

## Project Summary

### Project against Economic Crime in Kosovo\* (PECK)

February 2012

<b>Project title</b>	Project against Economic Crime in Kosovo*
<b>Budget</b>	1,200,000 Euro: 83.3% European Union and 16.7 % Council of Europe
<b>Funding</b>	IPA 2010: Direct EU Grant Agreement from EU under EU/COE Joint Programme Framework
<b>Implementation</b>	Department of Action against Crime Directorate of Information Society and Action against Crime DG I - Council of Europe
<b>Duration</b>	30 months (starting on 1 February 2012)

## 1 BACKGROUND AND JUSTIFICATION

Economic crime – including corruption, money laundering and terrorist financing, trafficking in human beings, cybercrime and other forms of financial and organised crime –are of important concerns in Kosovo\*. With regard to economic crime, the Council of Europe has been supporting Kosovo for a number of years through technical cooperation activities which focused on support to legislative drafting, training and policy advice in cooperation with United Nations Mission in Kosovo (UNMIK), the Organisation for Security and Cooperation in Europe (OSCE), and the European Union Rule of Law Mission in Kosovo (EULEX Kosovo). This included drafting of the (provisional) criminal and criminal procedure codes, specific legislation concerning prosecution and investigation procedures, anti-corruption and anti-money laundering legislation, capacity building for the anti-corruption agency, and training with regard to use of special investigative means, financial investigations, witness protection and other measures against organised crime and money laundering.

In its “Communication to the Council and the European Parliament” on the “Enlargement Strategy and Main Challenges 2010-2011” the European Commission comes to the following conclusions: “...The legal framework on anti-corruption has improved with the adoption of laws on the anticorruption agency and on declaration and origin of the property and gifts to senior public officials. The law on preventing conflict of interest in exercising public functions has been amended. The law on financing political parties is not fully in line with European standards. However, results in the fight against corruption are limited...” and same conclusions address the issue of money laundering as “Money-laundering remains an issue of serious concern. Kosovo has adopted a law against money-laundering and financing of terrorism. Cooperation between the Customs Service and the Financial Intelligence Centre has improved. The Centre has also improved its cooperation with banks. However, Kosovo is still at an early stage in adopting and implementing European standards in this area. Capacity to investigate and prosecute money-laundering cases is still weak....”

Results of preliminary needs assessment on economic crime (corruption and money laundering/counter-terrorism) delivered by the Council of Europe secretariat (COE) in October 2009 and during 2010-2011 revealed a significant number of remaining issues with regard to the strengthening of the rule of law through effective measures and institutions against corruption, money laundering and other forms of economic crime.

The Kosovo’ Anti-corruption Agency (KAA) is now operational since its establishment in 2006 and has managed to increase and strengthen some of its capacities, and as of recently is operating under a new amended law. The Office of Good Governance, Human Rights, Equal Opportunities and Gender Issues (OGG) coordinates also corruption policy related issues as well as ensures advice and inclusion of appropriate good governance efforts in a cross-sectoral approach.

At the same time the Financial Investigation Unit (FIU) and Financial Intelligence Centre (FIC—the classical Financial Investigation Unit) seem to be facing a lot of capacity building and human resource challenges since their establishment and operations that were mainly financed by international assistance providers. Despite certain measures that have been taken, yet corruption and money laundering remain a concern and prevalent in the sectoral life of Kosovo.

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In recent years important steps have been taken in Kosovo to bring the economic crime related legal and institutional framework in line with international standards. Lately, a set of important and relevant legislation was passed in Kosovo: It remains to be assessed whether the overall legal framework including the latest meets the international and European standards including its levels of implementation. The legislative framework although very often changed and amended still calls for a streamlining process or/and remains vague at certain level.

While reforms related to corruption and money laundering have been underway for several years, there has been no process of assessment of effectiveness and impact of such reforms: key institutions exist in most areas – and some are already operational (i.e. Anti-corruption Agency, Financial Intelligence Centre, Management and Recovery of Asset Recovery Agency) – but their status varies significantly, sometimes competencies overlap or are not clear.

A concerted effort of the EU and the COE, based on the experience of many successful joint projects in this area would be an appropriate approach to ensure that European standards and practices are clearly followed when applied in Kosovo. Such an effort would contribute to coherent anti-corruption and money laundering reforms in Kosovo, also to the benefit of EULEX Kosovo, thus make reform results more sustainable and bring them in line with European standards. The standards of the Council of Europe, of the European Union and other relevant organisations should serve as a framework of reference and help define benchmarking, assessment and the evaluation of measures against economic crime and corruption in Kosovo. In general, the strength of the Council of Europe is that standard setting activities in this field are backed up by monitoring and technical cooperation. However, Kosovo cannot participate in and thus benefit from these monitoring bodies. Nevertheless, the experience and criteria used by Council of Europe's monitoring mechanisms - such as Group of States against Corruption (GRECO) for corruption and Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) for money laundering –are believed to be useful if specifically tailored and adopted to allow assessments in depth and periodical during a course of 30 months, in Kosovo in a framework of a project programme.

## 2 RATIONALE

These models should be the reference framework in the context of assessing reviewing measures against corruption and money laundering in Kosovo, and preparing recommendations for reform. Further on, such recommendations for reform will be unified and streamlined, thus have an impact and serve as:

- (1) Assessing and benchmarking current measures against economic crime and corruption (corruption, money laundering and terrorism financing); and
- (2) Providing recommendations and tools in leading the necessary and relevant reforms aimed at strengthening the measures against economic crime in Kosovo.

For the first time, a specially designed programme will have as a purpose, strategy and resources the undertaking of periodical and thorough assessments/evaluations in Kosovo on issues of economic crime and more specifically: corruption; money laundering and terrorism financing. The assessment/evaluation rounds will cover institutional, legal, policy and resource areas divided in separate themes mostly modelled after the Council of Europe's mechanisms (GRECO and MONEYVAL).

## 3 OVERALL OBJECTIVE, COMPONENTS AND EXPECTED RESULTS

Objectives of the action	<p><b>Overall Objective</b></p> <p>To contribute to democracy and the rule of law through the prevention and control of corruption; money laundering; and the financing of terrorism in Kosovo.</p> <p><b>Purpose</b></p> <p>Strengthen institutional capacities to counter corruption; money laundering; and the financing of terrorism in Kosovo in accordance with European standards through thorough assessments and recommendations for improving and streamlining economic crime reforms.</p>
Expected results	<p><b>Result 1 – Assessment of anti-corruption measures</b></p> <p>1.1 Assessment and progress reports available on the level of compliance of applicable regulations and practices with European standards (based on the experience and criteria used by GRECO and other relevant international bodies);</p> <p>1.2 Kosovo institutions capable to support and carry out peer assessments based on European monitoring methodology;</p> <p>1.3 Recommendations available on regulatory, institutional, and policy-related areas;</p> <p>1.4 Assessment and progress reports (incl. compliance matrix) are published and disseminated in English, Albanian and Serbian.</p>

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	<p><b>Result 2 – Assessment of anti-money laundering and combating financing of terrorism measures</b></p> <p>2.1 Assessment and progress reports available on the level of compliance of applicable regulations and practices with European standards (based on the experience and criteria used by MONEYVAL and other relevant international bodies);</p> <p>2.2 Kosovo institutions capable to support and carry out peer assessments on money laundering and financing of terrorism measures based on European monitoring methodology;</p> <p>2.3 Recommendations available on regulatory, institutional, and policy- related areas;</p> <p>2.4 Assessment and progress reports (incl. compliance matrix) published and disseminated in English, Albanian and Serbian.</p>
Main Counterparts	<ul style="list-style-type: none"> <li>▪ Office of Good Governance, Human Rights, Equal Opportunities and Gender Issues (OGG) at the Office of the Prime Minister of Kosovo;</li> <li>▪ Kosovo Anti-corruption Agency (KAA); and</li> <li>▪ Financial Intelligence Centre (FIC).</li> </ul>

#### 4 PROPOSED IMPLEMENTATION ARRANGEMENTS

The Council of Europe will be responsible for the implementation of the project and the use of the funds under a direct grant agreement with the European Union Office in Kosovo. The Council of Europe is expected to ensure the achievement of the project results as listed above.

The Council of Europe will recruit a Long-term Adviser (LTA) and a Local Project Officer (LPO) who will be based in Pristina and work directly with institutions in Kosovo. This team will be responsible for project management in Kosovo on behalf of the Council of Europe. In addition, based on the calendar of activities (on-site visits, assessments, revision, assessment preparations and report finalisations) the COE will engage international and local short terms experts.

The counter part authorities and more specifically the Office of Good Governance, Human Rights, Equal Opportunities and Gender Issues (OGG) will designate a Project Coordinate to ensure information flow and cooperation of all relevant institutions, furthermore the Kosovo Anti-corruption Agency (KAA) and the Financial Intelligence Centre (FIC) will be asked to designate two local Project Liaisons as senior experts in the respective subject matters (corruption and money laundering). S/he will function as the main counterpart responsible for the coordination of project activities on behalf of Kosovo's institutions/authorities. The Project will have a designated Steering Committee which will consist of representatives from all beneficiary/targeted groups, and of the European Union Office in Kosovo as well as of Council of Europe.

#### 5 CONTACT

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