

COUNCIL DECISION**of 30 January 2006****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 and repealing Decision 2004/520/EC**

(2006/56/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 introduction of the European Partnerships as a means to materialise the European perspective of the Western Balkan countries within the framework of the stabilisation and association process.

(2) Regulation (EC) No 533/2004 provides that the Council is to decide on the principles, priorities and conditions to be contained in the European Partnerships, as well as any subsequent adjustments.

(3) The Council adopted on 14 June 2004 a first European Partnership with Serbia and Montenegro including Kosovo as defined by the United Nations Security

Council Resolution 1244 of 10 June 1999 ⁽²⁾ (referred to as 'Kosovo (UNSCR 1244)'). It is appropriate to update the European Partnership in order to identify renewed priorities for further work on the basis of the findings of 2005 Progress Reports on preparations made by Serbia and Montenegro and Kosovo (UNSCR 1244) for further integration with the European Union.

(4) Regulation (EC) No 533/2004 stated that the follow-up to the European Partnerships will be ensured within the framework of the mechanisms established under the stabilisation and association process.

(5) In order to prepare for further integration with the European Union, the competent authorities in Serbia and Montenegro should develop a plan with a timetable and specific measures to address the priorities of this European Partnership. As Kosovo is at present under international interim administration pursuant to (UNSCR 1244), a separate plan addressing the priorities concerning Kosovo should be developed under the authority of the United Nations Interim Administration in Kosovo.

(6) Decision 2004/520/EC should therefore be repealed,

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 (UNSCR 1244) are set out in the Annex hereto, which forms an integral part of this Decision.

⁽¹⁾ OJ L 86, 24.3.2004, p. 1.

⁽²⁾ Council Decision 2004/520/EC 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 (OJ L 227, 26.6.2004, p. 21).

Article 2

The implementation of the European Partnership shall be examined through the framework of the mechanisms established under the stabilisation and association process, notably the annual progress reports presented by the Commission.

Article 3

Decision 2004/520/EC shall be repealed.

Article 4

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

Done at Brussels, 30 January 2006.

For the Council

The President

U. PLASSNIK

ANNEX

SERBIA AND MONTENEGRO, INCLUDING KOSOVO: 2005 EUROPEAN PARTNERSHIP**1. INTRODUCTION**

The Thessaloniki European Council endorsed the introduction of the European Partnerships as a means to materialise the European perspective of the western Balkan countries within the framework of the stabilisation and association process.

The first Partnership with Serbia and Montenegro including Kosovo (UNSCR 1244) was adopted by the Council on 14 June 2004. It is appropriate to update this first partnership on the basis the findings of the 2005 Commission's Progress Reports on Serbia and Montenegro and Kosovo (UNSCR 1244). The second European Partnership identifies new priorities for action. The new priorities are adapted to the specific needs and stage of preparation and will be updated as necessary. The European Partnership also provides guidance for financial assistance to Serbia and Montenegro including Kosovo (UNSCR 1244).

It is expected that the competent authorities in Serbia and Montenegro develop a plan including a timetable and specific measures to address the European Partnership priorities. 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.

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 relate to its capacity to meet the criteria defined 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 priorities listed in this European Partnership have been selected on the basis that it is realistic to expect that Serbia and Montenegro including Kosovo (UNSCR 1244) can complete them or take them substantially forward over the next few 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 priorities concern both legislation and the implementation thereof.

Taking into account the substantial costs involved with meeting all the EU requirements as well as the complexity of these requirements in certain areas, this partnership does not include all important tasks at this stage. Future partnerships will include further priorities in line with progress made by the country.

Among the short term priorities, the key priorities have been identified and grouped together at the beginning of the lists of priorities. The order of these key priorities does not imply a ranking in their importance.

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 under the existing financial instruments, in particular by Council Regulation (EC) No 2666/2000 on 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. Serbia and Montenegro including Kosovo (UNSCR 1244) can have access to funding from multi-country and horizontal programmes.

5. CONDITIONALITY

Community assistance under the stabilisation and association process to the western Balkan countries is conditional on further progress in satisfying the Copenhagen criteria as well as progress in meeting the specific priorities of this European Partnership. Failure to respect these conditions could lead the Council to take appropriate measures on the basis of Article 5 of 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, and 21-22 June 1999 in particular as regards the recipients' undertaking to carry out democratic, economic and institutional reforms.

6. MONITORING

The implementation of the European Partnership shall be examined through the framework of the mechanisms established under the stabilisation and association process, notably the annual reports presented by the Commission.

SERBIA AND MONTENEGRO ⁽²⁾

SHORT-TERM PRIORITIES

Key priorities

- Fully respect the Constitutional Charter and ensure the effective functioning of the State Union (in particular with regard to the competences of the Court of Serbia and Montenegro, the functioning of the State Union Parliament and the adoption of legislation on the sustainable financing of the State Union); take a constructive approach in implementing the distribution of powers between the State Union and the Republics.
- Make further sustained efforts to implement the reform of the public administration, including the civil service pay system, to ensure transparent recruitment, professionalism and accountability; in particular strengthen the European integration structures at all levels (including with regard to line ministries and the parliaments) and improve cooperation among them.
- Pursue with determination the reform of the judiciary to guarantee its independence, professionalism and efficiency, in particular review the system of recruitment and career to be based on technical and professional criteria, avoiding political influence, and secure permanent tenure of judicial posts.
- Ensure effective democratic control over the military by strengthening parliamentary control and establishing a transparent financial management.
- Ensure full cooperation with International Criminal Tribunal for the former Yugoslavia (ICTY).

⁽¹⁾ OJ L 306, 7.12.2000, p. 1. Regulation as last amended by Regulation (EC) No 2112/2005 (OJ L 344, 27.12.2005, p. 23).

⁽²⁾ Not including Kosovo as defined by UNSCR 1244.

- Fully respect the UNSCR 1244 and intensify dialogue with Pristina. Encourage the participation of Kosovo Serbs in the provisional institutions of self-government. Show constructive approach with regard to Kosovo.

Political requirements

Democracy and the rule of law

Constitutional issues

- Revise the Constitutions of the Republics in line with European standards.

Elections

- In Serbia: Complete the reform of the electoral law reform (including electoral register), in line with the recommendations of the Office for Democratic Institutions and Human Rights; fully implement legislation on financing of political parties.
- In Montenegro: De-politicise election administration in line with the recommendations of Office for Democratic Institutions and Human Rights and set up a transparent framework for campaign financing.

Public administration

- In Serbia: Implement the legislation to set up an ombudsman's office.
- In Montenegro: Strengthen the administrative capacity of the ombudsman's office; ensure proper follow-up to the ombudsman recommendations.

Judicial system

- In both Republics: Adopt and implement legislation on mandatory initial and continuous training for judges, prosecutors and court support staff, and strengthen the training centres; start rationalising the court system and modernise proceedings, in particular in the field of commercial law. Strengthen the autonomy of the prosecution system, particularly the offices of the prosecutors for organised crime.
- In Serbia: Strengthen the office of the prosecutor for war crimes; establish administrative and appellate courts.

Anti-corruption policy

- In both Republics: Fully implement the laws on conflict of interests.
- In Serbia: Adopt and implement a comprehensive anti-corruption strategy and subsequently detailed Action Plans, notably through establishing a competent body for implementation.
- In Montenegro: Implement the anti-corruption strategy, notably through establishing a competent body for implementation.

Human rights and the protection of minorities

- Fulfil all remaining obligations arising out of membership of the Council of Europe. Ensure uniform effective implementation of these obligations, throughout the State Union, notably with regard to the European Convention on Human Rights and Fundamental Freedoms and the European Convention for the Prevention of Torture.

- In both Republics: Take comprehensive and transparent action in all alleged cases of ill-treatment. Strengthen the internal control services dealing with ill-treatment by law enforcement agents.
- In both Republics: Improve prison conditions, in particular as regards vulnerable groups such as juvenile offenders; ensure appropriate monitoring of prison conditions for long-term inmates and for organised crime inmates, ensure further training of penitentiary staff and improvement of special needs facilities.
- In Serbia: Implement legislation on the execution of penal sentences.
- Adopt comprehensive anti-discrimination legislation.
- In Serbia: Enforce media legislation. Ensure effective independence of the Broadcasting Council, as well as fair and transparent allocation of broadcasting frequencies for media operators. Ensure the full and timely transformation of the state-owned broadcasting media into public service broadcasters; complete the transformation of Radio Television of Serbia into a public service broadcaster in line with European standards. Fully implement the law on free access to information.
- In Montenegro: Implement the law to ensure access to public information. Continue the transformation of Radio Television of Montenegro into a public service broadcaster.
- In Serbia: Encourage the development of civil society organisations financially and otherwise, notably by adopting the law on associations, and legislation on the legal status of foreign NGOs.
- In Montenegro: Adopt strategy on cooperation between NGOs and governmental bodies.
- In Serbia: Adopt adequate legislation on the restitution of property and ensure its full implementation, notably by addressing the issue of (State-owned) urban property.
- In Montenegro: Fully implement legislation on the restitution of property.
- Ensure adequate cooperation between the State Union and Republics and where appropriate the provincial and local level as regards the legislative basis for and practical protection of the rights of minorities. Implement the Strategies and Action Plans relevant to the integration of Roma people, including returnees.
- In Serbia: Strengthen the functioning of minority national councils. Promote good inter-ethnic relations, in particular by taking adequate measures in the field of education. Promote participation of minorities in the judiciary and law enforcement bodies.
- In Montenegro: Adopt the law on protection of minority rights.

Regional issues and international obligations

- Fully respect the Dayton Agreement.
- Strengthen regional cooperation and good neighbourhood relations, with a view, *inter alia*, to promoting reconciliation. Conclude and implement agreements with neighbouring countries, notably on free trade, cross-border cooperation, the fight against organised crime, trafficking and smuggling, judicial cooperation, border management, environment, transport and energy. Work towards the future regional Free Trade Agreement in South-East Europe.
- Contribute to ensuring a solution of outstanding border issues with Croatia and Bosnia-Herzegovina.
- Ensure adequate cooperation between the State Union and Republics as regards the legislative basis for and practical protection of the rights of refugees and internally displaced persons. Repeal all discriminatory provisions, in particular in Montenegro in the field of the labour market, access to property rights, legal redress and access to citizenship; guarantee unhindered access to health services and personal documents.

Ensure right of a real choice between sustainable return and integration. Contribute to ensuring the implementation of the Sarajevo Declaration.

Economic requirements

In Serbia:

- Sustain macroeconomic stability. Continue with the necessary fiscal adjustment and consolidation to help reduce external imbalances and contain inflationary pressures. Maintain a prudent monetary policy stance, backed by an appropriate exchange rate policy. Pursue a moderate wage policy and avoid public sector wage increases above productivity gains. Monitor rapid credit expansion and adjust prudential rules. Further develop and implement the reform of the pension system and continue the reform of the health insurance system.
- Continue to formalise the grey economy and broaden the tax base through implementation of a public expenditure management system (treasury, public internal financial control) and comprehensive tax reforms, with fewer exemptions and lower rates, in particular on labour.
- Speed up the restructuring and privatisation of large socially-owned and state-owned enterprises to strengthen financial and corporate discipline. Continue with bankruptcy procedures against heavily indebted loss making socially-owned companies to reduce quasi-fiscal losses. Accelerate the restructuring of large publicly-owned utilities. Ensure the allocation of sufficient budgetary resources for redundancy and restructuring costs.
- Complete the banking sector reform, in particular the privatisation of State-owned banks. Continue with the restructuring and privatisation of the insurance sector.
- Reform the system of regulated and administered prices. In particular, further adjust energy prices towards cost recovery levels, also gradually replacing all existing price subsidies to the poor consumers with direct transfers.
- Develop a stable and functioning land/real estate market. Prepare cadastre legislation.
- Continue to promote employment and combat unemployment, in particular through vocational training and labour market reforms, involving all relevant actors; improve public employment services and allocate sufficient staff and financial resources to policy implementation.
- Continue to make the necessary adjustments to the Serbian trade regime, to render it compatible with the autonomous trade measures, the WTO rules and the future SAA.

In Montenegro:

- Sustain macroeconomic stability. Maintain necessary fiscal adjustment and consolidation to reduce external imbalances.
- Implement the public expenditure management system.
- Ensure flexible labour market price-setting mechanisms. Implement the law on employment, improve public employment services and allocate sufficient staff and financial resources to policy implementation.
- Complete remaining price liberalisation. Further adjust energy prices towards cost recovery levels, by implementing the new system for determining electricity tariffs. Gradually replace all existing price subsidies to poor consumers with direct transfers.
- Speed up the restructuring of State-owned enterprises. Complete the privatisation of socially-owned enterprises. Adopt and implement the law on insurance supervision.

- Develop a stable and functioning land/real estate market. Adopt the law on the spatial planning and the law on construction land, and ensure their effective implementation.
- Continue to make the necessary adjustments to the Montenegrin trade regimes, to render it compatible with the autonomous trade measures, the WTO rules and the future SAA.

European standards

Internal market

- Dismantle existing obstacles and avoid new obstacles to the State Union's common market. Ensure State Union-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 decisions by the Republics on market access.

Free movement of goods

- Continue efforts to align rules and regulations on standardisation, certification, metrology, accreditation and conformity assessment with the EU acquis to create conditions favourable to trade. Start adopting European standards.
- Establish an internal consultation and notification mechanisms for new technical regulations prior to their adoption on measures having an impact on trade.
- In both Republics: Establish a legal framework and administrative capacity for active consumer protection in line with EU consumer policy.

Free movement of capital

- In both Republics: Implement a system of corresponding accounts in commercial banks to ensure the free movement of capital between the Republics.

Customs and taxation

- In both Republics: Further align customs legislation and procedures with the EU acquis. Continue to modernise the customs administrations in order to ensure a high level of administrative capacity and to fight against corruption, cross-border crime and fiscal evasion. Strengthen administrative cooperation and ensure continuous observance of obligations related to the implementation of preferential trade measures (origin).
- In both Republics: Further approximate tax legislation with the EU *acquis*. Improve implementation of tax laws, focussing on revenue collection and control in order to reduce tax fraud.
- In both Republics: Commit to the principles of the Code of Conduct for Business Taxation and ensure that new tax measures are in conformity with these principles.

Competition

- In both Republics: Put in place anti-trust regimes, applicable to all anti-competitive effects. Ensure administrative capacity for the efficient and independent enforcement of these rules.
- In both Republics: Strengthen State aid coordination points and create full state aid transparency, as a first step towards state aid control.

Public procurement

- Implement consistent and effective public procurement regimes in both Republics. Ensure transparent procedures, regardless of the value of the contract concerned, and non-discrimination between Serbian, Montenegrin and EU suppliers.

Intellectual property law

- Further strengthen the protection of intellectual property rights by adopting the remaining laws and by-laws. Ensure penal provisions and strengthen implementation and enforcement capacity in this field, notably in border services.

Statistics

- In both Republics: Develop reliable economic statistics. Revise and adopt the master plan on statistics with a view to enhancing the quality and broadening the scope of statistics. Coordinate its implementation between the Republics and with the State Union. Reinforce the collection and processing of agriculture statistics in line with EU standards and methodology; finalise process of harmonisation with HS nomenclature 2000/2002. In Serbia: Adopt legislation on statistics.

Sectoral policies*Industry and SME*

- In both Republics: Continue implementing the European Charter for Small Enterprises.
- In Serbia: continue implementation of the new accelerated company registration system and, introduce quicker procedures for licensing. Continue the introduction of regulatory impact assessments. Improve possibilities for business advocacy and representation. Further develop local/regional business support structures (clusters, incubators, business/technology parks).
- In Montenegro: Strengthen the newly established autonomous investment promotion agency. Continue implementation of the national guarantee fund. Improve business advocacy/consultation. Step up efforts to streamline and accelerate licensing systems. Introduce 'silent approval' in licensing and registration. Start introduction of regulatory impact assessments. Improve access to finance and develop business support structures (clusters, incubators, business/technology parks).

Agriculture and fisheries

- In Serbia: Continue strengthening administrative capacity for policy formulation and implementation. Adopt and begin implementing food safety, veterinary and phytosanitary framework legislation; upgrade veterinary, phytosanitary and sanitary laboratories, inspectorates and controls at external borders; complete the establishment of a bovine animal identification and registration system.
- In Montenegro: Continue strengthening administrative capacity for policy formulation and implementation. Implement the law on veterinary matters (including fishery products) and strengthen the veterinary and phytosanitary laboratories; strengthen controls. Step up efforts to align legislation with the EU veterinary and phytosanitary *acquis*. Align the system of animal identification and registration for bovines with EU requirements.

Environment

- In Serbia: Continue approximating legislation to EU legislation and standards (air pollution, waste management and nature protection); adopt and begin implementing the national environment protection strategy. Adopt and start implementing the planned strategy for sustainable development. Strengthen administrative capacity notably of institutions and bodies in charge of planning, permitting, inspecting and monitoring, as well as project management. Develop a multiannual plan for financing investment. Implement adopted legislation, notably on environmental assessments and industrial pollution. Start

construction of a facility for the treatment and safe disposal of hazardous waste.

- In Montenegro: Continue approximating legislation to EU legislation and standards, notably environmental protection framework legislation. Implement and enforce adopted legislation. Develop an overall environment protection strategy (water, waste, air). Adopt the land use plan; Adopt the sustainable development strategy and sectoral strategies (integrated coastal zone management, biodiversity, climate change). Strengthen administrative capacity.

Transport policy

- Complete the programme and continue to align the aviation legislation with the EU acquis in view of the European Common Aviation Area (ECAA).
- Implement the Memorandum of Understanding on the development of the south-east Europe core regional transport network including the transport observatory.
- In Serbia: Adopt and implement a national transport strategy (road, rail, aviation and waterways), with attention to the economic viability of the sector. Implement the law on rail. Complete the master plan for inland navigation.
- In Montenegro: Implement the road transport law (including establishment of the relevant implementation structures). Start earmarking sufficient resources for the maintenance of transport infrastructures and institutions.

Energy

- Start implementing the commitments undertaken in the framework of the Energy Community Treaty.
- In Serbia: Fully implement the Energy Law also ensuring a smooth functioning of the independent Energy Regulatory Agency; continue environmental audits on energy plants and address the worst polluters. Ensure unbundling with a view to restructuring and privatisation. Strengthen the necessary administrative structures. Make further progress towards a regional energy market (including through improved interconnectivity).
- In Montenegro: Complete and implement the energy development strategy, including the energy efficiency strategy; strengthen the administrative capacity of the Ministry of Economy in the field of energy; unbundle and restructure the electric power utility. Strengthen the Energy Regulator. Complete the restructuring and liberalisation of the internal energy market; privatise and/or allow development of public/private partnerships in the sector.

Information society and media

- In Serbia: Ensure that the electronic communications sector is liberalised, that the regulatory bodies are independent and effectively functioning and that the necessary laws and policies for the sectors are adopted and applied.
- In Montenegro: Foster competition in the market through strengthening of the Agency for Telecommunications, in particular by introducing the necessary competitive safeguards and setting terms and conditions for interconnection charges.

Financial control

- Develop a public internal financial control strategy.

Justice, freedom and security*Visa, border control, asylum and migration*

- Develop a State Union-level approach on integrated border management and ensure consistent implementation at the level of the Republics in line with the relevant Memorandum of Understanding. As a follow-up to the Ohrid Regional Conference on border security and management in May 2003, implement the short-term measures that were adopted by the Government.
- In Serbia: Take concrete steps to implement best practices concerning border police; proceed without delay with the demilitarisation of border control in coordination with the State Union authorities.
- In Montenegro: Further strengthen civilian control of borders (including training and equipment compatible with EU standards).
- Develop a State Union-level approach to issues related to visas, asylum and migration in line with the Constitutional Charter, notably through the complete harmonisation of the visa regimes applied in the Republics. Put in place mechanisms to monitor the consistent implementation of these policies at the level of the Republics.
- Adopt the Asylum Laws in both Republics and proceed with the conclusion and implementation of readmission agreements. In Serbia: enhance the capacity and infrastructure of the reception centre for asylum seekers and refugees. In Montenegro: Carry out the construction of the planned reception centres for asylum seekers and refugees.

Money laundering

- In both Republics: Ensure efficient implementation of the anti-money laundering legislation and strengthen the financial intelligence units.

Drugs

- In both Republics: Increase the capacity to fight against drug trafficking and develop and start implementing a national drugs strategy in line with the EU drugs strategy.

Police

- Implement the agreed institutional frameworks for judicial and law-enforcement cooperation between the Republics, notably through full implementation of the Memoranda of Understanding signed by the respective Ministries of Justice and Interior.
- In Serbia: Implement the law on Police in order to establish professionalism and accountability.
- In Montenegro: Implement the Laws on Police and national security agency and ensure professionalism and accountability.

Fight against organised crime and terrorism

- Establish efficient institutional mechanisms for inter-agency cooperation within the Republics and formalise cooperation between them.
- In both Republics: Adopt the legislation and develop the capacity to seize assets. Strengthen criminal intelligence. Adopt legislation on the protection of personal data and take the necessary steps to prepare for the conclusion of a cooperation agreement with Europol. Strengthen the fight against the trafficking of human beings, including the provision of adequate assistance and protection to the victims.

- Increase the efficiency of international cooperation and implementation of the relevant international conventions on terrorism; improve cooperation and the exchange of information between all branches of the security services and with other States; prevent the financing and preparation of acts of terrorism.

MEDIUM-TERM PRIORITIES

Political requirements

Democracy and the rule of law

Public administration

- Further strengthen European integration units in the line ministries and cooperation mechanisms with European integration offices.
- In Serbia: Continue full implementation of 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; establish a centralised payroll system. Strengthen the economic policy-making process. Adopt and implement decentralisation reform ensuring viability of local governments.
- In Montenegro: Ensure sustainability of the Authority for human resources management. Strengthen policy-making process. Implement decentralisation reform.

Defence reform

- Continue process of restructuring and reform of the armed forces, including, as appropriate, downsizing (taking into account the social impact) conversion and privatisation of military assets and defence industry as well as increased transparency and civilian control.

Judicial system

- In Serbia: Adapt national strategy for judicial reform and subsequent action plan, particularly in the field of appointment and trial period for judges, and autonomy of prosecutors. Create and implement an IT network for prosecutors at all levels; ensure enforcement of court decisions. Further strengthen the capacity to try war crimes domestically in full compliance with international obligations as to cooperation with ICTY.
- In Montenegro: Ensure adequate functioning of the Judicial Training Centre. Implement the IT strategy for the judiciary.

Anti-corruption policy

- Ensure full compliance with the UN Convention on the fight against corruption.

Human rights and the protection of minorities

- Implement the anti-discrimination legislation.
- Ensure the inclusion of disabled children and children from minorities in mainstream education; reform the childcare system.
- Continue to promote integration of minorities and good inter-ethnic relations.

Regional issues and international obligations

- Facilitate integration for refugees who choose not to return. In Serbia: Adopt new legislation on refugees; continue to implement the national strategy. In Montenegro: Implement the National strategy on refugees as part of a comprehensive strategy on social inclusion and social integration.

Economic requirements**In Serbia:**

- Continue sustainable macroeconomic policies; continue fiscal adjustment and consolidation to further reduce external imbalances and contain inflationary pressures. Prioritise public spending in annual and medium-term budgeting; in particular reduce quasi-fiscal losses of the part of State-owned or socially-owned companies. Continue implementing a moderate wage policy. Further pursue the reform of the pension and health insurance systems.
- 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.
- Establish effective procedures for the detection, treatment and follow-up of cases of suspected fraud and other irregularities affecting national and international funds.
- Continue the process of privatising large socially-owned and State-owned enterprises and, where appropriate, publicly-owned utilities to help increase the share of the private sector in the economy.
- Strengthen the business environment to promote the development of the private sector and employment with competitive markets, level playing fields and access to finance through development of the financial sector.
- Strengthen the functioning of the land/real estate market. Adopt and implement legislation on cadastre and legislation allowing private ownership of urban land. Start land reform, restructuring and privatisation of large farms.
- Continue the necessary reforms to comply with WTO rules and obligations in order to accelerate the WTO accession process.
- Step up efforts to improve the education system, including primary education, and to create a modern vocational education and training system.
- Start designing and applying an integrated research policy.

In Montenegro:

- Continue sustainable macroeconomic policies; continue fiscal adjustment and consolidation to further reduce external imbalances. 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.
- 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.
- Establish effective procedures for the detection, treatment and follow-up of cases of suspected fraud and other irregularities affecting national and international funds.

- Strengthen the business environment to promote the development of the private sector and employment with competitive markets, level playing fields and access to finance through the development of the financial sector. Streamline commercial judiciary procedures.
- Continue the necessary reforms to comply with WTO rules and obligations in order to accelerate the WTO accession process.
- Step up efforts to improve the education system, including primary education, and to create a modern vocational education and training system.
- Start designing and applying an integrated research policy.

European standards

Internal market

Free movement of capital

- Further liberalise short- and medium-term capital movements, in both Republics.

Free movement of goods

- Further develop standardisation, in particular through the adoption of European standards. Continue transposing the new and global approach and old approach directives. Establish a market surveillance structure required by the *acquis*.

Customs and taxation

- Ensure continued approximation of Serbian and Montenegrin customs and taxation legislation to the *acquis*, and further increase the administrative capacity to implement customs legislation, and to fight against corruption, cross-border crime and fiscal evasion.
- Improve transparency and the exchange of information with EU Member States in order to facilitate the enforcement of measures preventing the avoidance or evasion of taxes.

Statistics

- In both Republics: Develop reliable economic statistics. Build up institutional capacity to produce and publish basic statistical data harmonised with European standards in the area of business statistics, labour market statistics and national accounts.

Sectoral policies

Industry and SME

- In both Republics: Implement the European Charter for SMEs

Agriculture and fisheries

- In Serbia: Further build administrative capacity for policy formulation and implementation. Design and start implementing a rural development policy. Continue strengthening veterinary, sanitary, phytosanitary and food-safety legislation and controls, including wine laboratories. Improve waste management and reduce agricultural pollution. Strengthen agricultural and food market systems, including quality controls and hazard analysis critical control point (HACCP); reduce policy distortions of agricultural markets and reform the Directorate for Commodity Reserves. Extend animal identification and registration to other species. Prepare a programme for upgrading food processing establishments to meet EU requirements.

- In Montenegro: Further build administrative capacity for policy formulation and implementation. Design and start implementing a rural development policy. Strengthen institutional capacity for food safety. Prepare a programme for upgrading food processing establishments to meet EU requirements. Start action in view of identification of sheep and goats and registration of their movements. Start action in view to ensure an efficient control of domestic plant production in particular for products with EU specific requirements. Take measures to ensure that the fisheries policy moves closer to EU standards, in particular in the areas of resource management, inspection and control and in market and structural policies.

Environment

- In both Republics: Continue implementing and enforcing legislation approximated to EU legislation. Continue to implement legislation on environmental impact assessment. Ratify and start implementation of the Kyoto protocol. Ensure a viable financial framework for the implementation of a mid to long-term environmental protection policy.
- In Serbia: Adopt and start implementing strategies on air pollution, waste management and nature protection. Continue implementing the national environment protection strategy, and the water strategy. Continue strengthening administrative capacity of environmental institutions and bodies. Begin implementing the multiannual plan for financing investment. Finalise construction of a facility for the treatment and safe disposal of hazardous waste.
- In Montenegro: Continue approximating legislation to EU legislation and standards, notably legislation on air pollution, water and waste. Begin implementing the land use plan and the overall environment protection strategy. Develop an overall environment protection strategy (water, waste, air). Begin implementing the sustainable development strategy and sectoral strategies (integrated coastal zone management, biodiversity, climate change). Continue strengthening the administrative capacity of line ministries and bodies in charge of environmental planning, permitting, inspecting and monitoring, as well as project management.

Transport policy

- In both Republics: Strengthen capacity building, including project preparation for large investments. Continue to earmark sufficient resources for the maintenance of transport infrastructures and institutions.
- Implement international commitments under International Maritime Organisation conventions and improve maritime safety conditions of the fleet in the light of the Paris Memorandum of Understanding.

Energy

- In both Republics: Adopt and implement a long-term strategy for an environmentally sustainable energy policy.
- Continue to implement regional and international commitments in this area in view of establishing a competitive regional energy market

Information society and media

- In both Republics: Transpose and implement the new EU framework for electronic communications. Ensure the independence, sufficient resources and expertise of the regulatory authorities. Start the alignment with the EU audiovisual acquis.

Financial control

- Develop and implement the principles of decentralised managerial accountability and functionally independent internal audit in accordance with the internationally accepted standards and EU best practice.

- Strengthen the operational capacity and functional as well as financial independence of the Supreme Audit Institution,
- Develop procedures and administrative capacities to ensure effective protection of the EU financial interests.

Justice, freedom and security

Visa, border control, asylum and migration

- In both Republics: 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. Enhance the cooperation between the Republics' agencies responsible for fighting human trafficking.

Police

- In both Republics: Continue restructuring; ensure accountability; reform police education; ensure cooperation among law enforcement agencies.

Fight against organised crime and terrorism

- In both Republics: Develop an effective system of witness protection which also incorporates 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 legislation. Facilitate the placement of liaison officers, seconded by EU Member States in the relevant State bodies involved in the fight against organised crime. Implement the Palermo Convention on trans-national organised crime.
- In Serbia: Strengthen capacity at the Ministry of Interior (notably the directorate for organised crime). Develop procedures and the capacity to share intelligence between agencies.
- In Montenegro: Increase administrative and judicial capacity to implement the criminal code as regards organised crime. Strengthen the Unit for the fight against organised crime at the Ministry of Interior and ensure coordination of all the enforcement bodies.

KOSOVO

AS DEFINED BY THE UNITED NATIONS SECURITY COUNCIL RESOLUTION 1244 OF 10 JUNE 1999

SHORT-TERM PRIORITIES

- In order to ensure a secure, democratic and multi-ethnic Kosovo, implementation of the Kosovo Standards endorsed by the UN Security Council needs to be pursued.
- The following priorities are to be addressed in this context:

Key priorities

- Ensure full respect for the rule of law and pursue a policy of zero tolerance against corruption, organised crime and financial crime.
- Ensure democratic governance of, and delivery of public services to, all people of Kosovo establishing a professional, accountable, accessible, representative and transparent public administration free from political interference.
- Advance the reform of local self-government taking into account the views and interests of all communities in Kosovo including the allocation of appropriate budgetary resources and increase administrative capacity to facilitate the decentralisation process.

- Create a climate for inter-ethnic tolerance, sustainable multi-ethnicity and which is conducive to returns. Ensure the respect, security, freedom of movement and participation of all communities. Explicitly condemn all manifestations of anti minority-communities sentiment. Vigorously prosecute all inter-ethnic crime.
- Create the conditions for investment, trade, employment and economic growth for the benefit of all communities.
- Ensure full cooperation with UN International Criminal Tribunal for the former Yugoslavia (ICTY).
- Fully respect UNSCR 1244 and intensify well prepared dialogue with Belgrade. Show a constructive attitude. Create the necessary conditions to facilitate the participation of Kosovo Serbs in the political process.

Political requirements

Democracy and the rule of law

Provisional institutions of self-government

- Ensure fully effective functioning of the Assembly and its committees, the government and municipalities, including full respect of the respective rules of procedure, and the rights and interests of all communities.
- Increase executive oversight by, and accountability and transparency, within the Assembly.
- Increase minority representation in all institutions and the civil service at municipal and central level.
- Prepare and carry out a population and housing census in full respect of international standards.

Elections

- Hold free, fair and transparent elections. Strengthen the independent and multi-ethnic Central Election Commission to administer the 2006 elections in a timely manner.
- Make sure that adequate voting sites, security and other measures are provided to all communities to exercise their voting rights. Enable internally displaced people and refugees to participate in the elections even if their ability to return to Kosovo is curtailed.

Public administration

- Reinforce capacity for government coordination and define more precisely the responsibilities of the central and local authorities for ensuring consistency of policy implementation.
- Enforce transparent procedures on recruitment, transfer, appraisal, promotion, conduct and dismissal of civil servants including Kosovo Protection Corps (KPC), police and justice system employees and on financial management.
- Improve quality and availability of basic public services to all communities, including as a contribution to reduce the demand for services provided by parallel structures.
- Develop and maintain effective public service training institutions free from political influence. Improve higher management training. Develop the Kosovo institute of public administration into a body capable of delivering professional training to all civil servants.
- Adopt the Law on emergency management and further improve the performance, professionalism and coordination of relevant Kosovo institutions, including the KPC, on civil protection matters.

Judicial system

- Ensure effective and impartial courts free from political influence.

Protect witnesses.

- Implement the automated case management system to reduce the backlog of court proceedings in particular in civil law. Ensure enforcement of civil court decisions.
- Further develop legal education and training, particularly for judges, prosecutors and administrative personnel. Adopt and implement the law on the Kosovo Judicial Institute and transform it into a viable institution responsible for judicial training.
- Strengthen municipal courts and police action to prevent, sanction and address illegal occupation, use and construction of property.
- Strengthen the Prosecutor's Office to ensure that is able to comply with the principles of autonomy and impartiality.
- Develop capacity free from political influence to take on competences in the areas of justice and interior.

Anti-corruption policy

- Implement the law on the suppression of corruption. Establish the anti-corruption agency. Adopt and implement the anti corruption plan.

Human rights and the protection of minorities

- Ensure the continued independent functioning and the financial viability of an impartial ombudsman institution, and due consideration of ombudsman recommendations.
- Facilitate and encourage the return of refugees and displaced persons from all communities and finalise the rehabilitation of damaged and destroyed properties caused by the March 2004 events, including historic and religious sites.
- Strengthen administrative structures and accountability mechanisms in the Ministry of Communities and Returns. Further develop and implement the joint strategic framework on communities and returns and develop mechanisms at municipal level for facilitating the sustainable integration of returnees and existing minority communities.
- Adopt and enforce an effective law on official languages and set up effective mechanism to monitor its implementation.
- Regularise informal settlements. Find sustainable repatriation solutions for the integration of Roma minority communities that are living in hazardous living conditions in camps and for internally displaced persons groups living in informal centres.
- Adopt the law on the preservation of cultural heritage and establish administrative mechanisms to ensure its implementation.
- Adopt laws on public broadcasting and against on civil defamation. Consolidate the media self-regulatory system with the establishment of the Independent Media Commission, the effective functioning of the Press Council and the implementation of the Press Code.
- Establish an adequate legal framework for non-government organisations and ensure that they can operate freely within it.

- Complete legislation and actions to safeguard property rights notably on ownership possession; occupancy and rights to residential and non-residential property including the legislative framework to regulate construction. Harmonise municipal regulations and establish a mechanism for the effective resolution of commercial and agriculture property disputes. Increase public awareness on consequences of illegal construction.
- Develop and implement a strategy including sustainable successor arrangements to the Housing and Property Directorate in order to implement all outstanding residential property claims.
- Ensure effective implementation of the anti-discrimination law.
- Take concrete measures to prevent and sanction all forms of violence against women.

Regional issues and international obligations

- Strengthen regional cooperation and good neighbourhood relations.
- Conclude and implement free trade agreements within the region and participate in all relevant regional initiatives notably under the auspices of the Stability Pact.

Economic requirements

- Finalise the privatisation process in accordance with the Kosovo Trust Agency schedule.
- Complete the incorporation of publicly-owned enterprises, namely the electricity utility, railways, district heating and water and waste services. Implement further restructuring steps to improve their governance, efficiency and financial sustainability. Further strengthen the regulatory framework for public utilities and enhance the administrative capacity of the independent regulators.
- Strengthen the transparency and sustainability of public finances. Ensure consistency of the 2006 budget with the consolidated medium-term expenditure framework.
- Define and apply the macroeconomic and budget priorities in close cooperation with the IMF.
- Enhance fiscal discipline and better control of public expenditure. Establish effective procedures for the detection, treatment and follow-up of cases of suspected fraud and other irregularities affecting national and international funds.
- Continue the development of a legislative and policy framework for trade and trade-related policies, ensuring EU- and WTO-compatibility. Promulgate and implement the law on external trade activity.
- Improve the quality of primary and secondary education, higher education and vocational and educational training.

European standards

- Strengthen the administrative capacity of all institutions for effective verification on consistency of policies and legislation with EU requirements, in particular by reinforcing the structures dealing with European approximation.

Internal market*Free movement of goods*

- Prepare the necessary legislation and establish the infrastructure as regards standardisation certification, metrology, accreditation and conformity assessment, taking into account complementarities with the region.
- Implement the law on domestic trade.

Free movement of capital

- Adopt appropriate prudential requirements and strengthen the supervisory process in the financial sector.

Customs and taxation

- Enhance the capacity of the customs administration to fight against corruption and cross-border crime. Enhance the capacity of the criminal investigation unit
- Ensure observance of obligations related to the implementation of preferential trade measures (origin).
- Improve the taxation system and enhance the control and collection capacity of the tax administration.
- Commit to the principles of the Code of Conduct for Business Taxation and ensure that new tax measures are in conformity with these principles.

Public procurement

- Adopt and implement effectively the revised public procurement law, including related implementing legislation. Establish effective review procedures.

Intellectual property law

- Design and implement legislation on the protection of intellectual, industrial and commercial property rights. Define a medium-term strategy to improve the enforcement of these rights.

Statistics

- Establish a first set of reliable (national type) accounts statistics.

Sectoral policies*Industry and SME*

- Adopt a medium-term strategy on SME policy, including the establishment of the SME support agency and the investment promotion agency. Continue implementation of the European Charter for Small Enterprises.
- Adopt a general-purpose financial reporting framework appropriate for Kosovo's circumstances, limiting the use of International Financial Reporting Standards/International Accounting Standards to public interest entities and making full use of the exemptions foreseen in the fourth and seventh company law directives.

Agriculture and fisheries

- Design and start implementing a rural development policy.
- Continue the alignment of legislation on the EU veterinary and phytosanitary acquis.
- Align the system of animal identification and registration for bovines with EU requirements.

Environment

- Prepare the adoption and the implementation of legislation on environmental impact assessment in line with the EU *acquis*.
- Prepare a comprehensive environmental action plan, particularly relating to public health issues, with a view to approximating with the EU *acquis*.
- Prepare activities to increase public awareness and civil society participation in environmental matters.

Transport policy

- Implement the Memorandum of Understanding on the development of the south-east Europe core regional transport network including the transport observatory.
- Implement the law on road transport. Adopt a law on road safety and start to implement measures in this field.
- Enhance transport-planning capacity to adopt and start implementing a transport policy framework, including the development of a multi-modal transport strategy on central and local level.
- Continue improving data led asset management for maintenance and rehabilitation.
- Continue to align the aviation legislation with EU *acquis* in view of the European Common Aviation Area.
- Develop the civil operator of Pristina airport, its staff and facilities, to ensure an adequate level of security and sound and accountable management.

Energy

- Start implementing the commitments undertaken in the framework of the Energy Community Treaty. Ensure the viability and sustainability of the electricity company, notably by substantially increasing revenue collection and improving governance structures.

Information society and media

- Adopt and start implementing policy concerning electronic communication networks and services aimed at creating a stable competitive environment in order to attract foreign investment.

Financial control

- Develop a public internal financial control strategy as a basis for fulfilling the medium-term recommendations in this area.

Justice, freedom and security*Visas, border control, asylum and migration*

- Strengthen cooperation between border/boundary management agencies.

Money laundering

- Ensure that the Financial Information Centre effectively fulfils its role in collecting and analysing data in relation to money laundering.

Drugs

- Further strengthen local capacity in the narcotics investigation section.

Police

- Improve the effectiveness of investigations of crime. Adopt and implement legislation to establish the Kosovo Police Service (KPS) and strengthen its investigative and internal control capacities. Strengthen its leadership.
- Ensure that the future academy for public safety education and training will be an independent and professional training body.

Fighting against organised crime and terrorism

- Further strengthen local capacity in the organised crime directorate within the KPS. Implement the action plan against trafficking in human beings.

MEDIUM-TERM PRIORITIES***Political requirements*****Democracy and the rule of law***Public administration*

- Proceed with a sustainable public administration reform while respecting budgetary constraints. Improve the capacity of local administration to provide services to their constituencies in an equitable and effective manner.

Judicial system

- Define and consolidate a complete body of law that respect rights and interests of all communities, drawing from all legal sources currently applicable in Kosovo.
- Design and implement a comprehensive strategy to enhance independence of judiciary, as well as the autonomy of the prosecution system.
- Strengthen the administrative capacity and effectiveness of the judiciary and all law enforcement agencies. Ensure the viability of a comprehensive legal aid system. Develop an alternative dispute resolution mechanism.

- Improve the penitentiary system with particular attention to security, control, management, vocational training and reintegration schemes, as well as the conditions of facilities.

Human rights and the protection of minorities

- Adopt legislation and establish and respect mechanisms for the protection of human and minority rights in line with Council of Europe recommendations.
- Ensure the viable existence of minority communities and their non-discriminatory participation in society, taking concrete measures to ensure their safety, freedom of movement as well as the equitable provision of and access to public and universal services.
- Implement the law on gender equality. Ensure mainstreaming of women's rights in all existing policies and legislation.
- Develop an integrated conservation policy for cultural heritage. Actively engage in increasing the general awareness of and respect for cultural heritage.
- Ensure that the public broadcaster performs its role as a public service to all communities and in their languages. Promote minority broadcasting and facilitate the sustainability of minority media. Ensure a level playing field for both private and public media.
- Ensure that the Kosovo Cadastral Agency and the municipal cadastral offices offer transparent and non-discriminatory access to full property records and have functioning accountability mechanisms.

Regional issues and international obligations

- Further strengthen mechanisms of regional and international cooperation in the field of law enforcement, including transfer of suspects and sentenced persons and mutual legal assistance to jurisdictions.
- Work towards the future regional free trade agreement in south-east Europe.

Economic requirements

- Prepare the ground for the development of a borrowing and debt management capacity.
- Examine possible guarantee mechanisms to attract foreign investment, in particular in cooperation with the Multilateral Investment Guarantee Agency.
- Develop flexible social policies to promote employment and social cohesion and address poverty and social exclusion with particular attention to youth employment.
- Develop the capacity of the banking sector to provide competitive banking services and long-term competitive financing. Ensure reliable and effective supervision of banking, insurance and pension institutions.
- Advance the formulation of a medium term development strategy and plan that is linked to sector strategies, takes into account poverty alleviation and is aligned with the medium-term expenditure framework and the public investment programme.

European standards**Internal market***Free movement of goods*

- Start transposing the new and global approach and old approach directives.
- Continue transposing European standards.
- Establish on market surveillance structure.

Customs and taxation

- Continued approximation of tax and customs legislation to the EU *acquis* and further increase the administrative capacity to enforce legislation and to fight against corruption, cross-border crime and fiscal evasion.

Public procurement

- Ensure that public procurement rules are effectively implemented by contracting authorities and entities at all levels, including through developing operational tools, providing training and strengthening the administrative capacity.

Intellectual property law

- Continue strengthening the enforcement of intellectual, industrial and commercial property rights, in line with the medium-term strategy.

Statistics

- Increase efforts to establish a reliable statistical system.

*Sectoral policies**Industry and SME*

- Continue implementing the European Charter for SMEs and the medium-term SME strategy.
- Continue gradual alignment of company law, including financial reporting standards.

Agriculture and fisheries

- Develop a policy and a regulatory framework to support viable land reform. Support the protection of agricultural land against unplanned urban development.
- Start action for identification of sheep and goats and registration of their movements.
- Prepare a programme for upgrading food processing establishments.
- Start action for efficient control of domestic plant production in particular for products with EU specific requirements.

Environment

- Adopt and implement the environmental action plan with a view to approximating with the EU acquis.
- Implement and support activities to increase public awareness and civil society participation in environmental matters.

Transport policy

- Continue the implementation of the Memorandum of Understanding on the development of the south-east Europe core regional transport network.

Energy

- Develop legislative and regulatory frameworks to encourage public-private partnerships and mixed investments in the power sector in line with the conclusions of the investment generation study.

Information society and media

- Implement the legislation on electronic communication networks and services and strengthen the position of the independent regulator.

Financial control

- Under the coordination of the Ministry of Finance, develop and implement the principles of decentralised managerial accountability and functionally independent internal audit in accordance with international standards and EU best practise through coherent legislation and adequate administrative capacity.
- Strengthen the operational capacity and functional as well as financial independence of the Supreme Audit Institution.

Justice, freedom and security*Drugs*

- Design and implement effective legislation and strategies against drugs trafficking and drug abuse.

Fighting against organised crime and terrorism

- Design and implement a comprehensive strategy to fight organised crime, financial crime and terrorism. Strengthen local capacities to investigate organised criminal activities. Strengthen judicial capacities to prosecute and try organised and financial crime cases.
 - Develop a weapon collection strategy, complete and enforce small arms related legislation.
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