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Project against Economic Crime in Kosovo* (PECK)

First Annual Progress Report

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* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

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1 BACKGROUND INFORMATION

This Project against Economic Crime in Kosovo* (PECK) is the project funded by the European Union and the Council of Europe and implemented by the Council of Europe. The Project term is 30 months (1 February 2012 – 31 July 2014).

1.1 Beneficiary and institution(s)

Beneficiary: Kosovo*

Main Beneficiary Institution[s]: Kosovo* Anti-Corruption Agency (KAA), Financial Intelligence Unit (FIU), Office for Good Governance Human Rights, Equal Opportunities and Gender Issues (OGG) at the office of Prime Minister.

Project Beneficiaries include (but are not limited to) the following key agencies with a role in anti-corruption/anti-money laundering and combating the financing of terrorism in Kosovo*:

- Special Prosecutors Office of Kosovo* (SPRK)
- Kosovo* Judicial Council (KJC)
- Kosovo* Prosecutorial Council (KPC)
- Kosovo* Police (KP)
- Kosovo* Police Inspectorate (KPI)
- Ministry of Justice (MoJ)
- Ministry of Internal Affairs (MIA)
- Ministry of Finance (MF)
- Ministry of Public Administration (MBA)
- Central Bank of Kosovo* (CBK)
- Kosovo* Intelligence Agency (KIA)
- Agency for Managing Seized and Confiscated Assets (AMSCA)
- Kosovo* Customs (KC)
- Office of Auditor General (OAG)
- Procurement Review Body (PRB)
- Public Procurement Regulatory Commission (PPRC)
- Central Procurement Agency (CPA)
- Kosovo* Assembly (KA)
- Central Electoral Commission (CEC)
- Kosovo* Ombudsperson (KO)
- Kosovo* Business Registration Agency (KBRA)

1.2 Contracting authority

European Union Office in Kosovo* (EUOK).

1.3 Implementing organisation

The Council of Europe is responsible for the implementation of the project and the use of the project funds under the European Community agreement with the European Union Office in Kosovo*. Within the General Secretariat of the Council of Europe in Strasbourg, Directorate General of Human Rights and Rule of Law, the Directorate of Information Society and Action against Crime, and more specifically the Action against Crime Department, Economic Crime Unit will be the responsible structure for the overall management and supervision of the project. A project team based in Pristina supported by the Economic Crime Unit in the Headquarters of Council of Europe will be responsible for day to day implementation of the project.

2 THE PROJECT

2.1 Overall objective

PECK's overall objective is to contribute to democracy and the rule of law through prevention of corruption, money laundering and financing of terrorism in Kosovo*.

2.2 Project purpose

To 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 reform.

2.3 Expected Results (ERs)

The following are the expected results of this project. Their achievement, will lead to the achievement of the project purpose and contribute to the overall objective:

With regard to anti-corruption component:

ER 1.1 Assessment reports are 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 bodies of the Council of Europe);

ER 1.2 Kosovo* institutions are capable to support and apply peer assessments on anti-corruption measures based on European monitoring methodology;

ER 1.3 Recommendations are available on regulatory, institutional, and policy related areas;

ER 1.4 Assessment and progress reports (including compliance matrix) are published and disseminated in English, Albanian and Serbian.

With regard to anti-money laundering and countering of terrorism financing component:

ER 2.1 Assessment reports are 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);

ER 2.2 Kosovo* institutions are capable to support and apply peer assessments on anti-money laundering and countering of terrorism financing measures based on the European methodology of other international assessment mechanisms;

ER 2.3 Recommendations are available on regulatory, institutional, and policy related areas;

ER 2.4 Assessment and progress reports (including compliance matrix) are published and disseminated in English, Albanian and Serbian.

3 EXECUTIVE SUMMARY

This report covers the first year of the project's implementation period. It identifies and accounts for the key activities undertaken by the PECK Project with regard to its main expected results, specifically: launching the assessment of anti-corruption (AC) measures (ER 1) and anti-money laundering and combating the financing of terrorism (AML/CFT) measures in Kosovo* (ER 2).

The main focus of the project in the reporting period has been the establishment of project and experts teams, development of a methodological framework for the AC and AML/CFT assessments, including the ToR for assessments, AC and AML/CFT questionnaires, assessment schedule and workplan, which was successfully accomplished in close cooperation with local beneficiary institutions. The project also succeeded in ensuring the necessary high-level support of local authorities through the organization of the launching conference in April 2012.

The project experienced a delay over June-August 2012 due to negotiations between the CoE and EU on the use of the proper footnote when referring to Kosovo* in project documents. Nevertheless, while awaiting the formal start of the project activities, it was decided to proceed with preparatory work by providing explanatory guidance sessions to Kosovo* authorities on the assessment questionnaires and procedures. This was carried out through a targeted seminar organized in Pristina, and subsequently on a periodic basis through bilateral consultations and meetings between the PECK project advisor and local authorities, particularly the two key coordinating agencies – the Kosovo* Anti-Corruption Agency and the Financial Intelligence Unit.

Following the 1st Steering Committee meeting held in September 2012, the implementation of project activities formally commenced, and the assessment process of Kosovo* was initialized. The assessment questionnaires were submitted to Kosovo* authorities and following two months were returned with answers to the PECK project team in strict accordance with the assessment schedule. Due to extensive preparatory work and guidance provided by the project team, Kosovo* authorities gained and then successfully demonstrated the proper skills and capacity on the conduct of the assessment exercise.

The on-site visit of the PECK experts team was held in two phases in the end of November – beginning of December 2012, and included meetings with a wide range of key institutions in Kosovo* with the main aim to cross-check and clarify answers provided to the assessment questionnaires and gather additional information.

Following the on-site visit, the 1st draft assessment reports for the AC and AML/CFT components were finalized by the experts' team in the course of December 2012 – January 2013. A technical experts meeting was held on 28-29 January 2013 by the PECK experts' team to discuss and agree on the final draft text, conclusions and recommendations contained in the draft report. The progress of the assessment thus far allows to conclude

that the 1st cycle will be completed in the timeframes set by the workplan and assessment schedule, i.e. in May 2013.

Overall in the reporting period the PECK project undertook 8 activities involving 299 persons with 76% of them male and 24% female.

4 DEVELOPMENTS WITH REGARD TO THE LEGAL AND INSTITUTIONAL FRAMEWORK

This section of the report describes solely the developments with regard to the institutional and legislative framework as they occurred since August 2012. For information on legislative and institutional status prior to August 2012 please see the PECK project Inception report.

The policy, legal and institutional framework to combat economic crime, including corruption, money laundering and terrorism financing in Kosovo* has been undergoing a comprehensive process of reform in the period under consideration.

In September 2012 Kosovo* approved a National Strategy and Action Plan against Economic Crime, which covers inter alia various institutional and legislative measures to strengthen the national AML/CFT system, including in the law enforcement, intelligence, supervisory components, as well as at the level of overall national policy coordination among various participants of the system. Most notably, the Strategy calls for the establishment of a National Office of Economic Crimes Enforcement which is to serve as the main policymaking, oversight and coordination authority with the purpose of monitoring and ensuring the effectiveness of domestic anti-money-laundering and combating the financing of terrorism measures. Another important component of the Strategy includes undertaking a ML/TF risk assessment in Kosovo*, which shall allow Kosovo* authorities to identify key threats, vulnerabilities and consequences from money laundering and terrorism financing activity and subsequently reallocate and recalibrate available tools and resources to minimise identified risks in the most efficient manner possible. As on the date of this report, neither the National Office, nor the risk assessment mechanism were set up and/or operational.

At the same time the **Anti-Corruption Strategy and Anti-Corruption Action Plan for 2012-2016** have not yet been adopted by Parliament. These documents were supposed to be endorsed by the Kosovo* Assembly in spring of 2012. However, following the parliamentary plenary session of April 19, 2012 they have been returned for further review. A revised version of these documents has been adopted again by the executive on 21 November 2012 and resubmitted to the Assembly, which considered them in plenary session on 21 January 2013, however their final adoption has been postponed due to some further improvement by the relevant parliamentary committees.

In legislative terms a new Criminal Code and Criminal Procedure Code have been adopted by the Kosovo* Parliament and entered into force. The main new features of this legislation relevant to the project include the following:

- The norms regulating seizure and confiscation have been extended including rules and proceedings related to searches, seizure, identification measures, freezing of assets, attachment orders, confiscation and forfeiture (Chapter XVIII);
- Provisions on special investigative means are mainly reviewed and improved concerning, *inter alia*, application conditions; use of such measures prior to criminal proceedings; added definitions in this regard; orders standards; applicable offences justifying their use (including offences that are punished by 5 or more years of imprisonment, active/passive bribery in election processes, money laundering, bribery in the private sector, conflict of interest, active/passive bribery and trading in influence for domestic and foreign officials); ordering authorities;
- New provisions added to the Criminal Code (*inter alia*, criminal liability of legal persons - art. 40; definitions of “person”, “foreign official person or foreign public official”, “organised criminal group”, “structured association”, “family member”, “material benefit” – art.120; terrorism offences – art.141-144; Anti-corruption offences (Abuse of official duty during elections – art. 214; Giving or receiving a bribe in relation to voting – art.215; Conflict of interest – art.424; Giving bribes to foreign public official – art.430; Failure to report or falsely reporting property, revenue/income, gifts, other material benefits or financial obligations – art.437); Participation in or organization of an organized criminal group – art.283; Money laundering – art.308; Abuse of insider information – art.311; Fraud related to receiving funds from European community – art.337);
- Other extended provisions in the Criminal Code (*inter alia*, definitions of “responsible person”, “legal person” – art.120; definitions for terrorism offences – art. 135; facilitation of the offence of terrorism (financing of terrorism) – art. 138; Abusing official position or authority – art.422; Accepting bribes – art.428; Giving bribes – art.429; Trading in influence – art.431);
- In the Criminal Procedure Code, there are reviewed or new provisions related *inter alia* to jurisdiction of courts and prosecutions offices in accordance with their new structures; disqualification of judges/prosecutors and other parties; police criminal investigation; criminal reports; use of interim measures; initiation of criminal investigation; suspension and termination of investigation; statute of limitation for criminal investigation; access to the case file by interested parties; evidence; witness and other protection rules; indictment; trial rules and proceedings.; judgment rules; legal remedies.

A number of key legislative initiatives have not yet been finalized as at the date of this report. Specifically, legislative amendments to the main **AML/CFT** Law were under development by the Ministry of Finance with the involvement of other ministries and agencies, and although they have been submitted to Parliament for consideration they have not yet been adopted. The Draft Law “On extended powers for confiscation of assets acquired by criminal offence” which is envisaged to extend further the powers of law enforcement, prosecution and courts to seize and confiscate criminal proceeds, is still under legislative procedures.

With regard to the institutional framework, the most significant developments relate to the prosecutorial and judicial reform. Its main characteristics include the following:

- In accordance with the law on courts being fully effective at the beginning of 2013, the judicial reform started to be implemented with regard to the new structure of courts in Kosovo*. This new organisation includes 7 basic courts, one unique Court of Appeal and the Supreme Court. This reform streamlines the organisation of a common courts system in Kosovo*. Within basic courts, departments for serious crimes, general issues and minors as well as divisions for misdemeanours are established. In addition, the basic court of Pristina has two additional departments for commercial and administrative matters operating for the entire territory of Kosovo*. Each basic court has a certain number of branches in municipalities it covers. The Court of Appeal having its seat in Pristina and general jurisdiction throughout the territory of Kosovo* is organised in 5 departments (covering general issues, serious crimes, commercial matters, administrative matters and minors' issues). Another aspect of the reform is the disappearance of lay judges in the criminal field. Moreover, the new Criminal Procedure Code has introduced relevant rules concerning the material and territorial respective jurisdiction of common courts and relevant proceedings. The regulation on internal organisation of courts has been adopted by the Kosovo* Judicial Council in January 2013.
- Similarly, the new structure of the prosecution services has started to be implemented in accordance with the law on State Prosecutor. The organisation levels include 7 basic prosecution offices, the appellate prosecution office of Pristina and the Office of Chief State Prosecutor. The new prosecution structure has no impact on the organisation of the Special Prosecution Office (SPRK) except the addition of several defined serious offences as determined by the CPC to its exclusive and subsidiary competencies.

For both the judicial and prosecutorial reforms, arrangements regarding needed premises, finalisation of appointment of judges and prosecutors, filling of vacancies especially in departments for serious offences, adapting the new registration system of cases are in process.

2012 has been an important year in terms of transition of responsibilities from EULEX to local institutions. In June 2012 the Kosovo* Financial Intelligence Unit fully assumed such responsibilities from the EULEX-led Financial Intelligence Centre. In other key institutions, such as police, EULEX has been phasing out of operational activities to delegate most of this responsibility to local staff, and focusing instead on MMA (monitoring/mentoring/advising) activities. MMA activities are to be more oriented to mid and senior management level in the Kosovo* Police, Kosovo* judicial institutions and Kosovo* Customs, while mobile inspection capacities are retained at a lower level. A reconfiguration of EULEX capacity, role and focus was translated *inter alia* into a reduction of around one third of its staff from 3,200 to 2,250 for the period 2012-2014 (1,250 internationals and 1,000 locals). Meanwhile, EULEX Kosovo* carries and is expected to continue to exercise its executive functions in investigating, prosecuting and adjudicating sensitive cases related to organised crime, corruption, war crimes, and property and privatisation issues. A more focused trend of joint handling of criminal cases between EULEX and local authorities is expected to be more pronounced in the

near future (at prosecutorial level and police investigation level as well as through mixed panels of judges).

The following developments have occurred with regard to the institutional standing and internal organizational arrangements:

- Kosovo* Anti-corruption Agency has benefited in 2013 an increase of personnel (40 instead of 35 employees);
- The Office of the Auditor General has also an increased staff of 140 instead of 136 employees whereas the Ombudsperson is expected to have 55 instead of 48 employees in 2013;
- In Kosovo* Police Inspectorate, there is an adopted increase of more than 25 employees (from 50 to 75) that is to be operational during 2013;
- Finally, courts and KJC Secretariat will count an additional staff of 52 employees (1,927 instead of 1,875 people).

As at the date of this report the FIU still had not made progress in the admittance to the Egmont Group of financial intelligence units. A key step in this process would be the adoption of necessary amendments to the AML/CFT legislation in order to fulfil the requirements and entry-criteria of the Egmont Group.

5 SUMMARY OF PROJECT ACTIVITIES IMPLEMENTED (FEBRUARY 2012 – JANUARY 2013)

During the reporting period the following activities were undertaken in order to fulfil the project's workplan:

5.1 Activities

Activity 0: Inception phase	
Action 1	Recruitment and establishment of the project team
	<p>During the month of February 2012, the local project officer (LPO) in Pristina was recruited. The recruitment of the project advisor took place subsequently in July 2012. The project advisor is situated in Council of Europe Office in Pristina and will be advising and monitoring the project's implementation on a day-to-day basis.</p> <p>All applicants and then candidates have been shortlisted and then selected based on their qualifications, work experience and skills, as well as their performance during the interviews. In addition, performance and evaluations of prior employment were confirmed through reference checks.</p> <p>The Pristina project team of two members (project adviser and local project officer) is directly reporting to the Economic Crime Unit at the Action against Crime Department for substance matters and workplan implementation related issues, and as such, they are supported by an administrator of the Unit and a</p>

	<p>project assistant in Strasbourg. Their administrative daily work in Pristina will be supervised and supported by the Office of the Council of Europe in Pristina.</p> <p>The project offices are situated within the premises made available at the Council of Europe Office in Pristina which also provides the technical and IT infrastructure necessary for the team.</p>
Indicators	Recruitment of international and local staff in Pristina and establishment of support structure in Strasbourg
Progress/ deliverables	This activity has been completed. Both the Pristina and Strasbourg teams have been set up and are operational
Action 2	Start-up activities
	<p>The Project organized a series of start-up activities with local beneficiaries and counterparts aimed at drafting and finalizing the project workplan, terms of reference and questionnaires for the AC and AML/CFT assessment components. The start-up activities were carried out in three phases.</p> <p>Start-up activities - phase I (14-16 February 2012)</p> <p>A Council of Europe mission team – composed of Ms Ardita Abdiu, head of the Economic Crime Unit, and Ms Luljeta Plakolli-Kasumi, local project officer and Mr Tilman Hoppe, Council of Europe expert initiated the PECK-Kosovo* start up activities (namely, Phase I) during the week of 14-16 February 2012 (see Annex I – Mission Programme).</p> <p>During this mission, bilateral meetings with all project's counterparts and beneficiaries as well as international organizations took place with a view to describing the project in detail. These meetings once again confirmed that the project is going to be well received and supported by the different partners in Kosovo*. The idea of the project and its nexus with CoE as well as its monitoring mechanisms methodology was praised by international organizations (EULEX, UNMIK, OSCE etc.) and considered not only as a valuable tool for meeting common objectives in Kosovo*, but also as sustainable intervention that would assist and incorporate expected outcomes that these organizations are working towards.</p> <p>On 16 February 2012, the Start-up workshop with the presence of representatives of the previous bilateral meetings but also of other representatives from different counterpart institutions was held, which brought together around 30 participants. This workshop gave the possibility to introduce in a unified way the necessary details and information on the project, and more specifically the methodology of carrying out the assessment of component 1-corruption and component 2-money laundering and terrorist financing. Furthermore, it gave the possibility to provide a presentation on the methodology that will be applied in and for each component, (which will be based on the methodology and questionnaire used by GRECO and MONEYVAL evaluations), although specifically tailored for Kosovo* and its status/neutral situation, and considering that this exercise will be called and run as an assessment process and not a mutual evaluation of a monitoring mechanism.</p>

	<p>Start-up activities - phase II (28-29 March 2012)</p> <p>A Council of Europe mission team – composed of Ms Ardita Abdiu, head of the Economic Crime Unit, and Ms Luljeta Plakolli-Kasumi, local project officer carried out a series of meetings with stakeholders in the PECK-Kosovo* Project on March 28-29, 2012, specifically the Prime Minister’s Office of Good Governance (OGG), the Kosovo* Anti-Corruption Agency (KAA), the Financial Intelligence Center (FIC), the Kosovo* Intelligence Agency, as well as the EU Office in Pristina (see Annex II – Mission programme).</p> <p>The meetings were aimed at reviewing and finalising the terms of reference and most importantly discussing the content of the questionnaires to be used in the assessments as prepared by the Council of Europe Secretariat, as well as explaining the key coordination role of the KAA and the FIC, and the division of responsibility for various sections of the questionnaires among agencies involved in the exercise. The meetings also focused on the modalities and the preparation of the launching conference which was to ensure high-level political support and visibility to the PECK Project.</p> <p>Launching of the project - phase III (25-26 April 2012)</p> <p>The Project Against Economic Crime in Kosovo* (PECK) was officially launched on 26 April 2012 during the launching conference in Pristina (see Annex III – Launching conference agenda). The launching conference was attended by over 100 representatives of relevant ministries and agencies, international organizations, private sector and civil society. The launching conference was opened by the deputy Prime Minister/Minister of Justice Hajredin Kuçi, Minister of European Integration, Vlora Citaku, Mr. Samuel Zbogar, EUSR/Head of the EU Office in Pristina, and the Head of the Council of Europe Office in Pristina, Tim Cartwright. A presentation of the assessment procedure, including the main stages of the process, as well as a general overview of the international anti-corruption (AC) and anti-money laundering/countering financing of terrorism (AML/CFT) standards was made to the broad interagency audience present at the conference. In the course of the presentation the special role of the two local coordinators – the KAA and the FIC/FIU was stressed as well as the communication flow among the various actors involved in filling out the questionnaires. Further, detailed presentations of the AC and AML/CFT questionnaires were made, including the layout of the main sections, themes and specific provisions. The presence of high-level authorities as well as the participation of a broad range of ministries and agencies in the launching conference is a key factor in ensuring the necessary long-term commitment to the assessment process and its outcomes.</p> <p>Selection of the expert assessment team</p> <p>The selection of the 6 short-term experts to participate as assessors in the anti-corruption and anti-money-laundering/combating the financing of terrorism components for the 1st assessment cycle (September 2012-June 2013) took place in the course of April – June 2012.</p>
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	<p>1st steering committee (SC) meeting (12 September 2012)</p> <p>The 1st steering committee (SC) meeting of PECK Project was co-chaired by the European Union Office in Kosovo* and the Council of Europe Office in Pristina. The meeting was attended by the SC permanent members, namely the Kosovo* Anti-Corruption Agency, the Financial Intelligence Unit, the Office of Good Governance, the Ministry of Finance, Ministry of Justice. The Central Bank and EULEX participated in the meeting as observers. The steering committee adopted the Inception report and workplan for the PECK project, the terms of reference on the assessment process, as well as the schedule for the 1st assessment cycle for both components – anti-corruption and anti-money laundering/combating the financing of terrorism (see Annex IV – Minutes of the 1st steering committee meeting).</p>
Indicators	<ul style="list-style-type: none"> • Start-up activities/workshops/meetings with counterparts to draft and finalize terms of reference (ToR) for the assessments; • Preparation of detailed workplan and Inception report; • Organization of the start-up conference/launching conference; • Approval of activities/time table/list of experts to carry out assessments.
Progress/ deliverables	<p>As a result of start-up activities the necessary methodological framework was designed for the AC and AML/CFT assessments in close cooperation with local beneficiary institutions, including the ToR for assessments, AC and AML/CFT questionnaires, assessment schedule and workplan. A launching conference has been organized to ensure high-level political support. Expert assessment team has been set up for both AC and AML/CFT components.</p>
Activity 1: Organize assessment (1 st cycle) on measures against corruption and AML/CFT	
Actions 1.1, 1.4	<ul style="list-style-type: none"> • Consulting and advice to institutions in Kosovo* on reporting in the course of the assessment process; • Organize an explanatory seminar for authorities in Kosovo* on data collection and preparation of responses to the assessment questionnaires
	<p>Explanatory meetings on the assessment questionnaires (10-12 July 2012)</p> <p>A series of explanatory meetings were held from 10-12 July 2012 between the Project team, international experts and Kosovo* authorities. The aim of these meetings was to present the substantive aspects of the anti-corruption (AC) and anti-money laundering/combating the financing of terrorism (AML/CFT) questionnaires to be used in the assessment of Kosovo* on compliance with the relevant international standards based on the MONEYVAL and GRECO methodologies. The agenda for the explanatory meetings was structured to facilitate dialogue with the authorities, and each segment of the agenda was targeted at a specific audience comprising a predetermined list of Kosovo* institutions. Expert presentations were detailed and addressed issues from the respective sections of the questionnaires.</p> <p>The explanatory meetings started with the delivery of a brief overview of the assessment process and general provisions in the assessment questionnaires. Common to both assessment components, issues of corporate criminal liability, confiscation, freezing and seizing proceeds from crime, law enforcement authorities, investigation and criminal procedure, and issues pertaining to international cooperation of law enforcement/FIU and mutual legal</p>

	<p>assistance/extradition were explained and discussed with the participants. The specific questions related to the AC component that were addressed during these explanatory meetings related to financing of political parties and election campaigns, the offenses and sanctions for corruption, fundamental safeguards and corruption prevention measures in the police, judiciary, prosecution, public administration, parliament and public procurement. AML/CTF related questions pertained to the criminalization of money laundering and terrorism financing, non-profit organizations, cross-border declaration and disclosure, and the Financial Intelligence Unit, legal persons – access to beneficial ownership and control information, modern secure transaction techniques, record keeping, risk of money laundering and terrorist financing, customer due diligence, politically exposed persons (PEPs), secrecy laws, suspicious transactions reporting related to ML and TF, shell banks, ongoing supervision and monitoring and market entry, supervisors, sanctions and money or value transfer services.</p> <p>Copies of respective questionnaires and the compilation of international and European AC and AML/CTF standards were disseminated to the participants. The explanatory meetings were attended by the relevant institutions, such as the two coordinating authorities for each assessment component i.e. Kosovo* Anti-Corruption Agency (KAA), and the Financial Intelligence Unit (FIU), as well as the Office for Good Governance/Office of the Prime Minister and relevant ministries, judiciary, prosecution, police, customs, independent agencies, and the Central Bank (see Annex V – Agenda of explanatory meetings).</p> <p>Bilateral meetings with Kosovo* institutions</p> <p>The PECK project advisor carried out bilateral meetings with a wide range of Kosovo* institutions in several phases out during the period from July 2012 to January 2013</p> <ol style="list-style-type: none"> 1. July-September 2012: meetings with counterparts to discuss the contents of the assessment questionnaires, the process to organize and coordinate the gathering and systematization of responses by authorities to the questionnaires, including the specific roles of the two lead agencies – the KAA and FIU; 2. September-November 2012: guidance to Kosovo* authorities on filling out assessment questionnaires; 3. November 2012 – January 2013: liaison with competent authorities to solicit answers to additional questions posed by the AC/AML/CFT assessment team. <p>These meetings were held with the following main counterpart institutions: Financial Intelligence Unit (FIU); Kosovo* Anti-Corruption Agency (KAA); Central Bank of Kosovo* (CBK); Ministry of Justice; Ministry of Internal Affairs, Ministry of Finance; Public Procurement Regulatory Commission (PPRC); Procurement Review Body (PRB); Ministry of Public Administration, Central Election Commission, Office for Registration and Certification of Political Parties, Department for Registration and Liaison with NGOs; Agency for Managing Seized and Confiscated Assets, the Ombudsperson Institution, Office of the Auditor General, the Office for Good Governance and others.</p>
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Indicators	<ul style="list-style-type: none"> • Support the Kosovo* institutions in enhancing their reporting capacities in line with assessment methodology on anti-corruption measures/reforms; • Support the Kosovo* institutions in developing mechanisms for collecting and processing data necessary for the reporting on anti-corruption measures/reforms; • Number/extent and professional diversity of people trained to manage and follow international assessment exercises;
Progress/ deliverables	Guidance and support provided to Kosovo* authorities through numerous bilateral and multilateral information sessions, where over 70 representatives of the abovementioned agencies were trained/informed about the assessment procedure.
Actions 1.2, 1.3, 1.5	<ul style="list-style-type: none"> • Prepare and translate AC and AML/CFT questionnaires in line with the GRECO and MONEYVAL assessment methodologies; • Dissemination of AC and AML/CFT questionnaires to each respective and relevant authority in Kosovo*.
	The preparation of the AC and AML/CFT questionnaires was carried out in the course of March – May 2012 and was translated into Albanian and Serbian, which were used in the course of the explanatory meetings on the assessment questionnaires held in July 2012. Following the 1 st PECK project steering committee meeting, which took place on 12 September 2012, the questionnaires were disseminated to the two coordinating agencies – the KAA and the FIU on 13 September 2012 who further circulated them to all other participating authorities based on the guidelines prepared by the Project team in relation to division of responsibilities. Kosovo* authorities were given 2 months to prepare, gather, systematize and submit the responses on the assessment questionnaires to the PECK project team.
Indicators	Initiate proceedings that will support the launching of periodical assessments on AC and AML/CFT
Progress/ deliverables	<ul style="list-style-type: none"> • AC and AML/CFT questionnaires prepared based on MONEYVAL and GRECO assessment methodologies jointly with Kosovo* authorities involved in the assessment; • Questionnaires have been disseminated to Kosovo* authorities.
Action 1.6	Receipt and translation of Kosovo* response to assessment questionnaires
	The answers to the AC and AML/CFT questionnaires were received from the Kosovo* authorities on 12 November 2012 in accordance with the deadlines set by the assessment schedule. The answers were a result of submissions provided to the two coordinating agencies – the KAA and the FIU by a wide range of authorities in Kosovo*. The KAA and FIU compiled the received submissions in a unified format and provided the documents to the assessment team with a range of accompanying data.
Indicators	Amount and quality of data and information produced by Kosovo* institutions

Progress/ deliverables	Kosovo* authorities were able to provide answers to the AC and AML/CFT assessment questionnaires on all questions concerned. The quality of provided information was mostly limited by its availability, e.g. some types of statistics are not kept by authorities and hence could not be provided to the assessment team.
Action 1.7	Organize on-site visit(s) of experts team to Kosovo* with the purpose of carrying out interviews and information gathering on the basis of the questionnaire responses
	<p>The PECK experts team, consisting of 6 international experts was provided with answers to the AC and AML/CFT questionnaires provided by Kosovo* authorities in advance in order to carry out the necessary preparations.</p> <p>The on-site visit took place in two phases – 26-30 November and 3-6 December 2012 and included interviews with an extensive range of authorities in Kosovo* (Agendas for the on-site visit are attached as Annex VI). The main purpose of the interviews was to verify and cross-examine the information provided in the AC and AML/CFT questionnaires submitted to the assessment team by Kosovo* authorities, as well as gather additional information in order to make a qualified and balanced judgement on the compliance of Kosovo* legislation and institutions with international AC and AML/CFT standards. Replies to the respective questionnaires, the information gathered in the course of the on-site visit as well as additional information provided subsequently will serve as a basis for the AC and AML/CFT draft assessment reports on Kosovo*.</p>
Indicators	Amount and quality of data and information produced by Kosovo* institutions
Progress/ deliverables	Kosovo* authorities were able to effectively cooperate in the course of the on-site assessment in terms of providing answers to the PECK experts, as well as subsequently by providing answers to additional questions of experts in the course of December 2012 immediately following the on-site visit. The quality of information provided in the course of the on-site visit was at the level as would be expected in the course of a standard AML/CFT or AC assessment.
Action 1.8	Preparation of draft assessment report (including recommendations and compliance matrix) by experts' team and exchange of input with authorities in Kosovo* with regard to findings
	<p>Following the completion of the on-site visit the PECK experts team commenced the preparation of the draft assessment reports for the AC and AML/CFT components. Based on experts' contributions the first draft reports for the AC and AML/CFT components have been finalized by the PECK project team and will be submitted to Kosovo* authorities in February 2013.</p> <p>1st technical meeting of PECK experts assessment team to finalize draft AC and AML/CFT assessment reports (28-29 January 2013)</p> <p>A technical experts meeting was held on 28-29 January 2013 by the PECK experts team to discuss and agree on the final draft text, conclusions and recommendations contained in the AC and AML/CFT assessment reports (see Annex VII – Agenda of technical meeting).</p>

Indicators	Number of reports published, translated and institutions reached
Progress/ deliverables	Draft assessment reports for the AC and AML/CFT components finalized
Action outside Workplan	Legal review of the Kosovo* AML/CFT Law No.03/L-196 and Draft amendments thereto
	<p>On 31 August 2012 by Mr. Bedri Hamza, the Minister of Finance of Kosovo*, addressed the PECK project to undertake a legal expertise of the Law for the Prevention of Money Laundering and Financing Terrorism No.03/L-196 and draft amendments thereto.</p> <p>Even though this activity was not strictly prescribed by the project workplan the PECK project, upon approval by EUOK proceeded with such a review on the grounds that the review would constitute a logical step in preparing and facilitating the PECK assessment, and more specifically by:</p> <ul style="list-style-type: none"> • the advance identification of problem areas in the AML/CFT legislative as well as institutional framework of Kosovo*; • facilitating the preparation of the expert assessment team for the AML/CFT component well in advance of the on-site visit, which is to take place in November 2012; • providing Kosovo* authorities with qualified expert assistance through identifying immediate issues of concern to be modified through planned legislative amendments, as well as more general areas requiring a more comprehensive re-evaluation of the legislative framework. Such an approach would allow Kosovo* authorities to properly prioritize and synchronize their legislative process with the overall assessment undertaken under PECK. <p>The review identified several general issues of concern pertaining to criminalization, sanctions and international cooperation frameworks, as well as several specific deficiencies. The Ministry of Finance subsequently informed the PECK project that the comments and drafting suggestions had been fully taken into account in the drafting process.</p>
Indicators	N/A
Progress/ deliverables	Legal review of the draft amendments to the Kosovo* AML/CFT Law is available (attached as annex VIII)

6 COOPERATION WITH STAKEHOLDERS

6.1 Counterpart beneficiaries

In the reporting period PECK project team relations with stakeholders were successfully established and showed further significant progress in the roll-out of project activities.

The two coordinating institutions for the AC and AML/CFT assessment components – the KAA and the FIU demonstrated a proactive role in the assessment process, particularly in the highly resource-intensive phase, that included the dissemination, preparation and systematization of responses to assessment questionnaires from a wide range of authorities in Kosovo*.

Most authorities in Kosovo* demonstrated efforts towards providing the Project with the necessary information at the pre-on-site, on-site and post-on-site phases. Unfortunately, the only authority unavailable for meetings with the assessment team was the Ministry of Finance, which is a key policymaker with regard to AML/CFT issues.

6.2 Other third parties

The Project team has received valuable contributions from EULEX in the course of the on-site visit and will continue to coordinate in the upcoming phases of the assessment.

Regular coordination meeting have also been held with the U.S. Treasury resident advisor in Pristina, who is providing assistance to Kosovo* authorities in the AML/CFT area.

7 PROJECT RESULTS AND ACHIEVEMENTS

Achievements per expected result during the reporting period are evaluated in the paragraphs below. Since the assessment under the AC and AML/CFT components is carried out as a single unified process the results under the sub-items for ER 1 and ER 2 are the same.

Result 1 – Assessment of anti-corruption measures

Result 2 - Assessment of anti-money laundering and combating financing of terrorism measures

1.1 / 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 GRECO / MONEYVAL and other relevant international bodies);

Two draft assessment reports on the AC and AML/CFT components have been drafted by the PECK assessment team and submitted to Kosovo* authorities for their comments in accordance with the assessment schedule. The draft reports were drafted based on information provided by Kosovo* authorities to the assessment questionnaires, gathered during the onsite visit and subsequently through an exchange of additional questions and answers following the on-site.

1.2 / 2.2 Kosovo* institutions capable to support and carry out peer assessments on anti-corruption / anti-money laundering and combating the financing of terrorism measures based on European monitoring methodology;

Kosovo* authorities have been provided with guidance in the form of specialized explanatory sessions with participation of PECK experts in July 2012, as well as through periodic bilateral meetings and consultations with the PECK project advisor. With the assistance of the PECK Project authorities have acquired the knowledge and experience of participating in the first assessment stages, carried out thus far, and have generally demonstrated adequate capacities in this regard.

1.3 / 2.3 Recommendations available on regulatory, institutional, and policy-related areas;

Draft recommendations on the policy-related, regulatory and institutional framework in the AC and AML/CFT areas have been prepared and are an integral component of the draft assessment reports for both components. Their subsequent discussion with Kosovo* authorities shall take place in several stages in accordance with the assessment schedule with a view of their final publication as a part of the assessment report.

1.4 / 2.4 Assessment and progress reports (incl. compliance matrix) are published and disseminated in English, Albanian and Serbian.

Publication of assessment reports of the 1st cycle shall take place following their discussion and adoption by the plenary conference in May 2013.

8 VISIBILITY

Project news, events, and outputs/deliverables are reported on the Council of Europe Economic Crime website (www.coe.int/corruption), a section of which is exclusively dedicated to the PECK project:

http://www.coe.int/t/dghl/cooperation/economiccrime/corruption/Projects/PECK-Kos/PECK-default_en.asp.

The project will ensure the visibility of the EU's contribution at all stages of its activities. The Council of Europe is taking all appropriate measures to publicise the fact that the project funding is being received from a European Union agreement. All reporting and information used and disseminated will acknowledge that actions have been carried out "with funding from the European Union" by also displaying in an appropriate way the European Union logo.

9 DIFFICULTIES ENCOUNTERED DURING IMPLEMENTATION

In the course of June-August 2012 project activities could not progress for reasons beyond the control of the project team and of the Organization. The project team had been unable to hold the 1st steering committee meeting because of on-going discussions between the Organization and the Contracting Authority concerning the content of the footnote to be used when referring to “Kosovo*” in documents of Joint Projects with the EU. Nevertheless, while awaiting the formal start of the project activities, it was decided to proceed with preparatory work by providing explanatory guidance sessions to Kosovo* authorities on the assessment questionnaires and procedures. Furthermore, in order to make up for the abovementioned delays, the project team committed to implement the assessment procedure on an expedited timetable so that future project activities, particularly the second assessment cycle do not suffer from the delay.

10 POTENTIAL RISKS

The political risk involved in this project is not considered to be high at the time of reporting. However, it is advised to also keep track of the main risks, previously identified in the project’s Description of Action and Inception report.

- Lack of political stability

Changes among key policymakers in the areas of AML/CFT and AC could to an extent impact project implementation. In January 2013 the Minister of Finance, who is generally responsible for AML/CFT policy and legislative development has resigned. This has so far not led to any consequences impacting the project or any of its activities.

- Lack of co-ordination and co-operative approach by stakeholders

The implementation of the 1st phase of the assessment has demonstrated that the main local counterparts cooperate fully and efficiently within the PECK project, particularly the two coordinating agencies – KAA and FIU. There have been instances where several other stakeholders have failed to demonstrate the necessary cooperation; however this has generally not led to any significant infringement of quality in Project deliverables or activities.

- Lack of financial resources on the part of the beneficiary to consolidate achievements of the project

The focus of the project is on the assessment of necessary legislative, policy and institutional reforms, and on identifying training needs and where capacity building requires enhancement, hence, the expected results do not all require substantial investments by the beneficiary, rather than maintain the sustainable budgetary resources as allocated to the institutions in charge of operating under the improved policy/institutional and legislative reforms. Furthermore, all institutions co-operating with and benefiting from the projects are established and operational.

- Risk of duplication

The PECK project team has become aware of the upcoming financial sector assessment of Kosovo* by the IMF and World Bank, which would include an AML/CFT evaluation exercise in accordance with the FATF methodology. Undertaking such an exercise would create the risk of duplication of deliverables as well as place an excessive and unnecessary resource burden on the Kosovo* authorities. In this regard the PECK project will undertake consultations with the World Bank and IMF in order to coordinate to ensure that any evaluation or/and assessment carried out by these organizations does not duplicate work already undertaken by the Project and Kosovo* authorities.

11 CONCLUSIONS

In the reporting period the PECK project has been successful in preparing and launching the anti-corruption and anti-money laundering assessments of Kosovo*. This was achieved based on a combination of activities carried out by the Project, and specifically the successful establishment of the Project and experts teams, the development of a methodological framework for the assessment jointly with local beneficiaries, and finally the thorough training, guidance and consulting of Project counterparts in Kosovo* on the conduct of the assessment. The Project has also been successful in the establishment of productive working relations and coordination with other international stakeholders in Kosovo*.

It is therefore possible to conclude that the implementation of the 1st assessment cycle will continue and will be finalized in accordance with the schedule in May 2013.

Name of the contact person for the Action: Ivan Koedjikov

Signature:

Location:

Date report sent:

12 LIST OF ANNEXES

Annex I:	Start-up activities programme (Phase I), 14-16 February 2012
Annex II:	Start-up activities programme (Phase II), 28-29 March 2012
Annex III:	PECK project launching conference agenda (Phase III), 26 April 2012
Annex IV:	Minutes of the 1 st steering committee meeting, 12 September 2012
Annex V:	Agenda of explanatory meetings on assessment questionnaires, 10-12 July 2012
Annex VI:	Agendas for the assessment on-site visit, 26-30 November, 3-6 December 2012
Annex VII:	Agenda of 1st technical meeting of PECK experts assessment team, 28-29 January 2013
Annex VIII:	Legal review of the draft amendments to the Kosovo* AML/CFT Law
Annex IX:	Project workplan