES

The stabilisation and association process remains the framework for the European course of the western Balkan countries, all the way to their future accession.

The main priorities identified for Serbia and Montenegro including Kosovo relate to its capacity to meet the criteria set by the Copenhagen European Council of 1993 and the conditions set for the Stabilisation and Association process, notably the conditions defined by the Council in its conclusions of 29 April 1997 and 21 and 22 June 1999, the content of the final declaration of the Zagreb Summit of 24 November 2000 and the Thessaloniki agenda.

3. PRIORITIES

The Commission's Annual Report assesses progress made and notes areas where the country needs to increase its efforts. The priorities listed in this European Partnership have been selected on the basis that it is realistic to expect that Serbia and Montenegro including Kosovo can complete them or take them substantially forward over the next years. A distinction is made between short-term priorities, which are expected to be accomplished within one to two years, and medium-term priorities, which are expected to be accomplished within three to four years.

The European Partnership indicates the main priority areas for the preparations of Serbia and Montenegro including Kosovo for further integration into the European Union, based on the analysis in the 2004 Annual Report. It should be recalled that where legislative approximation is concerned, incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to prepare to its full implementation.

The priorities concerning Serbia and Montenegro, and the priorities concerning specifically Kosovo, are presented in the lists attached.

4. PROGRAMMING

Community assistance under the stabilisation and association process to the western Balkan countries will be provided by the relevant financial instruments, and in particular by Council Regulation (EC) No 2666/2000 of 5 December 2000 on assistance for Albania, Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and the former Yugoslav Republic of Macedonia ⁽¹⁾, accordingly, this Decision will have no financial implications. In addition Serbia and Montenegro including Kosovo will have access to funding from multi-country and horizontal programmes. The Commission is working with the European Investment Bank and the International Financial Institutions, in particular the European Bank for Reconstruction and Development and the World Bank, with a view to facilitate the co-financing of projects relating to the stabilisation and association process.

⁽¹⁾ OJ L 306, 7.12.2000, p. 1. Regulation as amended by Regulation (EC) No 2415/2001 (OJ L 327, 12.12.2001, p. 3).

5. CONDITIONALITY

Community assistance under the stabilisation and association process to the western Balkan countries is conditional on further progress in satisfying the Copenhagen political criteria. Failure to respect these general conditions could lead the Council to take appropriate measures on the basis of Article 5 of Council Regulation (EC) No 2666/2000.

Community assistance shall also be subject to the conditions defined by the Council in its Conclusions of 29 April 1997, in particular as regards the recipient's undertaking to carry out democratic, economic and institutional reforms, taking into account the priorities set out in this European Partnership.

6. MONITORING

The follow-up of the European Partnership is ensured through the mechanisms established under the stabilisation and association process, notably the Annual Report on the stabilisation and association process.

SERBIA AND MONTENEGRO ⁽¹⁾

SHORT-TERM PRIORITIES

Political situation

Democracy and rule of law

Constitutional issues — Fully respect the Constitutional Charter and ensure the effective functioning of the State. In particular, fulfil all outstanding commitments laid down in the Constitutional Charter, notably the establishment of the State Court including agreement on the exact scope of its powers. Revise the republican Constitutions in line with the Constitutional Charter. Adopt the State Parliament's Rules of Procedure and establish its committees. Ensure the financial viability of the State institutions, through regular financing in accordance with agreed principles and the preparation of individual institutional budgets (covering staff and operating costs).

Army reform — Adopt a defence strategy and military doctrine in line with democratic principles; prepare and adopt a transparent and appropriate legal framework to clarify the outstanding issue of military property.

Electoral law reform — In Serbia: complete the ongoing electoral law reform (including electorate register) to bring the electoral system up to international standards notably by revising electoral laws, in line with the Office for Democratic Institutions and Human Rights recommendations and fully implementing legislation on financing of political parties.

Public administration reform

Strengthen and maintain administrative capacity of the institutions dealing with European integration at the State and Republican level (in terms of staff, training, equipment) and improve cooperation among them.

In Serbia: adopt a comprehensive strategy on public administration reform including a precise calendar of actions, in particular address civil service pay system reforms and related human resource development measures; establish and maintain the relevant institutions and allocate the necessary resources; prepare the legislation on government and civil service.

In Montenegro: implement the strategy on public administration reform, in particular adopt and start implementing the legislation on civil service to ensure professionalism and accountability. Implement the law on salaries of civil servants and public employees.

Judicial reform

Ensure the smooth transfer military jurisdiction to civilian courts in line with the Constitutional Charter.

In Serbia: modernise and increase efficiency and independence of the court system, in particular its commercial courts; ensure the functional independence of war crime prosecutor. Prepare for the setting-up of administrative and appellate jurisdictions.

⁽¹⁾ Not including Kosovo as defined by United Nations Security Council Resolution 1244 of 10 June 1999.

In Montenegro: continue preparations for implementation of the Criminal Code and of the Criminal Procedure Code, and law on prosecutors, in particular ensure functional independence of special prosecutor for organised crime. Set up administrative and appellate jurisdictions.

Fight against corruption

In both Republics: prepare a comprehensive anti-corruption strategy in line with Council of Europe standards and adopt law on conflict of interests.

Human Rights and Protection of minorities

Council of Europe obligations — Fulfil all short term obligations arising out of membership of the Council of Europe including uniform effective implementation, throughout the State Union, of European Convention on Human Rights and Fundamental Freedoms and European Convention for the Prevention of Torture.

Ombudsman

In Serbia: adopt the legislation to set up an Ombudsman Office.

In Montenegro: strengthen the administrative capacity of the Ombudsman Office

Elimination of torture

In both republics: take comprehensive and transparent action in all alleged cases of torture.

Freedoms of expression and association

In Serbia: decriminalise slander. Enforce media legislation, in particular broadcasting law, by assuring political independence of the Audiovisual Council. Adopt law on free access to information, in line with Council of Europe standards. Create an environment (including financial aspects), conducive to the development of NGO and civil society organisations including social partners, notably by adopting the law on associations, and a law on the legal status of foreign NGOs.

In Montenegro: adopt law on access to public information in line with Council of Europe Standards. Adopt strategy on cooperation between NGOs and governmental bodies.

Property rights:

In both Republics: adopt/implement legislation on property restitution.

Refugees, displaced persons and minorities

Ensure adequate cooperation between the State Union and Republics as regards the legislative basis and practical protection of the rights of refugees, displaced persons and minorities. Strengthen cooperation with Bosnia and Herzegovina and Croatia to enable returns. Engage in dialogue with Pristina on the return of displaced persons and related issues such as property and social rights. In both Republics: amend legislation to repeal all discriminatory provisions. In Montenegro: abolish legal prohibition for refugees to work and amend restrictive provisions to allow them possibility to apply for citizenship.

Regional and international cooperation/obligations

Ensure full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY).

Fully respect the UNSCR 1244 and continue dialogue with Pristina on practical issues of common interest. Ensure recognition of UNMIK travel documents and car plates.

Strengthen stability and regional cooperation. Comply with the stabilisation and association process requirements and Thessaloniki commitments in terms of regional cooperation. Ratify and fully enforce all free trade agreements concluded by the State. Start implementing the Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network and in particular take measures to set up the cooperation mechanisms, *inter alia*, the Steering Committee and the South East Europe Transport Observatory. Make progress in meeting commitments under the 2003 Athens Memorandum of Understanding on the Regional Energy Market in South East Europe

Economic situation

Market economy and structural reforms

Sustain macroeconomic stability. Implement a 2004 budget that reflects further necessary fiscal adjustment and consolidation. Continue efforts with a view to come to an agreement with commercial creditors (London Club) on debt restructuring. In particular, in Serbia: continue with a prudent monetary policy stance, backed by appropriate exchange rate policy, and establish more efficient monetary instruments with a view to improve the targeting of monetary aggregates.

Liberalise remaining prices and remove administrative controls. In particular adjust energy prices towards cost recovery levels, also gradually replacing all existing price subsidies to poor consumers by direct transfers.

Speed up the restructuring, privatisation and/or liquidation of large socially- and State owned enterprises. Accelerate also the restructuring, of large publicly owned utilities (electricity, oil and gas, railway, airline, telecommunications etc.). Continue banking sector reform more vigorously and in particular the preparation of privatisation in Serbia of the majority of the State-owned banks. Ensure allocation of sufficient budgetary resources for redundancy and restructuring costs.

Develop a stable and functioning land/real estate market. Prepare legislation on cadastre.

Employment policy

In both Republics: develop and implement a comprehensive strategy to promote employment and combat unemployment, in particular with regard to vocational training and labour market reforms, involving all relevant actors; improve public employment services and allocate sufficient staff and financial resources to the implementation.

Develop reliable statistics. Revise and adopt the master plan on statistics with a view to ensure a clear allocation of responsibilities among the three statistical offices at State Union level and the republican level and an effective coordination among them. Adopt the laws on statistics at the State Union level and in both Republics.

Management of public finances

Continue to formalise the grey economy and broaden the tax base through implementation of public expenditure management system (treasury, public internal financial control) and comprehensive tax reforms, with fewer exemptions and lower rates in particular on labour and improved implementation of tax laws.

In particular, in Serbia, adopt and implement the tax reform package, including the adoption of VAT and necessary related IT systems. Continue to strengthen and modernise the Public Revenue Agency, focussing on revenue collection and control in order to reduce tax fraud.

In Montenegro, start reviewing the present tax legislation and the administrative procedures in order to ensure effective and non-discriminatory enforcement of tax legislation. Strengthen the administrative capacity of the tax legislation to effectively collect and control fiscal revenues, in particular VAT.

For both Republics, the legislation and implementation of VAT throughout the State Union should be harmonised in order not to lead to obstacles to the functioning of the internal market.

EU Standards

Internal market and trade

Complete and fully implement all elements of the Internal Market/Trade Action Plan. In particular, urgent attention should be given to the definition of common tariffs for all products and harmonise all additional import levies and charges, in line with the respective tariff harmonisation schedule.

Abolish all import levies and additional charges that were introduced in violation of the standstill clause enshrined in the EU's autonomous trade preferences.

Abolish the import licensing system for steel and iron products that was introduced in violation of the standstill clause enshrined in the EU's autonomous trade preferences. *Abolish export duties* on ferrous and non-ferrous metals and rawhide.

Ensure the necessary institutional set-up for the State to act as a single trade/customs interlocutor internationally, especially by strengthening the Joint Customs Office, the veterinary/phyto-sanitary Liaison Offices and the Statistical Office, and by granting these institutions the necessary powers.

Continue to modernise *customs administrations* in order to ensure the development of a high level of administrative capacity. Strengthen administrative cooperation and ensure continuous observance of obligations related to the implementation of preferential trade measures (origin).

Dismantle existing and avoid new obstacles to the state's internal market as provided in the Constitutional Charter. Ensure State-wide market access for domestic and foreign operators regarding goods, services, capital and persons. Ensure legislative consultation and apply the *principle of mutual recognition* of all republican decisions on market access.

Implement a consistent and effective *public procurement regime* in Serbia and Montenegro. Ensure transparent procedures, regardless of the value of the contract concerned, and non-discrimination between Serbian and Montenegrin suppliers.

Install a direct link between *business registers* to safeguard free State-wide establishment. In Serbia, adopt the Law transferring the business register from the Commercial Courts to an independent agency.

Ensure a State-wide anti-trust regime, applicable to all anti-competitive effects both within and between the Republics, as well as to effects on bilateral trade with the EU. Ensure the administrative capacity for the efficient and independent enforcement of these rules, including the strengthening of the Joint Competition Commission on State level. Establish State aid coordination points and create full State aid transparency, as a first step towards State aid control. Ensure a coherent horizontal approach to promote competition policy.

Strengthen the protection of intellectual property rights by adopting a set of revised laws. Ensure harmonised penal provisions and strengthen implementation capacity in this field, notably in border services.

Implement a system of corresponding accounts in commercial banks to ensure the *free movement of capital* between the Republics.

Sector policies

Agriculture

In Serbia: adopt food safety legislation and strengthen food safety laboratories; adopt legislation on veterinary matters and strengthen controls. Establish Food-Chain Laboratories Agency.

In Montenegro: implement law on veterinary matters (including fishery products) and establish the veterinary and phyto-sanitary laboratories, including for fish and wine; strengthen controls.

Transport

In Serbia: adopt law on railways. Begin development of a national transport strategy, including economic viability of the sector.

In Montenegro: adopt and start implementing the Road Transport Law (including establishment of the relevant implementation structures) and adopt the Law on Rail Transport.

Energy

In Serbia: adopt the Energy Law and establish the independent Energy Regulatory Agency, continue environmental audits on energy plants and address worst polluters.

In Montenegro: prepare and adopt the energy development strategy, also covering energy efficiency strategy; strengthen the administrative capacity of the Ministry of Economy as regards energy; unbundle and restructure the electric power utility.

Industry and SMEs

In both Republics: continue implementing the European Charter for Small Enterprises.

In Serbia: adopt the amended bankruptcy law.

In Montenegro: transform and rationalise the institutions involved in restructuring and privatisation of enterprises, notably, the Development Fund. Establish an autonomous investment promotion agency. Continue implementation of the newly established national guarantee fund.

Telecommunications

In **both Republics**: ensure that the electronic communications sector is liberalised effectively including the strengthening of regulatory bodies and the adoption of suitable laws and policies for the sector.

Environment

In **Serbia**: adopt a law on environment protection and set up and operationalise the Environment Protection Agency.

In **Montenegro**: adoption of the strategy on waste water and solid waste with a view to approximating with EU acquis.

Cooperation in justice and home affairs*Law enforcement reform*

Improve judicial and law enforcement cooperation both within each Republic and between Republics. Full implementation of the Memorandum on Cooperation, signed between Republican Ministries of Interior in December 2003.

In **Serbia**: adopt law on police in order to improve professionalism and accountability. Implement a revision of the laws on the organisation of the judiciary (Law on Courts, Law on Judges, Law on Prosecutors, and Law on High Judicial Council) and on criminal legislation (Criminal Procedure Code, Criminal Code and Law on Enforcement of Criminal Sanctions), as provided for in the protocol on cooperation with the Council of Europe.

In **Montenegro**: adopt laws on police and state security to ensure professionalism and accountability.

Border management

Develop a State-level approach and mechanisms and ensure consistent implementation at the republican level in line with the Memorandum of Understanding. As a follow-up to the Ohrid regional Conference on border security and management in May 2003, start implementation of the short term measures that were adopted by the Government and presented at the meeting of JHA ministers within the framework of the EU-western Balkans Forum on 28 November 2003.

In **Serbia**: take further steps to implement best practices concerning border police, in line with EU Standards; proceed in coordination with the State level authorities with demilitarisation of the border control.

In **Montenegro**: strengthen civilian control of borders (including training, equipment compatible with Schengen).

Fight organised crime, trafficking, drugs and money laundering, terrorism

Strengthen inter-agency cooperation within the Republic and formalise inter-Republican cooperation. Develop the capacity to seize assets. Strengthen criminal intelligence. Start implementing the specific action oriented measures that were agreed at the JHA ministerial meeting in November 2003. Take the necessary steps to prepare for the conclusion of a cooperation agreement with Europol. Increase capacity to fight against drug trafficking and develop a national drugs strategy in line with the EU Drugs Strategy and Action Plan on Drugs. Strengthen fight against trafficking of human beings, including by providing adequate assistance and protection to the victims. In particular in **Montenegro**: implement anti-money-laundering law, notably through the financial investigation unit.

Increase international cooperation and implement relevant international conventions on terrorism; improve cooperation and exchange of information between police and intelligence services within the State and with other States; prevent the financing and preparation of acts of terrorism.

Visa, asylum and migration

Develop a unified State-level approach to issues related to visa, asylum and migration in line with the Constitutional Charter, notably with the complete harmonisation of visa regimes as applied in the Republics, the adoption of the Asylum Law and the further conclusion and implementation of readmission agreements. Put in place the mechanisms to monitor the implementation of policies in the areas of asylum, migration and visa which are elaborated at the state level but which are implemented at the republican level. In particular for **both Republics**, full participation in the coordination mechanisms for the adoption and implementation of the relevant State level policies.

MEDIUM-TERM PRIORITIES

Political situation**Democracy and rule of law**

Continue process of restructuring of the armed forces, including as appropriate military conversion and downsizing (taking into account the social impact).

Continue public administration reform

Further develop the European Integration structures, notably by strengthening the European Integration Offices, establishing smooth cooperation mechanisms as well as European Integration Units in the line of Ministries of State and Republican level.

At the State level: ensure appropriate administrative capacity to adequately perform the State competences and that a reform strategy for the State Public Administration is developed and implemented, including the necessary legislative basis.

In Serbia: adopt civil service and public administration laws. Implement civil service human resources development measures. Strengthen capacity (policy making and inter-ministerial coordination) of the public administration at government and local levels, notably by establishing a centralised payroll system. Strengthen the economic policy-making process, e.g. through continued support to strengthen the statistical services and the creation of a medium term economic planning unit.

In Montenegro: implement the law on civil service and set up the agency for human resources management (which needs to become sustainable). Develop training and recruitment policy. Strengthen policy making process, e.g. through continued support to strengthen the statistical services and the creation of a medium term economic planning unit.

Parliament

In Serbia: develop and implement a reform strategy for the Parliament to bring its working standards and resources to a level at which it can act as an effective institution.

Promote local government

In Serbia: adopt and implement decentralisation reform and ensure sufficient local capacities to deal with, among others, administrative and financial issues and forthcoming regional programmes.

In Montenegro: implement law on local government, notably by establishing the equalisation fund.

Continue the judicial reform

In Serbia: ensure full legal and practical safeguards for independence and efficiency of the courts, including the reform of the current system of appointment procedure; implement legislation on mandatory training and ensure budgetary sustainability of the Judicial Training Centre; create an IT network for prosecutors at all levels; ensure enforcement of court decisions. Develop the capacity to try war crimes domestically in full compliance with international obligations as to cooperation with ICTY. Set up appellate and administrative courts.

In Montenegro: ensure mandatory training of judges, through revision of the law on courts and budgetary sustainability of the Judicial Training Centre. Implement the IT strategy for the judiciary.

Prison conditions

In Serbia: improve prison conditions in line with Council of Europe standards, in particular as regards vulnerable groups such as juvenile offenders; ensure further training of penitentiary staff and improvement of facilities.

In Montenegro: further training of penitentiary staff and improvement of facilities.

Fight against corruption and organised crime

In both Republics: adopt and implement a comprehensive anti-corruption strategy, including adoption and enforcement of the available anti-corruption instruments. Ensure full compliance with the UN Convention on the fight against corruption. Facilitate the placement of liaison officers, seconded by EU member states in the relevant state bodies involved in the fight against organised crime. Provide six-monthly reports to the EU on tangible results achieved in the judicial pursuit of organised crime related activities under the terms of the United Nations Convention on transnational organised crime, known as the Palermo Convention.

Human rights and the protection of minorities

Council of Europe obligations. Put in place the necessary mechanisms to monitor and ensure a coherent and consistent implementation of all Council of Europe obligations as provided for under the accession commitments.

Equality

Adopt/implement anti-discrimination legislation.

Freedom of expression

In Serbia: transform Radio Television Serbia into a public service broadcaster. Support development of media in line with EU standards. Foster professionalism of journalists and media operators.

In Montenegro: continue the transformation of Radio Television Montenegro into a public service broadcaster; support development of media in line with EU standards. Foster professionalism of journalists and media operators.

Refugees, displaced persons and minorities

In both Republics: ensure full respect of their human rights, including access to health services, and easy access to personal documents; ensure right of a real choice between sustainable return and integration; facilitate integration for those who choose not to return. In Serbia: adopt new legislation on refugees; continue to implement the National Strategy.

Regional and international cooperation

Further improve regional cooperation. Further deepen regional trade liberalisation on the basis of the Free Trade Agreements in force. With regard to the Athens process on the Regional Energy Market in South East Europe, prepare Serbia and Montenegro for the establishment in 2005 of an integrated regional energy market. Continue to implement the Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network.

Economic situation**Market economy and structural reforms***Continue sustainable macroeconomic policies*

Continue fiscal adjustment and consolidation to reduce relatively high fiscal and in particular external imbalances. Take account of the inevitable costs of structural reforms and rising interest payments, clearly prioritise public spending in short and medium term budgeting; in particular reduce subsidies, transfers and the civil service wage bill. Continuously reduce overall public spending as a share of GDP and complement prudent monetary policy with careful exchange rate policies. In Serbia: reform the health system, in particular, the health insurance fund, with a view to ensure its financial sustainability and with a view to improve health protection and the health of the population.

Complete the privatisation process and financial (bank) restructuring.

Strengthen a business environment conducive to private sector development and employment with competitive markets, level playing fields and access to finance through financial sector development.

Achieve a stable and functioning land/real estate market. Adopt and implement legislation on cadastre. Start land reform, restructuring and privatisation of large farms.

Management of public finances*Improve the budget process and financial management*

Strengthen capacity building for budget preparation and execution to enable prioritisation. Improve financial management at central and local government level. Adopt the Law on the Supreme Audit Institution.

Establish effective procedures for the detection, treatment and follow-up of cases of suspected *fraud and other irregularities* affecting national and international funds.

Continue reviewing the *fiscal legislation* and the administrative procedures in order to ensure effective and non-discriminatory enforcement of the tax legislation. Continue strengthening the administrative capacity of the tax administrations.

EU standards

Internal market and trade

Fully establish a single external trade regime under the Internal Market/Trade Action Plan. Enforce common tariffs, levies and charges for all products after the end of the transition periods foreseen.

Ensure the full implementation of the *customs reform* plan to secure a high degree of administrative capacity.

Sector policies

Industry and SMEs

In Serbia: implement the European Charter for SMEs. Rationalise complex Chamber of Commerce organisation. Make arrangements to facilitate NGO micro credit facilities.

In Montenegro: implement the European Charter for SMEs. Proceed with the development and establishment of a national guarantee fund. Further develop dialogue between government and private sector, including through the SME Agency, by establishing a formal forum for consultation and business advocacy.

Telecommunications

Transpose and implement the new EU framework for electronic communications.

Agriculture

In Serbia: further build administrative capacity for policy formulation and implementation. Design and start implementing a rural development policy. Continue strengthening veterinary, sanitary, phyto-sanitary and food-safety legislation and controls, including wine laboratories. Improve waste management and reduce agricultural pollution.

In Montenegro: adopt an overall strategy covering agriculture, rural development, fisheries, phyto-veterinary matters. Increase capacity building of the Ministry of Agriculture. Adopt the law on phytosanitary matters.

Transport

In Serbia: adopt and implement a transport policy strategy (road, rail, aviation and waterways). Strengthen capacity building, including project preparation for large investments. Earmark sufficient resources for the maintenance of transport infrastructures and institutions.

In Montenegro: earmark sufficient resources for the maintenance of transport infrastructures and institutions.

Energy

In both Republics: adopt energy sector legislation, including long term strategy for an environmentally sustainable energy policy.

In Serbia: ensure unbundling in view of restructuring and privatisation. Set up the necessary institutional structures: Transmission System Operator, Market Operator, and Energy Regulatory Agency. Progress towards a regional energy market (including through feasibility studies on interconnectivity).

In Montenegro: strengthen the energy regulator. Complete restructuring and liberalisation of the internal energy market; privatise and/or allow development of public/private partnerships in the sector.

Environment

In both Republics: adopt and implement legislation on environmental impact assessment in line with the EU acquis.

In Serbia: adopt and start implementing a strategy on pollution of air (notably from power plants), water (waste water) and soil (solid waste); strengthen administrative capacity notably as regards planning, permitting, inspecting, monitoring, as well as project management. Develop a multi-annual plan for financing investments, based on estimations of costs and realistic sources of public and private funding.

In Montenegro: develop an overall environmental strategy (waste water, solid water, air) with a view to adopt environmental protection framework legislation approximating with the EU acquis and set up an environment protection agency.

Cooperation in justice and home affairs

Continue restructuring the police: ensure accountability; reform police education; ensure cooperation among law enforcement agencies.

Border management

In both Republics: on the basis of State level policy, develop the technical infrastructure and human resource capacities to implement the Integrated Border Management policy including strengthening the border police and the customs services. Improve cross-border facilitations through new border posts.

Fight against organised crime, trafficking, drugs and money laundering

In both Republics: develop an effective system of witness protection which incorporates republican but also regional elements. Reinforce the fight against economic and financial crime (including money-laundering and counterfeiting of currencies), fraud and corruption as well as improve the related national legislation.

In Serbia: strengthen capacity building at the Ministry of Interior (notably directorate for organised crime). Develop procedures and the capacity to share intelligence between agencies. Develop an effective system of witness protection which incorporates republican but also regional elements. Strengthen the Financial Investigation Unit in the Ministry of Finance.

In Montenegro: increase administrative and judicial capacity to implement the new criminal code as regards organised crime. Strengthen the Unit for fight against organised crime at the Ministry of Interior and ensure coordination of all the enforcement bodies.

KOSOVO

AS DEFINED BY UNSCR 1244

SHORT-TERM PRIORITIES

General priority

— *In order to ensure a stable future for a secure, democratic and multi-ethnic Kosovo, make substantial progress in achieving the Standards for Kosovo, which were presented by the UN Special Representative of the Secretary General and representatives of the Provisional Institutions of Self Government in December 2003 and endorsed by the UN Security Council. In particular, carry out the concrete actions set in the Kosovo Standards Implementation Plan covering:*

- Functioning of democratic institutions
- Rule of law
- Freedom of movement
- Sustainable returns and rights of communities and their members
- Economy
- Property rights
- Dialogue with Belgrade
- Kosovo Protection Corps.

In addition to the above general priority, the following *complementary priorities* need to be addressed:

Political situation

Democracy and rule of law

- *The Provisional Institutions of Self Government (PISG) must take all necessary steps as required by the UN Interim Administration in Kosovo to overcome the consequences and address the causes of the March 2004 events.* The immediate priorities must be to condemn explicitly violence against minority communities, ensure the security of all communities, facilitate the return of displaced persons, restore and rebuild damaged and destroyed properties, including historic and religious sites, and to cooperate fully with UNMIK-KFOR to bring those responsible to justice.

The PISG need to demonstrate their full and unconditional commitment to a multi-ethnic Kosovo, in particular with respect to the protection and promotion of rights of members of the minority communities, equal security, freedom of movement and sustainable returns for all inhabitants of Kosovo.

- *EU compatibility:* develop the EU orientation of the Kosovo Government policy-making by institutionalising within the Prime Minister Office the mechanism for effective verification of EU consistency of government policies and draft laws; developing at the ministerial level and the Assembly of Kosovo capacity to ensure EU compatibility.
- *Fight against corruption and organised crime:* improve cooperation between UNMIK and PISG effectively to implement the 'zero tolerance' policy against corruption, notably by providing all necessary support to the investigations undertaken by OLAF and OIOS (the UN internal audit service).

Regional and international cooperation

- *Ensure full cooperation with ICTY*
- *Enhance regional cooperation.* Further integration into the regional network of Free Trade Agreements under the Stability Pact Memorandum of Understanding on Trade Liberalisation and Facilitation in South Eastern Europe, in compliance with UNSCR 1244. Start implementing the Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network and in particular take measures to set up the cooperation mechanisms, *inter alia*, the Steering Committee and the South East Europe Transport Observatory. Make progress in meeting commitments under the 2002 and 2003 Memoranda of the Athens process on the Regional Energy Market in South East Europe.

Economic situation

Market economy and structural reforms

- Define the *macro-economic priorities* for Kosovo in close cooperation with IMF.
- Revitalise the *privatisation* process to support economic development and attract inward investment and develop a comprehensive strategy to this end.

Management of public finances

- Develop technical support systems and procedures to ensure transparency, efficiency, and better *control of public spending*.
- Establish effective procedures for the detection, treatment and follow-up of cases of suspected *fraud and other irregularities* affecting national and international funds.

EU standards

Internal market and trade

- Continue development of a *legislative and policy framework* for trade and trade-related policies, ensuring EU- and WTO-compatibility. Fully implement the new Customs Code. Adopt a Domestic Trade Law and a Law on Trade Inspection.

Sector policies— *Environment*

Prepare a comprehensive environmental action plan, particularly relating to public health issues, with a view to approximating with the EU acquis.

Adopt and implement legislation on environmental impact assessment in line with the EU acquis.

— *Transport*

Prepare and adopt a transport policy framework on transport including the gradual development of a multi-modal transport strategy.

Develop the civil operator of Pristina airport, its staff and facilities, to ensure an adequate level of security and sound and accountable management.

— *Energy*

Establish effective and functioning governance structures in the energy sector to ensure the viability and sustainability of the Kosovo electricity company notably by substantially increasing revenue collection.

Cooperation in justice and home affairs

— Implement the new Criminal and Criminal Procedure Codes.

MEDIUM-TERM PRIORITIES

Political situation**Democracy and rule of law**

— *Improve EU compatibility*: strengthen the capacity of all Kosovo institutions to enact and effectively enforce EU compatible policies and legislation, notably by reinforcing the structures dealing with European integration in the context of the stabilisation and association process.

— *Strengthen public administration reform*: implement a Public Administration reform in order to streamline public administration and build a professional and accountable civil service able to attract and retain qualified staff. Improve the capacity of local administration to provide services to their constituencies in an equitable and effective manner.

— *Reinforce judicial reform*: strengthen the judiciary and law enforcement agencies, notably by improving infrastructure, equipment and training. Transform the Kosovo Judicial Institute into a viable future institution responsible for judicial training. Ensure the viability of a comprehensive legal aid system for Kosovo. Improve the penitentiary system with particular attention to management, vocational training and reintegration schemes.

— *Fight against corruption*: implement a comprehensive anti-corruption strategy comprising prevention measures and an effective investigation and prosecution, notably by strengthening local capacity, in line with Council of Europe standards.

Human rights and protection of minorities

— *Ombudsman*: ensure the viability and the continued independence of the Ombudsman institution in Kosovo.

— *Further develop freedom of expression*: ensure the long-term viability of the public broadcaster and its capacity to perform its role as a public service broadcaster to all communities.

— *Improve protection of minorities*: ensure the viability of minority communities and their non discriminatory participation in Kosovo society, notably by establishing the necessary framework to ensure the equitable provision of public utilities and universal services.

Economic situation**Market economy and structural reforms**

- Ensure viability of a *borrowing and debt management* capacity.
- Develop guarantee mechanisms for political risk to attract *foreign investment*.
- Further develop the *regulatory framework* for public utilities with regard to EU and international standards, notably by adopting and implementing subsidiary legislation, procedures and guidelines. Strengthen the administrative capacity of the regulators. Ensure that regulators have suitable local staff and develop their professional skills and technical equipment to discharge their functions.
- Develop the capacity of the *banking sector* to provide long-term financing to the economy.
- Develop a *social policy* to promote employment and social cohesion, to address poverty and social exclusion, to further improve social standards and to develop effective social protection systems.
- Increase efforts to ensure the compatibility of the *statistical system* with EU standards.

Management of public finances

- Develop capacity of the *Tax Administration* in order to increase non-customs revenue (direct and indirect taxation) through the progressive development of a taxation system based on EU standards. Start reviewing the present tax legislation and elaborate and implement a realistic action plan in order to progressively strengthen the administrative capacity of the Tax Administration.
- Ensure viability of the *budget* cycle notably by capacity building for budget preparation and execution. Develop the capacity of the Assembly of Kosovo to effectively participate in the public finance process. Ensure smooth spending across the financial year and the 'carry-over' principle for unspent funds.

EU standards**Internal market and trade**

- Continue gradual *alignment of Kosovo's legislation* with all aspects of the EU's company law acquis.

Sector policies**Agriculture**

Develop a regulatory framework and appropriate mechanisms to ensure food safety and improved phyto-sanitary controls in line with relevant EU standards, also to improve Kosovo's export opportunities. Develop a policy and a regulatory framework to support viable land reform. Support the protection of agricultural land against unplanned urban development.

Environment

Adopt and implement the environmental action plan with a view to approximating with the EU acquis.

Transport

Implement a transport policy framework on transport including the gradual development of a multi modal transport strategy.

Energy

Develop policy framework for public-private partnerships and mixed investments in the energy sector.

Cooperation in justice and home affairs

- Strengthen cooperation between border/boundaries management agencies and strengthen capacity for implementation of veterinary and sanitary and phytosanitary standards as a part of the integrated border management system.
