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Project against Economic Crime in Kosovo* (PECK II)

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Inception Report

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| Project title | Project against Economic Crime in Kosovo (PECK II) |
| Budget | 2,225,000 Euro: 89.89% European Union and 10.11 % Council of Europe |
| Funding | IPA II 2014: CRIS No. 2015/372-097 and CoE No. JP/ 4561 |
| Implementation | Economic Crime and Cooperation Unit (ECCU) Action against Crime Department Information Society and Action against Crime Directorate Directorate General Human Rights and Rule of Law - DG I Council of Europe |
| Duration | 36 months (1 January 2016 – 31 December 2018) |
| Date of report | 11 April 2016 |

* 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.

This document has been produced with the financial assistance of the European Union and the Council of Europe. The views expressed herein can in no way be taken to reflect the official opinion of the European Union and/or of the Council of Europe.

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Abbreviations

| | |
|----------|---|
| AC | Anti-corruption |
| ACAP | Anti-corruption Action Plan |
| ACS | Anti-corruption Strategy |
| AML/CFT | Anti-Money Laundering / Combating Financing of Terrorism |
| AMSCA | Agency for Managing Seized and Confiscated Assets |
| CBK | Central Bank of Kosovo |
| CEC | Central Election Commission |
| CETS | Council of Europe Treaty Series |
| CoE | Council of Europe |
| EC | European Commission |
| ECCU | Economic Crime Cooperation Unit, DGI, Council of Europe |
| ETS | European Treaty Series |
| EU | European Union |
| EULEX | European Union Rule of Law Mission - Kosovo |
| EUOK | European Union Office to Kosovo |
| FATF | Financial Action Task Force |
| FIU | Financial Intelligence Unit |
| GRECO | The Council of Europe's Group of States against Corruption |
| KAA | Kosovo Anti-corruption Agency |
| KC | Kosovo Customs |
| KJC | Kosovo Judicial Council |
| KP | Kosovo Police |
| KPC | Kosovo Prosecutorial Council |
| KPI | Kosovo Police Inspectorate |
| LEAs | Law Enforcement Agencies |
| MIA | Ministry of Internal Affairs |
| MoF | Ministry of Finance |
| MoJ | Ministry of Justice |
| MONEYVAL | The Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism |
| MoU | Memorandum of Understanding |
| MPA | Ministry of Public Administration |
| NGO | Non-Government Organisation |
| OSCE | Organisation for Security and Co-operation in Europe |
| PECK II | EU/CoE Joint Funded Project against Economic Crime in Kosovo - Phase II |
| PMO | Prime Minister's Office |
| SOP | Standard Operating Procedure |
| SPO | State Prosecutor's Office |
| SPRK | Special Prosecution of Kosovo |
| STC | Short Term Consultancy |
| TAK | Tax Administration of Kosovo |
| ToR | Terms of Reference |

1 BACKGROUND INFORMATION

This Project against Economic Crime in Kosovo – (PECK II) started on 1 January 2016. This inception report presents activities and situation of the project's environment during this phase as a stage of preparations for the initiation of project activity implementation. The inception phase formally ended on 31 March 2016.

1.1 Beneficiary area and institution(s)

Beneficiary: Kosovo

Main Beneficiary Institutions: Kosovo Anti-Corruption Agency (KAA) and Financial Intelligence Unit (FIU).

Other 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:

- Agency for Managing Seized and Confiscated Assets (AMSCA);
- Central Bank of Kosovo (CBK);
- Central Electoral Commission (CEC);
- Central Procurement Agency (CPA);
- Kosovo Assembly (KA);
- Kosovo Customs (KC);
- Kosovo Judicial Council (KJC);
- Kosovo Judicial Institute (KJI);
- Kosovo Police (KP);
- Kosovo Police Inspectorate (KPI);
- Kosovo Prosecutorial Council (KPC);
- Ministry of European Integration (MEI);
- Ministry of Finance (MF);
- Ministry of Internal Affairs (MIA);
- Ministry of Justice (MoJ);
- Ministry of Public Administration (MBA);
- National Coordinator for Combating Economic Crimes (NCCEC);
- Office for Good Governance, Human Rights, Equal Opportunities and Gender Issues / Prime Minister's Office (OGG);
- Office of Auditor General (OAG);
- Procurement Review Body (PRB);
- Public Procurement Regulatory Commission (PPRC);
- Special Prosecution of Kosovo (SPRK);
- Tax Administration of Kosovo (TAK).

Other beneficiaries are the financial sector and the industry (AML/CFT reporting entities), the civil society and journalists.

1.2 Contracting authority

European Union Office in Kosovo

1.3 Implementing organisation

The Council of Europe is co-founder and 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 Legal Affairs, the Directorate of Information Society and Action against Crime, and more specifically the Action against Crime Department, Economic Crime and Cooperation 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 and Cooperation 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 II overall objective is to contribute to democracy and the rule of law through prevention and control of corruption, money laundering and financing of terrorism in Kosovo.

2.2 Project Purpose

To strengthen institutional capacities to counter corruption, money laundering and financing of terrorism in Kosovo in accordance with European standards through targeted technical assistance and assessments for improving and streamlining economic crime reforms.

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:

ER 1 Institutional capacities of anti-corruption stakeholders to effectively implement and coordinate anti-corruption measures are further strengthened;

ER 2 Interagency information exchange and cooperation mechanisms are streamlined to ensure effective coordinated measures against economic crime;

ER 3 Assessment Report of anti-corruption measures is available;

ER 4 Assessment Report of anti-money laundering and combating financing of terrorism measures is available.

3 SITUATION IN KOSOVO

3.1 Overall baseline of the sector

Corruption

Corruption remains a serious challenge for Kosovo. It affects all sectors of society and takes place at all levels. Transparency International's 2014 Corruption Perception Index rates Kosovo at 33 (with 100 representing the lowest level of corruption), the lowest rating in the Balkans.¹

According to the World Bank's Worldwide Governance Indicators², Kosovo's control of corruption has shown little improvement since 2004, and remains near to 30% in 2014 which is the level of 2006 (100% representing full control of corruption).

Freedom House's Nations in Transit ratings on corruption show also no improvement for the last 10 years (the 2015 rating continues to be the lowest of Western Balkans).³

Kosovo authorities are aware of diverse challenges in fighting corruption and organised crime⁴ that require further action, such as ineffective multi-mechanism approach in fighting corruption, insufficient law enforcement, lack of sufficient expertise and know-how in different institutions fighting corruption and organised crime, inadequate and insufficient coordination and cooperation between different institutions, overlapping and complex institutional set-up, weak capacities and resources, inconsistent administrative data on anti-corruption.

EC 2015 Report on Kosovo echoes PECK I Project findings and recommendations⁵:

"Kosovo is at an early stage in the fight against corruption. [...] Overall progress has been limited and strong political will and commitment is needed to tackle this phenomenon properly. [...] There is a general disconnect and lack of integration between the main anti-corruption bodies in Kosovo, which suffer from overlapping mandates and an unclear division of tasks."

Kosovo is continuing to deliver poor results in the fight against corruption, especially high-profile cases. With involvement of relevant stakeholders, the Kosovo Prosecutorial Council developed a criminal offences case tracking mechanism and published its first annual report in 2013, including corruption cases. Subsequent bi-annual and annual reports included also economic crimes. However,

¹ <http://www.transparency.org/cpi2014/results> The 2013 CPI index is similar whereas in 2012 it has been 34.

² World Bank, Worldwide Governance Indicators, Control of corruption <http://info.worldbank.org/governance/wgi/>

Despite the improvement in 2014, the rating remains largely below the median of Western Balkans and one of its lowest levels.

³ The NIT ratings are based on a scale of 1 to 7, with 1 representing the highest and 7 the lowest level of corruption control. Kosovo is ranked on a scale 6 from 2004 to 2007, on a scale 5.75 from 2008 to 2012 and again on a scale 6 from 2013 to 2015: <http://www.freedomhouse.org>

⁴ Diagnostic Report: Kosovo on its path towards the European Union (a supportive analysis for a national strategy for European integration) http://www.president-ksgov.net/repository/docs/Diagnostic_Report_ENG.pdf

See also Kosovo's Strategy for European Integration 2014–2020: http://www.kryeministri-ks.net/repository/docs/National_Strategy_for_European_Integration_Kosovo_2020_ENG.PDF

⁵ http://ec.europa.eu/enlargement/pdf/key_documents/2015/20151110_report_kosovo.pdf (see pages 15 to 17 and 58).

The report gives a special attention to the following aspects: the necessity of a track record of investigations, prosecutions and convictions in corruption cases, priority in handling high-level corruption cases, strengthening the cooperation between relevant institutions, monitoring the track record of case handling, revising the conflict of interest law and all related laws and regulations to bring in line with European standards, regulating "revolving doors", the necessity to conduct effective financial investigations, effective confiscation of criminal assets, proper implementation of whistleblowing, investigation of inexplicable wealth, improved consultation of civil society through regular, transparent and constructive communication, further strengthening of the anti-corruption task force, proper implementation of anti-corruption strategy and action plan through measurable impact indicators.

the track record of corruption-related convictions needs to be improved and adequately updated. Moreover, available statistics provide only general figures without adequate breakdowns and information on the typology of offences and levels or categories of defendants (in particular in case of public officials).

Both judicial and prosecutorial councils undertook recent measures to give priority to corruption-related cases. The Joint Administrative Instruction of 13 November 2013 that was co-signed by Chief State Prosecutor, Chief EULEX Prosecutor and Head of SPRK has defined the ‘high-level corruption’ offence. However, while the turnover of corruption cases is showing a growing trend at the police and prosecutorial levels, results have been yet limited and only few corruption cases are recorded in judicial stage. Moreover, there is predominance of rather low and somehow mid-profile defendants as well as of non-deterrent convictions (mostly less than one year of imprisonment, probation sentences, fines, etc.).

| Investigation and adjudication of corruption offences in Kosovo in 2014 ⁶ | Reported suspects | Investigations | Dismissed criminal reports | Terminated investigations | Indictments | In procedure | Dismissed indictment | Conviction | Other (probation, acquittal, etc.) |
|--|-------------------|----------------|----------------------------|---------------------------|-------------|--------------|----------------------|------------|------------------------------------|
| Anti-corruption Agency | 186 | - | - | - | - | - | - | - | - |
| Police | 449 | - | - | - | - | - | - | - | - |
| Others | 376 | - | - | - | - | - | - | - | - |
| Prosecutors | +1,558 | 1,016 | 248 | 297 | 471 | 1,558 | - | - | - |
| Courts ⁷ | 307 | - | - | - | - | - | 40 | 132 | 135 |

| Investigation and adjudication of corruption offences in Kosovo in the first half of 2015 ⁸ | Reported suspects | Investigations | Dismissed criminal reports | Terminated investigations | Indictments | In procedure | Dismissed indictment | Conviction | Other (probation, acquittal, etc.) |
|--|-------------------|----------------|----------------------------|---------------------------|-------------|--------------|----------------------|------------|------------------------------------|
| Anti-corruption Agency | 15 | - | - | - | - | - | - | - | - |
| Police | 197 | - | - | - | - | - | - | - | - |
| Others | 188 | - | - | - | - | - | - | - | - |
| Prosecutors | +1,607 | 301 | 57 | 59 | 185 | 1,706 | - | - | - |
| Courts ⁹ | 141 | - | - | - | - | - | 21 | 65 | 55 |

The use of covert measures by prosecutors to investigate corruption cases increased significantly throughout the recent years. While the number of such measures was 96 in 2013, they were 118 in 2014 and their number reached 123 covert measures during the first half of 2015. In October 2015, the Chief State Prosecutor issued the Instruction No. 442/2015 on the Implementation of Article 96 of the CPC concerning Covert and Technical Measures of Surveillance and Investigation.

However, the number of dismissed cases and terminated investigations continue to be significant and generally higher than the number of indictments. Out of 1,016 criminal reports in 2014, criminal

⁶ Figures refer to persons. Kosovo Prosecutorial Council Annual Report 2014 on Harmonisation of Statistics under the Inter-institutional Mechanism on Harmonisation of Statistics for Characteristic Criminal Offences, 2015, <http://www.psh-ks.net/>

⁷ These are data from KJC sources (see also ‘[Impunity in Kosovo: The Fight against High-Profile Corruption](#)’, KIPRED, 2016, p.24). KPC data are not matching (out of 103 persons, 5 have dismissed indictment, 67 are convicted and 31 received other decisions).

⁸ Figures refer to persons. Kosovo Prosecutorial Council Bi-annual Report (January-June 2015) on Harmonisation of Statistics under the Inter-institutional Mechanism on Harmonisation of Statistics for Characteristic Criminal Offences, 2015, <http://www.psh-ks.net/>

⁹ KPC data are not matching (out of 66 persons, 4 have dismissed indictment, 44 are convicted and 18 received other decisions).

reports were dismissed and investigations were terminated for 545 persons (53.6%) while indictments were filed against 471 persons (46.4%). During the first half of 2015, 185 indictments (61.5%) were filed against 116 dismissed criminal reports and terminated investigations (38.5%).

Law enforcement agencies are reluctant to initiate financial investigations and the number of cases of freezing and confiscating assets ordered by the judiciary and executed by the police continues to be low. In particular, the confiscation of assets generated by high-profile corruption is almost non-existent¹⁰. In the majority of investigations and indictments of corruption-related cases there is no request to seize and confiscate illegal proceeds. On 14 January 2014, the Chief State Prosecutor issued an Administrative Instruction No. 04/2014 on the Actions of Prosecutors concerning the Temporarily Seized and Confiscated Assets, or Property for which a Freezing Order was issued.

One of the important recommendations of the PECK I Anti-corruption Assessment Report was related to the necessity to extend the statute of limitation for investigation which is rather short and insufficient for large and complex corruption cases (currently only 2 years). Steps are not taken yet to address this issue whereas the rather common practice of not filing an indictment within the investigation time-limit is hampering some high-profile cases and it is preventing prosecutors to deal with complex cases¹¹.

Although different institutions claim the good level of inter-institutional cooperation and despite improvements in this regard, the cooperation level between the various institutions remains poor and inconsistent. There is a weak enforcement capacity. Anti-corruption efforts suffer from a lack of cohesive, forceful action and follow-through with punitive measures.

Money Laundering/Terrorism Financing

The Joint European Union/Council of Europe Project against Economic Crime in Kosovo (PECK) has produced in two consecutive cycles' assessment reports of Kosovo compliance with European and international standards in the anti-money laundering and combating the financing of terrorism (AML/CFT) areas. Adopted in June 2013 and December 2014, the AML/CFT assessments reports constitute the first complete assessment of Kosovo based on the FATF Recommendations 2003 and the Special Recommendations on Terrorist Financing 2001 of the Financial Action Task Force (FATF) and were prepared using the FATF/MONEYVAL AML/CFT assessment Methodology 2004¹².

There is little shared knowledge, recognised information or any publicly available statistical data on the phenomenon of ML and TF in Kosovo notwithstanding the National Risk Assessment (NRA) undertaken by the Kosovo authorities during 2013. There is no publicly available statistical data in Kosovo regarding the size and extent of the threat. While the Financial Intelligence Unit (FIU) produces annual activity reports which are as from 2011 published on the FIU website, statistics on investigation of ML cases are reported since 2013 by the KPC under the Inter-institutional Mechanism on Harmonisation of Statistics for Characteristic Criminal Offences. Moreover, the FIU and other relevant institutions maintain minimal statistics on STRs/CTRs received and disseminated and feedback information on the outcome of disseminations to law enforcement. However, the quantity and quality of data from law enforcement and judicial authorities continue to be insufficient to evaluate the number and characteristics of money laundering-related offences investigated, prosecuted and processed in the courts. Although there are reported ML-related cases investigated during last years, there is however a lack or very low level of indictments.

¹⁰ See the reference in footnote 6 above, page 20.

¹¹ See the KAA 2014 Annual Report, page 14; see also ['Impunity in Kosovo: The Fight against High-Profile Corruption'](#), KIPRED, 2016, pp.14-16.

¹² The Cycle 2 PECK AML/CFT Assessment Report 2014 (hereafter "PECK AML/CFT Assessment Report") covers the entire 40+9 FATF Recommendations: <http://www.coe.int/peck>

So far and until recently (2015), there has not been a single final court decision in ML cases in Kosovo.

| Investigation and adjudication of money laundering offences in Kosovo in 2014 ¹³ | Reported suspects | Investigations | Dismissed criminal reports | Terminated investigations | Indictments | In procedure | Dismissed indictment | Conviction | Other (probation, acquittal, etc.) |
|---|-------------------|----------------|----------------------------|---------------------------|-------------|--------------|----------------------|------------|------------------------------------|
| Anti-corruption Agency | 3 | - | - | - | - | - | - | - | - |
| Police | 14 | - | - | - | - | - | - | - | - |
| Others | 8 | - | - | - | - | - | - | - | - |
| Prosecutors | +94 | 43 | 5 | 20 | 18 | 76 | - | - | - |
| Courts ¹⁴ | - | - | - | - | - | - | - | - | - |

| Investigation and adjudication of money laundering offences in Kosovo in the first half of 2015 ¹⁵ | Reported suspects | Investigations | Dismissed criminal reports | Terminated investigations | Indictments | In procedure | Dismissed indictment | Conviction | Other (probation, acquittal, etc.) |
|---|-------------------|----------------|----------------------------|---------------------------|-------------|--------------|----------------------|------------|------------------------------------|
| Anti-corruption Agency | - | - | - | - | - | - | - | - | - |
| Police | 7 | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - |
| Prosecutors | +85 | 10 | 4 | 2 | 4 | 82 | - | - | - |
| Courts ¹⁶ | 1 | - | - | - | - | - | - | 1 | - |

In terms of asset recovery, Kosovo faces serious difficulties in demonstrating sustained efforts and data concerning seizure and confiscation of illegal assets and proceeds.

| Seizure and confiscation of proceeds of crime (2014) ¹⁷ : | | | |
|--|--------------------------------|------------------------|----------------------|
| Items | Seized proceeds (Art. 267 CPC) | Requested confiscation | Granted confiscation |
| Guns | 5,002 | 24 | - |
| Vehicles | 63 | 41 | 5 |
| Houses | 4 | - | - |
| Cash (€) | €117,491.60 | €21,920.24 | €10,930.65 |
| Money in current accounts (€) | - | 1,267,115,971.01 | - |
| Narcotics (kg) | 61.58 | 21,309.84 | 2,950.33 |
| Medicaments | 20,449 | 10,991 | 9,152 |
| Valuable goods | 98,153 | 22,301.86 | 10,700 |
| Estimated value (€) | €756,105.19 | - | €5,980 |

However, the extent of money laundering is related to the extent of the informal black economy (drug dealing, prostitution, smuggling of illegal goods, counterfeiting and piracy and other criminal activities, excluding, in this context, tax evasion, as part of the grey economy). Data corroborate the importance of black economy in Kosovo through excessive incoming and especially outgoing cross-

¹³ See footnote 5 above.

¹⁴ There are no data on court trials.

¹⁵ See footnote 6 above.

¹⁶ This is the first ML court trial since a couple of years.

¹⁷ See footnote 5 above.

border cash movements¹⁸. According to a 2013 Europol report on “EU Serious and Organised Crime Threat Assessment” (SOCTA 2013), the region of Western Balkans remains highly active for criminal organisations, especially in the area of drugs and weapons trafficking.¹⁹ The income from these criminal sources is subject to money laundering activities.

Therefore, it does not come as a surprise that for the period 2012 – 2014 an average of 546,969 cash transactions (above € 10,000) are reported to the FIU each year, a number which is extremely high compared to the size of Kosovo’s population and economy. At the same time, the FIU also has received several suspicious transactions with regard to financing of terrorism (16 reports involving 56 individuals and legal entities in 2014).

3.2 Anti-corruption regulatory, institutional and sector policies

In the framework of Visa Liberalisation Process, on 28 May 2015 the Assembly adopted the justice package of laws including amendments and supplements of laws on courts, state prosecutor, Kosovo Judicial Council and Kosovo Prosecutorial Council that were partly triggered and/or partly addressed some of PECK I assessment reports’ recommendations. Under the same process, amendments were made subsequently at the end of 2015 and beginning of 2016 to Public Procurement Law (see the list below).

Several laws are recently passed by the Assembly:

- Law No. 05/L-069 on Ratification of the Stabilization and Association Agreement between Kosovo and the European Union and the European Atomic Energy Community;
- Law No. 05/L-063 and Law No. 05/L-007 on amending and supplementing the Law no.03/L-048 on Public Financial Management and Accountability as amended by Law no.03/L-221, no.04/L-116 and no.04/L-194;
- Law No. 05/L-092 on amending and supplementing the Law No. 04/L-042 on Public Procurement, as amended and supplemented by Law No. 04/L-237 and Law No. 05/L-068;
- Law No. 05/L-094 on amending and supplementing the law no.03/L-223 on the Kosovo Judicial Council, as amended and supplemented by the Law No. 05/L-033 and the law No. 04/L-115;
- Law No. 05/L-049 on the Management of Sequestered or Confiscated Assets.

In addition, the following draft laws are under parliamentary procedure:

- Draft Law No. 05/L-055 on the Auditor General and the National Audit Office;
- Draft Law No. 05/L-031 on General Administrative Procedures;
- Draft Law No. 05/L-087 on Minor Offences;
- Draft Law on Justice Academy.

Moreover, the Government 2016 Legislative Programme foresees the following relevant laws and amendments²⁰:

- Draft Law on Kosovo Customs and Tax Administration Inspectorate;

¹⁸ See the Government Situation Report 01/2014 on Prevention of Informal Economy and Financial Crimes in Kosovo, page 20, Table 3. In 2013 cash transaction reports amount to 606,778 whereas they represent 553,651 in 2014 (See for more information the [FIU 2014 Annual Report](#)).

In the case of the Euro, the outgoing cross-border cash movements amount to €645.7 million in 2013 and €658 million in 2014.

¹⁹ <https://www.europol.europa.eu/sites/default/files/publications/socta2013.pdf>

²⁰ Moreover, the adopted list of Concept Papers (initial prerequisite of a legal initiative) to be submitted in 2016 includes *inter alia* the following areas: access to public documents, internal audit of public finances, Kosovo Police Inspectorate and regulation and functioning of non-government organisations.

- Draft Law on Amendments and Supplements to Law No. 04/L-014 on Accounting, Financial reporting and Audit;
- Draft Law on Revenue Agency;
- Draft Law on amending and supplementing the Law No. 04/L-139 on Enforcement Procedure;
- Draft Law on the Office of the Disciplinary Prosecutor;
- Draft Law on Confiscation of Unjustified Property;
- Draft Law on amending and supplementing the Law No. 04/L-051 on Prevention of Conflicts of Interest²¹;
- Draft Law on amending and supplementing the Law No. 03/L-223 on the Kosovo Judicial Council, amended and supplemented with the Law No. 05/L-033 and Law No. 04/L-115;
- Draft Law on amending and supplementing the Law Nr. 03/L-224 on the Kosovo Prosecutorial Council, amended and supplemented with the Law No. 05/L-035;
- Draft Law on amending and supplementing the Law No. 02/L-123 on Business Organisations;
- Draft law on inspections;
- Draft Law on amending and supplementing the Law No. 03/L-149 on the Civil Service;
- Draft Law on amending and supplementing the Law No. 03/L-189 on the State Administration;
- Draft Law on Salaries paid by the Budget.

The legislative framework, although relatively recent and very often amended or supplemented, still calls for a streamlining process and remains ambiguous in certain areas.

A typical illustration is the Law No. 04/L-140 on Extended Powers for Confiscation of Assets Acquired by Criminal Offence that had been used only once since its enforcement as of March 2013. It has been considered unworkable and it remained largely unknown by practitioners.²²

Both PECK I AC and AML/CFT assessment reports have identified different substantial needs to review and align the existing legislation with relevant European and international standards. This includes *inter alia* harmonisation and improvement of the Criminal Code and Criminal Procedure Code's relevant provisions, between these codes and other AC and AML/CFT legislation, the legislation covering liability of legal persons, seizure and confiscation of instrumentalities and corruption proceeds, international co-operation, prevention of conflicts of interests, relevant laws and regulations for judges, prosecutors, police officers and servants, revolving doors and protection of whistleblowers, financing of political parties and electoral campaigns and public procurement.

As for the **institutional** framework, the Prime Minister's **Office of Good Governance**, Human Rights, Equal Opportunities and Gender Issues (OGG) is dealing among others with good governance related issues. However its role remains limited to co-ordination, advice and support across the executive sectors in consultation with various groups of interest and in close cooperation with the KAA. At the government level, there is no any inter-ministerial body/structure on corruption co-ordination efforts and implementation of policy measures across sectors.

However, an **Anti-corruption Council**²³ was set up since February 2012 under the initiative and the leadership of the President of Kosovo with the aim to improve coordination and to raise awareness among all bodies and institutions involved in the fight against corruption. Besides any positive

²¹ A Draft Law on Amending and Supplementing Law No.04/L-051 on Prevention of Conflict of Interest in Discharge of Public Functions was submitted and resubmitted to the Assembly since December 2014 and finally withdrawn by the Government in December 2015.

²² See '[Impunity in Kosovo: The Fight against High-Profile Corruption](#)', KIPRED, 2016, pp.5-6.

²³ Decree No. DKKK-001-2012 on the Establishment of the National Anti-Corruption Council (Published in the Official Gazette on 16 February 2012), available at: <http://gazetazyrtare.rks-gov.net/SearchResults.aspx>
As a rule, the Council meets regularly at least four times per year. Since its establishment, 9 meetings have been organised (the last one in September 2015).

outcome to serve as a forum for exchange of information, its functions are rather general because of its consultative role and therefore its influence appears to be limited.

The Kosovo **Anti-corruption Agency** (KAA) is the main operational anti-corruption policy and oversight body since 2006. Composed of around 40 employees and with an annual dedicated budget of around 500,000 EUR, the KAA has managed to increase and strengthen some of its capacities, and “is an independent and specialised body responsible for implementation of state policies for combating and preventing corruption in Kosovo”²⁴. It is headed by a Director who is elected by the Assembly for a 5-year term with the right to be re-elected once.

As for law enforcement and prosecution, the **Special Prosecution of Kosovo** (SPRK) was established in 2006²⁵. Being a permanent and specialised prosecutorial office operating within the Kosovo State Prosecutor, the SPRK deals with cases of high-level corruption. More specifically, it has exclusive competence to investigate and prosecute *inter alia* money laundering, terrorism offences, organised crime (article 5) as well as a subsidiary competence for offences defined in Article 9 of the Law (trafficking offences, counterfeiting money, corruption and fraud offences and other serious offences). SPRK is composed of 9 special domestic prosecutors and an acting Chief Prosecutor and 5 EULEX prosecutors. An Anti-corruption Task Force composed of special prosecutors and 30 police investigators was set up in 2011 to investigate economic and financial crimes. As of beginning of 2016, the Chief State Prosecutor has set up a new Anti-corruption and Economic Crime Unit within the Serious Crime Department of the Basic Court of Pristina. It is however unclear the risk of overlapping between this new unit and the SPRK exclusive power to deal with complex and sensitive corruption-related cases.

The **Kosovo Police**²⁶ (KP) has established within the Investigation Department a Directorate against Economic Crime and Corruption Investigation (DECCI). DECCI deals with all types of financial crimes and abuse of official duty and includes: Unit on Investigation of Economic Crimes divided in two units: Economic Crimes Unit and Falsification of Money and Documents, Anti-corruption Unit, Financial Crimes Unit divided into: Financial crimes Unit and Money Laundering and Assets Unit, as well as 8 Regional Units for Investigation of Economic Crimes and Corruption (Pristina, Ferizaj, Gjilan, Prizren, Gjakova, Peja, South and north Mitrovica).

The KP is overseen by the **Ministry of Internal Affairs** (MIA). Within the MIA, the **Police Inspectorate of Kosovo** (PIK) was established in 2006 as an executive body. The PIK consists of the executive head who is responsible to the MIA and investigation/inspection officers, who are independent of the Kosovo Police. They are mandated with criminal investigation and inspection of police units, interviewing police officers, collecting data on task accomplishment, and investigating criminal offences and disciplinary misconduct, including corruption allegations²⁷. Besides overseeing the KP, the MIA is in charge of internal security in Kosovo in general, and thus of combating organised crime and corruption.

As far as prevention of corruption in the judiciary is concerned, the **Kosovo Judicial Council** (KJC) was established pursuant to UNMIK Regulation No. 2005/52 “On the establishment of the Kosovo Judicial Council”. The Council shall ensure the independence and impartiality of the judicial system. It is responsible for recruiting and proposing candidates for appointment to judicial office. The Council is also responsible for the transfer of judges and disciplinary proceedings²⁸. A new KJC Head was

²⁴ Law No. 03/L-159 on the Anti-corruption Agency of Kosovo, OG 65/2010, published on 05/02/2010. Its powers were initially regulated by the Law No. 2004/34 on suppression of corruption (2005).

²⁵ UNMIK Administrative Instruction No: 2006/15 on implementation of UNMIK Regulations 2000/15 annulled by Law No. 03/L-052 on SPRK, OG 27/2008, published on 03/06/2008 - Amended by Law No. 04/L-273. See also Law No. 03/L-225 on State Prosecutor, OG 83/2010, published on 29/10/2010.

²⁶ KP is currently regulated by the Law No. 04/L-076 on Police, OG 4/2012, published on 19/03/2012.

²⁷ Law No. 03/L-231 on Police Inspectorate of Kosovo, OG 87/2010, published on 16/11/2010.

²⁸ Law No. 03/L-223 on the Kosovo Judicial Council, OG 84/2010, published on 03/11/2010 - Amended by Law No. 04/L-115 (OG 25, 07.09.2012).

elected and took up his duties very recently. Within the KJC, the **Office of the Disciplinary Council** is the body responsible for addressing allegations of corruption and misconduct in the judiciary²⁹. However, oversight of the judiciary is inefficient and proper investigation in this domain has reportedly been lacking. An equivalent body, the **Kosovo Prosecutorial Council (KPC)**, exists for prosecutors. The KPC is responsible for recruiting, proposing for appointment or reappointment candidates for prosecutors as well as recommending dismissal of prosecutors, assessing, promoting, transferring, disciplining and determining policies, standards and instructions for the training of prosecutors³⁰. A new composition of the KPC, including its chair, is operational since the beginning of this year.

The **Agency for Managing Seized and Confiscated Assets (AMSCA)** was established in June 2010 as a body attached to the Ministry of Justice, following the promulgation of Law on Management of Seized and Confiscated Assets (Law No. 03/L-141) amended and supplemented by Law No.05/L-049 for Management of Seized and Confiscated Assets and published in the Official Gazette on 14 April 2016) AMSCA's mandate determined by the law involves among other responsibilities: managing, administering, and/or selling seized or confiscated assets. AMSCA is staffed with 24 staff members with already gained experience; however it still needs specialised capacities and skills to handle and manage cases of confiscated and/or seized assets and fostering cooperation with other institutions of relevance to their work.. The functional and organizational structure of AMSCA is regulated with special sub-legal acts issued by Minister of Justice and it is included as a separate pillar in the Regulation for internal organisation and systematisation of job positions within the MoJ.

International mutual legal assistance remains problematic due to Kosovo's status situation: Kosovo is not party to the European Convention on Mutual Assistance in Criminal Matters (ETS 30) Several European states co-operate with Kosovo on an *ad hoc* basis, and only bilateral agreement basis, however several others do not³¹. Outside Europe, co-operation with law enforcement and judiciary is scarce. The lack of international co-operation by foreign states is damaging prosecution of crimes in Kosovo and other states.

With regard to the policy level, an **Anti-corruption Strategy and Action Plan** of 2013-2017 appears to be the general leading strategic document and the monitoring of its implementation is entrusted to the Kosovo Anti-corruption Agency³². Responsible institutions for the implementation of AP measures report to the KAA on a 6-month period basis and whenever required, whereas the KAA submits an annual report to the Assembly. For the first time, the Kosovo authorities contributed under the KAA coordination and Council of Europe assistance to undertake an initial corruption risk assessment in priority sectors during the design of the AC Strategy and Action Plan (see Annex I of the AC Strategy). Domestic needs were expressed and technical assistance was requested to update and extend risk assessment tools including the undertaking of corruption sectoral risk assessments in specific areas of concern³³.

²⁹ <http://www.gjyqesori-rks.org/>

³⁰ Law No. 03/L-224 on the Kosovo Prosecutorial Council, OG 83/2010, published on 29/10/2010 - Amended by Law No. 04/L-115 (OG 25, 07.09.2012).

³¹ In areas of extradition, mutual legal assistance or judicial cooperation, mutual recognition and/or execution of judicial criminal decisions or transfer of convicted persons and police cooperation, Kosovo has signed or ratified bilateral agreements with Albania, Austria, Belgium, Croatia, the Czech Republic, the FYROM, Hungary, Germany, Italy, Montenegro, Slovenia, Switzerland, Turkey and USA. Similar agreements are under process or intended with a couple of other countries.

³² According to Article 5 of the Law No. 03/L-159 on Anti-Corruption Agency (2010), "in cooperation with the [Parliamentary] Committee, Government, other Institutions and non-government organisations [KAA] prepares strategy against corruption and action plan [...]."

A strategy on "Inter-institutional Co-operation in the Fight against Corruption and Organised Crime" (2013-2015) was adopted by the KPC. However, there is not yet indication of any further similar strategic initiative in this regard.

³³ Sectorial corruption risk assessments of the health, education, judiciary, energy, and mining sectors were published in 2015 under UNDP technical assistance.

The implementation of the anti-corruption strategy 2013-2017 and its action plan have so far generated rather ineffective trends that are due to insufficient involvement of concerned stakeholders and weak political support. Moreover, the strategy and its action plan lack a budget and necessary mechanisms for its implementation by various institutions and its monitoring and bi-annual reporting are largely insufficient.³⁴

| Period | Implemented | Partly implemented or not implemented | Unreported |
|----------------------|-------------|---------------------------------------|------------|
| 2013 | 34.3% | 32.7% | 33% |
| 2014 | 46.8% | 19.9% | 33.3% |
| 2015 (July-December) | 60.3% | 13.2% | 26.5% |

The KAA's oversight function regarding the implementation of the strategy should be strengthened. In this regard, there is no public available information on the review of the Anti-corruption Action Plan after two years of implementation and subsequent updating of its measures.

4,390 public officials were expected to make regular declaration of their assets until end of March 2016. With regard to failure to declare assets, out of court decisions on misdemeanour grounds already administered in 2014, 46% were proportionally suspended for lack of evidence or statute of limitation reasons while around 54% of judgments recognised misdemeanour of responsible public officials.³⁵

On the basis of the recently introduced Article 437 of the Criminal Code (failure or false declaration of assets and other interests), in 2014 the KAA submitted 101 criminal charges to the prosecution services. Judicial statistics show 16 convictions or 15.8% (7 fines and 9 probation sentences)³⁶.

3.3 Anti-money laundering and combating the financing of terrorism (AML/CFT) regulatory, institutional and sector policies

With respect to anti-money laundering and combating terrorism financing **legislation** (AML/CFT), in addition to some relevant laws already mentioned above (see section 2.2.1 on anti-corruption), the following relevant laws are in place:

- Law No. 03/L-196 on Prevention of Money Laundering and Terrorist Financing, OG 85/2010, 9 November 2010 - Amended by Law No. 04/L-178 (OG 5, 8 March 2013);
- Law No. 03/L-209 on Central Bank of the Republic of Kosovo, OG 77/2010, 16 August 2010;
- Law No. 04/L-080 on Games of Chance, OG 9/2012, 4 May 2012;
- Law No. 04/L-093 on Banks, Microfinance Institutions and Non-Bank Financial Institutions, OG 11/2012, 11 May 2012;
- Law No. 04/L-057 on Freedom of Association in Non-Governmental Organisations, OG 14/2011, 9 September 2011;
- Law No. 02/L-123 on Business Organizations, OG 39/2008, 1 October 2008 - Amended by Law No. 04/L-006 (OG 6/2011, 22 July 2011).

³⁴ See the monitoring reports on the implementation of the Anti-corruption Action Plan and KAA annual reports: [1st monitoring report](#), [2nd monitoring report](#), [3rd monitoring report](#), [KAA 2013 Annual Report](#) and [KAA 2014 Annual Report](#)

³⁵ Except for reprimand decisions (30% of misdemeanour decisions), the rest are fines that vary from €250 to €700.

In 2013, misdemeanour decisions are around 60%. Fines varying from €50 to €1,000 constitute around 80% whereas the rest are reprimand decisions.

³⁶ In 2015, out of around 800 declaration forms fully audited the KAA submitted 33 criminal reports on the basis of Article 433 CC. However, there is neither adjudicated case in 2014 nor criminal reports in 2015 on the basis of Article 424 of the Criminal Code (conflict of interests). In 2015, the KAA dealt with 306 conflicts of interest situations (160 avoided cases, 39 dismissed cases, 49 cases with opinions/advise, 3 cases submitted for further investigation, 4 misdemeanour/dismissals request against responsible officials and 51 ongoing cases).

In addition, the number of public officials holding multiple jobs is slightly higher in 2015 (1,184 officials with 2 positions, 321 with 3 positions, 35 with 4 positions, 8 with 5 positions and 4 with 6 positions).

The MoF sponsored the drafting of the AML/CFT Law No. 03/L-196 which was adopted in September 2010. However, this law has been criticized as flawed by stakeholders, prompting the Ministry to initiate amendments. Various amendments to this Law were in fact initiated by the MoF following consultation with stakeholders and enacted in February 2013. As it has been pointed out by practitioners but also by the PECK AML/CFT Assessment Report, some of 2013 amendments have created additional difficulties rather than provided adequate solutions. As for the basic Law, upon the request of Kosovo authorities, the Council of Europe provided technical advice and opinion on earlier drafts of the basic law and amendments.

The latest comprehensive PECK AML/CFT Assessment Report emphasises in many occasions the clear necessity to review the primary and secondary AML/CFT legislation in order to ensure Kosovo compliance with different respective international standards. In the course of 2014, Kosovo authorities undertook the revision process of the AML/CFT Law and initiated through FIU a consultation process with relevant stakeholders. A Draft Concept Paper was prepared and a Working Group was set up in this regard. Under PECK Project Work Plan, a specific activity was added aiming to support through technical assistance and advise the revision process of the AML/CFT Law in order to meet respective European and international standards.

The PECK I Project organised three workshops (between December 2014 and June 2015) and delivered international advice including a legal opinion³⁷ on the draft AML/CFT Law with the aim to guide and assist the Working Group with the drafting of amendments to the AML/CFT law compliant with applicable international standards. In February 2016, a new draft AML/CFT Law went through consultation process. The PECK II Project is currently involved in providing needed assistance and expertise of this process until its finalisation.

Moreover, responsible authorities plan to introduce during 2016 the following draft laws: Draft Law on amending and supplementing the Law No. 04/L-093 on Microfinance Institutions and Non-Bank Financial Institutions; and Draft Law on Games of Chance (Concept Paper).

In 2015 the FIU issued the Administrative Directive No. 02/2015 on Prevention and Detection of Money Laundering (including indicators) and No.03/2015 on Prevention and Detection of Terrorist Financing (including indicators).

As far as the **institutional framework** is concerned, the **Financial Intelligence Unit** (FIU) was established at the end of 2010 and it inherited the building and structures of its predecessor the Financial Intelligence Centre (FIC), a body established by UNMIK³⁸ and later run by EULEX to perform the functions of an FIU. Sitting under the MoF, it is the central independent institution in charge to collect, receive, request, analyse and disseminate financial intelligence data and information for the prevention of money laundering (and related offences) and of terrorist financing. The FIU keeps a database of all cash transaction reports (CTRs) and suspicious transaction reports (STRs) and of all the data and information gathered whilst performing the analysis of such reports. Furthermore, the FIU disseminates intelligence data and information to the law enforcement agencies of Kosovo (Police, Tax Administration, Customs, Central Bank, etc.) and to other FIUs abroad. As an administrative type, the FIU does not conduct its own investigations, but rather provides other investigative bodies with intelligence/information to be used to initiate or proceed with investigations. However, despite recent improvements in particular with Customs and Police, the FIU does not receive sufficient and systematic feedback on the outcome of investigations and disseminations³⁹.

³⁷ The legal opinion on the proposed draft amendments to the AML/CFT law was prepared and discussed with the Working Group. The opinion analyses the compliance of the draft amendments with applicable international standards and recommendations for addressing identified shortcomings. It is supplemented with a revised version of the draft amendments and explanatory comments where appropriate.

³⁸ UNMIK Regulation 2004/2 on the deterrence of Money Laundering and Related Criminal Offences.

³⁹ At the end of 2014, the FIU, State Prosecution service, Kosovo Police, Kosovo Customs and Tax Administration signed a cooperation agreement on exchange of information, risk assessment and coordination.

The FIU has concluded memoranda of understanding (MoU) with neighbouring and other countries and furthermore has established electronic communications channels to exchange requests with Albania and Montenegro (through encrypted secured channels)⁴⁰. Co-operation with other countries is – due to the status situation of Kosovo – uneven at best. Several foreign European FIUs have to date not responded to either intelligence on suspicious transactions provided for by the FIU or to requests for information⁴¹. This lack of co-operation is probably seriously hampering law enforcement in Kosovo as well as in European countries. As of October 2014 the FIU does not maintain anymore international presence of 4 EULEX seconded advisors and one staff from Kosovo Customs. However, this reduction in human resources could not be compensated with any increase of core staff. The FIU is constantly training financial institutions on their obligations, but has not yet created sufficient internal capacity for on-site compliance inspection visits in the non-banking sector, where it is the designated supervisor. Nevertheless, during 2014 the FIU carried out for the first time 35 compliance inspections of reporting entities (27 full-scope, 7 limited-scope and 1 ad hoc inspection)⁴².

The **Central Bank of Kosovo (CBK)**⁴³ is the prudential supervisor and regulator of banks and financial institutions in Kosovo in accordance with Law on the CBK and Law on Banks. There is no capital market in Kosovo. All banks are primarily retail banks and 80% of them are owned by foreign financial institutions. Reportedly, all banks have compliance officers and apply a risk-based approach against money laundering and financing of terrorism. Insurance companies have no compliance officers. The insurance market is primarily oriented on motor insurances (around 74% of all insurance policies are car insurances) with insignificant amounts of money transferred. According to the CBK, the main money laundering risks should be sought in the informal sector.

In accordance with the 2013 amendments to the AML/CFT Law, the FIU and the CBK have entered into an agreement (MoU) in 2013 that was reviewed in 2014 through which the latter has been delegated supervisory powers for the purposes of the AML/CFT Law for the entire financial sector. By virtue of this MoU, the CBK together with the FIU monitors and ensures AML/CFT compliance by banks, micro-financial institutions, NBFIs (including foreign exchange bureaux and money transfer agencies) as well as insurance, securities, private pension funds markets and operators and other non-bank financial activities. The CBK drafted a new more comprehensive Regulation with the aim to withdraw Rule X and the Advisory Letter that reflects the amended AML/CFT Law. This Regulation is intended to be applicable to all banks and financial institutions authorised under the Law on Banks. Upon request of the CBK, the Council of Europe has already provided assistance through a detailed Technical Paper concerning the draft Regulation 16, two other administrative directives and especially the ways how to handle existing legal limitations.

Through its Division for Prevention of Money Laundering, the CBK increased on-site compliance inspection of supervised institutions. In 2014, 14 on-site inspections were conducted in banks, micro-finance institutions and non-bank financial institutions.

The financial investigation unit under the Directorate for Investigation of Organised Crime is only responsible for so-called integrated cases (financial cases closely connected to organised crime), but not for independent financial crime cases. The **Directorate for Economic Crime and Corruption Investigation** of the Kosovo Police (DECCI) and the anti-corruption task force, supervised by the

⁴⁰ Albania, Former Yugoslav Republic of Macedonia, Montenegro, San Marino, Slovenia, Croatia, Turkey, Czech Republic, Finland, Poland, Ghana.

⁴¹ Number of requests received by foreign FIUs and disseminated to them are almost doubled in 2014 compared to previous years. In 2014, there is also an increase of outgoing requests (25) addressed to 11 foreign FIUs.

⁴² It included banks, micro-finance institutions, insurance companies, currency exchange agencies, money transfer agencies and NGOs.

⁴³ There are 107 institutions in total, including 10 banks out of which 8 are in foreign ownership, 1 representative office of a foreign neighbour bank, 15 insurance companies, 12 insurance intermediaries, 2 pension funds, 18 micro financial institutions, 6 non-bank financial institutions, 5 money transfer agencies and 39 foreign exchange bureaux. Participation of 3 main banks in overall assets (level of concentration) is 64.2% whilst the foreign ownership is 89.9%.

Special Prosecutor's Office (SPRK), deal with all types of financial crimes. DECCI tackles regular financial crime and money-laundering cases and the SPRK focuses on high profile and complex cases.

Pursuant to the signing of a Memorandum of Understanding between the Kosovo Prosecutorial Council, Kosovo Judicial Council, Ministry of Justice, Ministry of Finance, Ministry of Internal Affairs, Central Bank of Kosovo, Kosovo Intelligence Agency and Kosovo Anti-corruption Agency on 22 November 2013 establishing the basic principles for the setting-up and functioning of the **National Coordinator for Combating Economic Crime (NCCEC)**, the KPC issued in December 2013 the Regulation No. 1511/2013 on the Establishment and Functioning of the National Coordinator with the aim of increasing the efficiency in prosecution of crimes, sequestration and confiscation of material benefits deriving from crimes. In January 2014 a Prosecutor was appointed as the National Coordinator. The main objective of the NCCEC is to promote, coordinate, monitor, evaluate and report activities of all public and private institutions which are concerned with prevention, detection, investigation, prosecution and adjudication of crime that generates material benefits by protecting the Kosovo financial system from the risk of money laundering, financing of terrorism and tax evasion.

The Government has adopted in May 2014 the additional allocations that are applicable to the National Coordinator and the supporting staff of 6 employees. As of 2014 the NCCEC has issued quarterly reports (January-March, April-June, July-September and October-December) which include the progress made, activities related to the economic crime area and specific recommendations aiming to address identified difficulties and needs.

At the **policy** level, an AML/CFT strategy was adopted in January 2014 replacing the previous 2012 strategy⁴⁴. It covers Prevention and Combating Informal Economy, Money Laundering, Terrorism Financing and Financial Crimes for the period 2014-2018. Implementation of the National Strategy is ensured by its Action Plan which includes 51 specific activities. Two situation reports and a final annual report were elaborated in 2014. The Action Plan of this strategy requires from the relevant authorities and FIU-K to implement the national and sectorial risk assessment approach with the focus on the most vulnerable sectors and branches related to informal economy, money laundering and financing of terrorism and financial crimes. A sectorial risk assessment for the construction sector is conducted and produced in draft version around the end of 2014⁴⁵.

Although a National Risk Assessment (NRA) was conducted in 2013 this does not include the assessment of sectorial risks, which, according to the Kosovo authorities will be undertaken later. According to the Action Plan on the implementation of findings from the NRA action 2.2.2, all Kosovo institutions are obliged to undertake the Sectorial Assessment and it clearly specifies which sectors will be assessed based on the identified risks.

Kosovo is a member of the **World Bank** and the **International Monetary Fund (IMF)** since June 2009 and became full member of the **European Bank for Reconstruction and Development (EBRD)** since December 2012. In June 2013, Kosovo signed a framework agreement with the EIB. In November 2013 it became a member of the **Council of Europe Development Bank** whereas it was invited in June 2014 to join the **Venice Commission** as full member. A membership application to the Egmont Group of Financial Intelligence Units with its total of 151 members has been submitted since 2013 by the FIU-K and is under process. Kosovo is not a member of the Financial Action Task Force (FATF) or any of the FATF-style regional bodies (e.g. MONEYVAL).

⁴⁴ In September 2012 the Kosovo Government also adopted four related strategies for the period 2012-2017 namely, a strategy against organized crime, a strategy against drugs, a strategy for fighting terrorism and a strategy for protection of borders.

⁴⁵ The core working group included representatives from the FIU, NCCEC, TAK, KP and international operational project in this area.

3.4 Rationale of PECK II

The purpose of PECK II is to continue strengthening institutional capacities to counter corruption, money laundering and financing of terrorism in Kosovo in accordance with European and international standards. While aiming to ensure continuity of the previous assistance and serving as a follow-up, the PECK II Project offers an important technical assistance set of activities as well as covers needs for further structured assessment. PECK II builds on the results and lessons learned from PECK I and aims to support economic crime reforms and efforts with particular emphasis on anti-corruption related measures, and to contribute to strengthening capacities and sustainability of economic crime efforts. It will assist Kosovo authorities with the implementation of specific recommendations from the previous assessment cycles conducted within PECK I through targeted technical assistance while continuing with structured assessment of AC and AML/CFT frameworks vis-à-vis evolving international standards.

Technical assistance activities will cover the two components (corruption and money laundering) by addressing economic crime-related capacity building aspects in connection with legislative, institutional, policy and operational reforms. Strengthened capacities to effectively implement and coordinate anti-corruption measures will be coupled with further streamlining of interagency information exchange and cooperation mechanisms to ensure effective coordinated measures against economic crime. Moreover, technical assistance activities will further support Kosovo authorities to better participate the forthcoming assessment process that will be carried out during the last year of PECK II (2018).

PECK I implemented for the first time in Kosovo structured assessments of the effectiveness and impact of reforms and measures in the AC and AML/CFT areas. There is a need to continue to support Kosovo institutions in conducting this kind of comprehensive assessments in the light of updated relevant international standards. PECK II will ensure the continuity of usage of internationally recognised GRECO and MONEYVAL methodologies that would enable relevant Kosovo institutions to undertake necessary measures towards strengthening the fight against corruption and money laundering in Kosovo.

The interventions under PECK II will aim to enhance capacities, systems and policies to implement necessary economic crime related reforms at a higher professional level and in line with international standards.

The following needs and problems will be addressed by this project:

■ Increase institutional capacities to implement and coordinate anti-corruption measures

- Introduce risk assessment capacities to assess regulatory and institutional obstacles and difficulties

While acknowledging the fact that corruption risk assessment tools are still at an initial stage, the project will assist in conducting adequate identification and assessment of corruption risks in up to 3 risky sectors in Kosovo. The first risk assessment tool that is annexed to the current anti-corruption strategy was also prepared through support and assistance of Council of Europe. During 2013 and 2014, three sectorial risk assessments were carried out for health, education and energy sector with the support of UNDP. Still, domestic capacities to manage and carry out such action at periodical stages and especially prior to any further revision of AC strategic documents should be developed. The proposed assistance will aim to set up and provide to domestic authorities the risk assessment methodology and to jointly undertake sectorial risk assessment analysis. Furthermore, obtained results will serve to be used when reviewing anti-corruption policies, strategies and action plans.

- Harmonise anti-corruption legislation

Review and assistance in legal drafting of relevant laws and/or regulations will aim to address priority areas as identified in PECK assessment reports. With regard to eventual examples, adequate harmonisation between Criminal Code, Criminal Procedure Code and other relevant legislation is not yet addressed. Respective regulations and guidelines on conflict of interest prevention and detection, integrity, reception of gifts, revolving doors and ethical rules are lacking in some cases or continue to reflect different loopholes. Further, criminal incriminations on bribery-related issues, statute of limitation, effective regret, liability of legal persons, some provisions related to the scope of confiscation of corruption-related proceeds are not fully in compliance with relevant international standards. Last but not least, concerning the AML/CFT legal framework, contradictory or inconsistent provisions in respective codes, discrepant proof standards used, seizure and confiscation issues, lack of legal framework that would enable freezing and seizing terrorist related funds are some of very important challenges to be tackled thoroughly.

- Review and strengthen whistleblowing framework

There are problems with the implementation of the whistleblowing legal and institutional framework (Law on Protection of Informants of 2011), while the level of trust towards some public institutions is still low in the absence of adequate reporting channels and follow-up. The project will assist in streamlining the existing whistleblowing framework in accordance with relevant international standards and practices (i.e. Recommendation CM/Rec(2014)7 on Protection of Whistleblowers adopted by the Committee of Ministers of the Council of Europe on 30 April 2014).⁴⁶

- Strengthen the KAA investigative capacities and improve quality of criminal reports

The important discrepancy between the flow of criminal reports received by prosecution authorities and the low number of subsequent indictments and further trials raises serious concerns on needs to enhance capacities of the Kosovo Anti-corruption Agency for effective improvement of its investigative capacities and adequate support and follow-up of law enforcement agencies to effectively meet their obligations. Ongoing EU funded technical assistance is addressing investigative capacities of Kosovo Police and to some extent prosecution authorities, but this does not include KAA.

- Review and update the anti-corruption strategy and action plan

There is a clear need to develop and/or streamline available tools and mechanisms in the reporting and implementation monitoring of the anti-corruption strategy and action plan. To date the implementation of the Anti-corruption Strategy 2013-2017 is quite low according to available KAA monitoring reports. An evaluation of impact of this strategy is expected to be conducted around 2016-2017.

- Enhance capacities of asset declaration, conflict of interest and integrity mechanisms

There should be appropriate strengthening of integrity framework and plans as well as capacity for preventing corruption with particular focus on efficient monitoring of asset declarations and prevention and detection of conflicts of interest in public administration institutions. Active cooperation with the civil society and awareness raising campaigns are also related to these needs.

- Intensify dialogue and cooperation between public authorities and civil society

To date the cooperation between relevant public institutions responsible in the economic crime area and civil society organisations has been irregular, not very constructive and lacking periodical consultation, due policy-related input and structured cooperation tools. There is a Government Strategy on Cooperation with Civil Society 2013-2017 that aims to address such cooperation.

⁴⁶ See also [Resolution 1729 \(2010\) of the Parliamentary Assembly of the Council of Europe on protection of whistleblowers](#) and [EU Guidelines on Whistleblowing](#), SEC(2012) 679 final, 6 December 2012.

■ Reinforce the interagency cooperation and information exchange

Existing interagency cooperation mechanisms need to be reviewed and respective gaps should be analysed with the support of main executive agencies. In addition, interagency cooperation and coordination platform has to be clearly established, streamlined and enhanced through an efficient accountability chain. Furthermore, interagency SOPs, manuals and guidelines as well as improved mechanisms for monitoring, evaluation and reporting on implementation of policy documents and action plans through enhanced capacities of coordination agencies and technical level coordination tools (working group or similar) have to be set up and/or developed. The project will provide direct support to these processes.

- Review and gap analysis of existing interagency cooperation mechanisms and experience

The lack of cooperation and coordination between agencies, coupled with the insufficient implementation of existing laws and regulations, has had a great impact on the accountability and confidence in the institutions. Coordinated action between institutions is a major difficulty where most actions are conducted or expected to be carried out through stand-alone projects.

There is lack of or very initial experience in undertaking joint actions, exploring and having different opportunities for exchanging information between agencies and institutions and providing due and needed feedback and using proper monitoring tools and methods.

The project will particularly focus on the efficient vertical and horizontal cooperation between prevention and law enforcement institutions. Adequate tools for proper communication between relevant institutions in the economic crime area will be promoted through the strengthening of mechanisms for data exchange and verification (aimed to address *inter alia* loss of documents, lack of monitoring case flows, inadequate time limits and response actions, difficulties in updating the status of cases, interoperability and availability of data across the law enforcement and other agencies, regular feedback mechanisms, harmonised methodologies for collection and exchange of data as well as for statistical reporting).

In this respect, existing interagency cooperation mechanisms need to be reviewed and respective gaps should be analysed with the support of main executive agencies. The action will support the development of gap analysis in relevant regulatory framework and assist to promote appropriate methodologies.

- Establish, streamline and enhance interagency cooperation mechanism/structure

Strategic and practical support will be provided to identify needs and gaps in interagency cooperation in economic crime area, to support updating and streamlining of cooperation platforms, procedures, guidelines and practices as well as concrete mechanisms for information and feedback exchange between relevant agencies and institutions. In the anti-corruption area, there are overlapping coordination structures, passive involvement of relevant institutions of the executive and difficulties from the KAA to ensure central coordination and/or receive adequate support from other stakeholders.

- Develop interagency SOPs, manuals and guidelines in relation to economic crime

Interagency SOPs, manuals and guidelines have to be set up and/or developed/improved in order to support the implementation of the above-mentioned needs under this component.

- Enhance monitoring, evaluation, and reporting on implementation of economic crime policy documents and action plans

Improved mechanisms for monitoring, evaluation and reporting on implementation of policy documents and action plans through enhanced capacities of coordination agencies and technical level coordination tools (working group or similar) have to be revisited and/or developed.

The expected overall outcome will be a reinforced capacity and streamlined available mechanisms of relevant anti-corruption bodies, in particular the KAA, to manage, coordinate and monitor anti-corruption agenda and efforts.

■ **Structured and comprehensive AC and AML/CFT assessment on compliance with relevant European and international standards**

The two other remaining components of this project will be focused on the comprehensive and structured assessment process vis-à-vis revised international standards when available and in place as well as the necessity to prioritise and adequately address pending challenges and recommendations resulting from PECK I. The assessment of compliance with European and international standards in the AC and AML/CFT areas will be based on Council of Europe evolving GRECO and MONEYVAL evaluation methodologies and specifically tailored for Kosovo. The continuity of the assessment and the increased understanding and capacity of Kosovo institutions to support and apply peer evaluations will significantly contribute to enhanced ownership of the process from the beneficiaries. Furthermore, assistance and support in implementation of the PECK I recommendations will be adequately provided.

Due to its status situation, Kosovo is subject to neither evaluation mechanism. While reforms related to corruption and money laundering have been underway for several years, there has been no structured, longer-term process to assess their progress and impact. Several isolated assessment exercises or specific periodic surveys are carried out by various international and national stakeholders and include Kosovo as well, but without a structured and direct involvement of the beneficiaries. There was also no compliance procedure available, nor were there coherent and comprehensive standards as assessment criteria.

In this context PECK I Project undertook three years ago such a comprehensive task: carry out a comprehensive and structured assessment process, as done by Council of Europe monitoring bodies. Even though Kosovo cannot participate in, and benefit from, GRECO and MONEYVAL directly, the experience and criteria used by both monitoring bodies proved to be useful if specifically tailored to Kosovo as this has been clearly demonstrated during the implementation of PECK. These monitoring bodies could be the indirect reference framework for assessing measures against corruption and money laundering in Kosovo, and preparing recommendations for reform.

In this context, the relevant applicable European and international standards would allow the assessments to be based on a comprehensive and unified set of regulations.

Therefore, a structured and regular assessment would allow for the following positive impact with regard to the beneficiaries' needs:

- Government institutions would develop or enhance mechanisms of collection and processing of data necessary for the reporting on anti-corruption reforms;
- Government institutions would strengthen their reporting capacities in line with assessment methodology on anti-corruption (as government institutions have already taken part in a comprehensive international assessment against international and European standards under PECK implementation, there is a previous successful practical experience up to date for such exercise with all lessons learnt in relation to the process, domestic specificities and tailoring needs);
- Government institutions could place their policy and legislation decisions on a comprehensive and coherent assessment according to European and international standards;

- The involvement of government institutions in the assessment procedure would contribute to the clarification of competencies and to interagency co-operation;
- Specific recommendations would allow for immediate legislative or organisational actions;
- Progress of implementation of the recommendations could be followed;
- Assessments on money laundering would support Kosovo's membership with Egmont Group;
- Increased public awareness through the assessment procedure;
- Increased confidence and familiarity with the anti-corruption and anti-money laundering systems in Kosovo by and of foreign investors as a result of assessments.

4 OTHER RELEVANT INTERNATIONAL TECHNICAL ASSISTANCE

In the anti-corruption area the principal beneficiary institution – the Kosovo Anti-Corruption Agency is currently not receiving any major technical assistance following the end of PECK I Project, except for its previous involvement in SAEK Project under UNDP implementation and some World Bank assistance in public procurement-related aspects. The Financial Intelligence Unit is neither directly benefiting from any existing assistance.

Other relevant projects that are under process or planned to be supported through international technical assistance are:

- EU Twinning Project “Strengthening Criminal Investigation Capacities against Organised Crime and Corruption” - €2.0 million (IPA 2012), 2014-2016;
- EU Funded Project “Support to the Agency for Managing Seized and Confiscated Assets”, €1.0 million (IPA 2011), 2013-2016;
- Support to the Kosovo Judicial and Prosecutorial Councils, €1.89 million (IPA 2010), 2011-2016;
- Support to Anti-Corruption Efforts in Kosovo (SAEK), €2.16 million, (Swiss Agency for Development and Cooperation, Norwegian MFA), 2012-2016;
- Support to Anti-corruption Efforts in Kosovo (SAEK II), 2016-2019 – Danida and Swiss Cooperation through UNDP implementation;
- The Justice System Strengthening Program (JSSP) which is supposed to cover anti-corruption-related activities is being deployed by USAID. It aims to improve rule of law and good governance in Kosovo by strengthening the independence, professionalism, efficiency and accountability of the justice system. Specifically, the program seeks to:
 - (1) strengthen the efficiency and the effectiveness in the administration of justice and delivery of quality services by the Kosovo Judicial Council (KJC) and courts;
 - (2) enhance accountability and professionalism of justice system institutions and actors; and
 - (3) support the functioning and the integration of the judicial structures in the North.

5 SUMMARY OF PROJECT OUTPUTS/PURPOSES

5.1 Activities

| | | |
|--------------------------|---|---|
| Overall objective | To contribute to democracy and the rule of law through the prevention and control of corruption, money laundering, and terrorist financing in Kosovo. | |
| Project Purpose | Strengthen institutional capacities to counter corruption, money laundering and terrorism financing in Kosovo in accordance with European standards through thorough assessments and recommendations for improving and streamlining economic crime reforms. | |
| Expected Result 1 | Institutional capacities of anti-corruption stakeholders to effectively implement and coordinate anti-corruption measures are further strengthened | |
| Activities | Actions | Deliverables / Costs / Inputs |
| 1.1. | Conduct Risk analysis and assessments (in up to three priority areas as identified in the initial Assessment Report from PECK I) in order to assess regulatory and institutional obstacles to efficiently prevent and fight corruption | <p>Identified target sectors and institutions on the basis of clear criteria, preliminary assessment and identification of information sources, up to 3 sectorial risk assessment reports finalised, disseminated and published, Corruption Risk Assessment Guide delivered, disseminated and published.</p> <p><i>Costs:</i> Fees for STCs, per diems, international travel, studies / research, technical papers, conferences / workshops / visibility events and materials, trainings including trainings of trainers, translation/interpretation, publication and dissemination.</p> <p><i>Inputs:</i> Expert advice, STCs consulting, legal opinions, study research.</p> |
| 1.2 | Provide legal and technical opinions and legislative proposals and support their implementation to make the relevant anti-corruption legislation compliant with international standards | <p>Provide review of at least 6 relevant laws (i.e. core anti-corruption framework, AML/CFT legislation and regulations, conflict of interests and integrity prevention, liability of legal persons, incriminations in Criminal Code, Criminal Procedure Code, seizure and confiscation of criminal proceeds...) and advice on amendments to relevant legislation in order to comply with relevant international standards as recommended by PECK Assessment Reports.</p> <p>Methodology Paper and training sessions on Corruption Proofing.</p> <p><i>Costs:</i> Fees for STCs, per diems, international travel, studies / research, technical papers, workshops / seminars / visibility events and materials, translation/interpretation, printing and copying.</p> <p><i>Inputs:</i> Expert advice, STCs consulting, legal opinions, comparative review.</p> |
| 1.3 | Review legal and institutional whistleblowing mechanisms and provide proposals for improvement | Legal and Technical Analysis and Review of legal Whistleblowing framework with recommendations for further improvement; analysis of institutional and operational shortcoming and loopholes of the whistleblowing system; Guide and advice on institutional, management systems and procedures, channels for reporting corruption-related cases and adequate follow-up; Handbook on Protection of Whistleblowers. |

| | | |
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| | | <p><i>Costs:</i> Fees for STCs, per diems, international travel, technical papers, workshops / seminars / visibility events and materials, translation/interpretation, publication and dissemination.</p> <p><i>Inputs:</i> Expert advice, STCs consulting, legal and technical analysis and review</p> |
| 1.4 | Strengthen KAA investigative capacities and improve quality of reporting to law enforcement authorities as a result of the development and/or revision of methodologies, guidelines and Standards Operating Procedures (SOPs) | <p>Review of the KAA legal, institutional and operational framework; 2 Technical Papers on the basis of review with advice/guidelines recommendations and good practice; Support KAA visibility and communication capacities and delivery of awareness actions and materials; specialised training sessions on detection, investigation, prosecution and adjudication of corruption related offences; up to two study visits to learn and share best practices in the area of corruption-related cases.</p> <p><i>Costs:</i> Fees for STCs, per diems, international travel, studies / research, technical papers, workshops / seminars / visibility events and materials, specialised training sessions, study visits, translation/interpretation, publication and dissemination.</p> <p><i>Inputs:</i> Expert advice, STCs consulting, legal and technical analysis and review, training technical papers, visibility and communication support.</p> |
| 1.5 | Review and update Kosovo's anti-corruption action plan | <p>Technical support and advice to the KAA and involved public institutions concerning anti-corruption reporting system and methodological monitoring tools; yearly events to monitor progress in the implementation of the Anti-corruption Strategy and Action Plan; assistance for the design of the successive new AC strategic policy documents, including risk assessment tools; methodologies and standardised templates on the formulation of anti-corruption action plans (including performance indicators).</p> <p><i>Costs:</i> Fees for STCs, per diems, international travel, technical papers, workshops / seminars / visibility events and materials, training sessions, translation/interpretation, publication and dissemination.</p> <p><i>Inputs:</i> Expert advice, STCs consulting, technical papers, guidelines and templates, review and recommendations.</p> |
| 1.6 | Provide methodologies, guidelines and tools in implementing asset declarations and conflict of interest regulatory framework to KAA, government officials, investigative journalists and NGOs | <p>Methodologies, guidelines, tools and training capacities on effective management and monitoring of asset declaration; integrity system shortcomings, conflict of interest and integrity prevention, integrity test(s); elaboration and implementation of training plans and materials, including training of trainers, on conflict of interest and integrity issues</p> <p><i>Costs:</i> Fees for STCs, per diems, international travel, studies / research, technical papers, workshops / seminars / visibility events and materials, specialised training sessions, translation/interpretation, publication and dissemination.</p> <p><i>Inputs:</i> Expert advice, STCs consulting, technical papers, guidelines and handbook, training curricula.</p> |
| 1.7 | Support the dialogue and | Assistance in enhancing coordination mechanisms for |

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| | consultation processes between public authorities and civil society organisations on anti-corruption reform initiatives | <p>information exchange and consultation of active NGOs in the anti-corruption area; support the civil society role and engagement in monitoring and reporting corruption; enhancing capacities on investigative journalism and the use of new technologies; raising public awareness on corruption prevention and integrity promotion</p> <p><i>Costs:</i> Fees for STCs, per diems, international travel, technical papers, workshops / seminars / visibility events and materials, specialised training sessions, translation/interpretation, publication and dissemination.</p> <p><i>Inputs:</i> Expert advice, STCs consulting, technical papers, public awareness and outreach materials, training curricula.</p> |
| | | |
| Expected Result 2 | Interagency information exchange and cooperation mechanisms are streamlined to ensure effective coordinated measures against economic crime | |
| Activities | Actions | Deliverables / Costs / Inputs |
| 2.1 | Assist KAA and FIU (including here Police, Tax, Customs, and Prosecution Services) to carry out reviews and gap analysis of their interagency cooperation mechanisms | <p>Reviews and gap analysis studies conducted (in the AC and AML/CFT areas) on existing interagency cooperation mechanisms and recommendations delivered for improvement and streamlining; research and assistance on good practices for access to information, modalities of information exchange and related gateways of cooperation; workshops on joint actions between LEAs, access to information and interagency information exchange and feedback, proper monitoring and follow-up tools and methods.</p> <p><i>Costs:</i> Fees for STC, per diems, international travels, studies / research, technical papers, workshops / seminars / visibility events and materials, trainings including trainings of trainers, translation/interpretation, publication and dissemination</p> <p><i>Inputs:</i> Expert advice, STCs consulting, technical papers, research.</p> |
| 2.2 | Provide recommendations and support their implementation aimed at improving interagency cooperation mechanism | <p>Methodological tools aiming to streamline and better facilitate interagency cooperation and coordination mechanisms and support for the establishment and/or enhancement of cooperation and coordination structures.</p> <p><i>Costs:</i> Fees for STC, per diems, international travels, technical papers, workshops / seminars / visibility events and materials, translation/interpretation, printing and copying.</p> <p><i>Inputs:</i> Expert advice, STCs consulting, technical papers.</p> |
| 2.3 | Develop interagency SOPs, manuals and guidelines in relation to economic crime | <p>Assistance in developing and/or reviewing SOPs' provisions related to interagency cooperation; guidelines and manuals on standard tools for interagency cooperation; multidisciplinary trainings on interagency cooperation mechanism issues, cooperation and exchange of information; support and promotion in the conclusion of the necessary bilateral or multilateral MoUs or participation of key institutions in relevant international networks.</p> <p><i>Costs:</i> Fees for STC, per diems, international travels, technical papers, workshops / seminars / visibility events</p> |

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| | | and materials, trainings including trainings of trainers, study visit, translation/interpretation, publication and dissemination <i>Inputs:</i> Expert advice, STCs consulting, technical papers, multidisciplinary training curricula. |
| 2.4 | Enhance monitoring, evaluation and reporting on economic crime policy documents and action plans | <p>Training sessions on reporting tools, standard templates and collection of information; development of indicators to assess/measure the implementation level of economic crime policy documents and action plans; evaluation/follow-up of the progress made in terms of monitoring and reporting capacities.</p> <p><i>Costs:</i> Fees for STC, per diems, international travels, technical papers, workshops / seminars / visibility events and materials, training sessions, translation/interpretation, publication and dissemination <i>Inputs:</i> Expert advice, STCs consulting, technical papers, training materials.</p> |
| | | |
| Expected Result 3 | Assessment Report of anti-corruption measures is available | |
| Activities | Actions | Deliverables / Costs / Inputs |
| 3.1. | Anti-corruption assessment report available on the level of compliance of applicable regulations and practices with European and international standards (based on the experience and criteria used by GRECO and other Council of Europe relevant bodies) | <p>Initiate proceedings that will support the launching of the assessment on measures against corruption: prepare and finalise ToR and the questionnaire; prepare a compliance matrix and set priorities with regard to corruption assessment.</p> <p><i>Costs:</i> Fees for assessment experts, STCs, per diems, international travel, studies/research, translation/interpretation, publication and dissemination, workshop and conference costs, visibility events and materials, assessment questionnaire, compliance matrix, assessment report and related assessment papers. <i>Inputs:</i> Assessment expert advice, STCs consulting, legal opinions, study research.</p> |
| 3.2 | Support and facilitate active participation of Kosovo institutions in peer assessments on anti-corruption measures based on European monitoring methodology | <p>Organise assessment on measures against corruption including one compliance matrix; support the Kosovo institutions in enhancing their reporting capacities in line with assessment methodology on anti-corruption measures/reforms and developing mechanisms of collecting and processing of data necessary for the reporting on anti-corruption measures/reforms.</p> <p><i>Costs:</i> Fees for assessment experts, STCs, per diems, international travel, workshop, translation/interpretation cost. <i>Inputs:</i> Assessment expert advice, STCs consulting, legal opinions, meetings</p> |
| 3.3 | Assessment driven recommendations available on anti-corruption regulatory, institutional, and policy-related areas | <p>Prepare and introduce recommendations based on the assessment and ensure a unified understanding of the proposed reforms.</p> <p><i>Costs:</i> Fees for assessment experts, STCs, per diems, international travel, workshops, translation/interpretation cost. <i>Inputs:</i> Assessment expert advice, STCs consulting, legal opinions, meetings</p> |

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| 3.4 | Anti-corruption assessment report (including compliance matrix) are published and disseminated in English, Albanian and Serbian | <p>Publish, translate, disseminate and make awareness of the assessment (including compliance matrix) in English, Albanian and Serbian languages.</p> <p><i>Costs:</i> Fees for assessment experts, STCs, per diems, international travel, conference, translation/interpretation, publication and dissemination cost.</p> <p><i>Inputs:</i> Assessment expert advice, STCs consulting, legal opinions, meetings</p> |
| | | |
| Expected Result 4 | Assessment Report of anti-money laundering and combating financing of terrorism measures is available | |
| Activities | Actions | Deliverables / Costs / Inputs |
| 4.1 | Assessment report 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>Initiate proceedings that will support the launching of the assessment on measures against money laundering and financing of terrorism; prepare and finalise ToR and the questionnaire; prepare a compliance matrix and set priorities with regard to money laundering and financing of terrorism assessment.</p> <p><i>Costs:</i> Fees for assessment experts, STCs, per diems, international travel, workshops, conference, translation / interpretation, publication and dissemination cost.</p> <p><i>Inputs:</i> Assessment expert advice, STCs consulting, study research, legal opinions, meetings</p> |
| 4.2 | Support and facilitate active participation of Kosovo institutions in peer assessments on anti-money laundering and combating financing of terrorism measures based on European and international monitoring methodology | <p>Organise assessment on measures against money laundering and financing of terrorism; support the Kosovo institutions in enhancing their reporting capacities in line with assessment methodology, and in developing mechanisms of collection and processing of data necessary for reporting on AML/CFT measures/reforms.</p> <p><i>Costs:</i> Fees for assessment expert, STCs, per diems, international travel, workshops, translation/interpretation cost.</p> <p><i>Inputs:</i> Assessment expert advice, STCs consulting, legal opinions, meetings</p> |
| 4.3 | Assessment driven recommendations on regulatory, institutional and policy-related areas are available | <p>Prepare and introduce recommendations based on the assessment and ensure a unified understanding of the proposed reforms</p> <p><i>Costs:</i> Fees for assessment experts, STCs, per diems, international travel, workshops, translation/interpretation, publication and dissemination cost.</p> <p><i>Inputs:</i> Assessment expert advice, STCs consulting, legal opinions, meetings</p> |
| 4.4 | AML/CFT assessment report (including compliance matrix) in English, Albanian and Serbian are published and disseminated | <p>Publish, translate, disseminate and make awareness of the assessment (including compliance matrix) in English, Albanian and Serbian languages.</p> <p><i>Costs:</i> Fees for assessment experts, STCs; per diems, international travel, translation/interpretation, publication and dissemination cost.</p> <p><i>Inputs:</i> Assessment expert advice, STCs consulting, legal opinions, meetings, study visits.</p> |

5.2 Inputs

The project will provide for the following inputs while supporting and assisting the achievement of the expected results in line with the approved work plan and emerging needs as appropriately agreed through the Steering Committee Meetings:

- Research studies;
- Expert advice/opinions;
- Roundtables and Seminars;
- Workshops and conferences;
- Training courses, including training of trainers;
- On-site assessment visits;
- Study visits;
- Translation/Interpretation;
- Publication/dissemination;
- Press coverage and visibility actions.

5.3 Deliverables

The deliverables under Expected Results 1 and 2 will include:

- Risk assessment reports with concrete recommendations how to address corruption risks and threats;
- Training events (multidisciplinary and specialised), materials and curricula;
- Legal and technical advice, opinions and recommendations;
- Draft regulatory acts;
- Awareness raising and visibility tools/events/workshops;
- Research studies;
- Publications and information materials;
- Workshops and conferences;
- Study visits.

Under Expected Results 3 and 4 the deliverables will include:

- Terms of Reference on the assessment methodology and procedure;
- AC and AML/CFT assessment reports, and compliance matrixes;
- Trainings (information sessions) on the methodology of international assessment as exercises;
- Workshops and training activities on international assessment exercises and methodologies;
- Conferences (plenary sessions discussing the results of the assessments).

6 INCEPTION ACTIVITIES

6.1 Summary of Actions

The following activities and actions were carried out during the inception phase of the project and subsequently prior to the launching activities (01 January 2016 – 31 March 2016):

| Description of Inception Phase Activities | Status (as of 31 March 2016) |
|--|---|
| Recruitment of the Project Team (Strasbourg and Pristina): <ul style="list-style-type: none"> • Project Adviser (Pristina – 100% time): Recruited and Operational • Senior Project Officer (Pristina– 100% time): Recruitment finalised, staff is operational in April 2016 • Project Linguistic Assistant (Pristina – 100% time): Recruitment finalised, staff is operational upon completion of notice period • Project Manager (Strasbourg – 50% time): Recruited and Operational. • Project Assistant (Strasbourg – 50% time): Recruited and Operational. | Completed |
| Allocation and Set up of the Project Office | Completed |
| Setting up of international and local experts' pool for the AC and AML/CFT technical assistance aspects | Initiated/On-going |
| Introduction of the project to two main beneficiary institutions | Completed |
| Designing the Workplan and Calendar of Activities | Completed |
| Confirmation of Steering Committee Members by Kosovo authorities | Scheduled 15 April 2016 |
| First Project Steering Committee Meeting Adoption by stakeholders of the final Workplan and Calendar of Activities | Scheduled 4 May 2016 |
| Project Launching Conference | Scheduled 26 May 2016 |
| Preparation and submission of draft inception report | Submission scheduled for 15 April 2016 |

6.2 Set-up of the Project Team/Recruitment

Each of the positions of the Project Team in Strasbourg and Pristina was filled in line with the Council of Europe applicable Human Resource policies and procedures. In view of this, the engagement of the Project Adviser in Pristina and Project Manager and Project Assistant in Strasbourg was finalised in January 2016.

Vacancy notices for both positions of Senior Project Officer and Project Linguistic Assistant were publicly announced in January 2016 in accordance with the organisation's rules and procedures. Furthermore, applicants short-listing and further recruitment procedures took place during February-March 2016. Written online tests and interviews of shortlisted candidates were organised on 15, 17 and 18 March 2016. By end of March 2016, both selected candidates received their respective employment offers. The Project Linguistic Assistant will take up his position on 11 April 2016 whereas the Senior Project Officer will be taking her position as of 1 May 2016 following the current required notice period.

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 online written tests and the interviews. In addition, performance and evaluations of prior employment were confirmed through reference checks.

The project team in Pristina is directly reporting to the Economic Crime and Cooperation Unit (ECCU) at the Action against Crime Department - DGI for substance and quality related matters, and as such, they are supported by the Project Manager and the Project Assistant in Strasbourg. Their administrative daily work in Pristina will be supervised and supported by the Council of Europe Office in Pristina.

In accordance with the Workplan and Calendar of Activities needs (Annex I) a provisional list of international and national experts to be engaged in particular activities is being compiled by the Project Team and will keep being updated accordingly throughout the project's life time. ToRs for open call of experts have been prepared and are to be announced not later than mid-April 2016 while the project's use of ECCU existing pool of experts for any immediate activity is not hampered at all.

6.3 Project Office/Premises

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. The Project Office address is:

Project: PECK II - Kosovo
Council of Europe Office in Pristina
17/18 Bedri Pejani street, 10000 Pristina, Kosovo
Phone: + 381 38 243 749 ext.106; Fax: + 381 38 243 752
Edmond.DUNGA@coe.int

6.4 Start-up activities – (January - March 2016)

- **Bilateral meetings with main counterparts and other beneficiary institutions**

In January 2016 the PECK Project Advisor together with the EUD Task manager held bilateral meetings with the representatives of two main beneficiary institutions - Kosovo Anti-Corruption Agency (KAA) and Financial Intelligence Unit (FIU).

Discussions at these meetings included: Explanations of respective roles and involvement of concerned institutions during the implementation of project activities; the need to appoint sustainable contact points and identify local experts when providing information; and further issues concerning project actions' support and information dissemination.

Further liaison and meetings with stakeholders are planned to take place before the organisation of the Steering Committee Meeting and Launching Conference.

- **Support and assistance to the draft AML/CFT Law**

A comprehensive review of the AML/CFT Law and drafting of a new Law had started since 2014 and continued in 2015 with close involvement, assistance and support of PECK I Project at that time. In February 2016, a revised draft AML/CFT Law was shared by the FIU with the PECK II project team for consultation purposes.

As a result and since early March 2016, PECK II is engaged now to support the finalisation of this process by providing expertise and advice on the draft law and its delivery is scheduled for end of May-June 2016.

- **Support and assistance in the CFT area**

In January 2016, the Ministry of Foreign Affairs organised an interagency meeting with concerned institutions to discuss needs for addressing existing shortcomings in the combating of financing of terrorism (CFT) area in which the PECK II Project Advisor was invited.

Consequently, a Working Group was recently set up since mid-March 2016 by the Ministry of Foreign Affairs with regard to the elaboration of a concept paper which is to address the needed amendments to the Law No. 03/L-183 on Implementation of International Sanctions. The MoJ, FIU and PECK II are asked to provide their initial contribution for the preparation of the concept paper. Furthermore, PECK II project is expected to also provide follow-up assistance and expertise in advanced stages of this process.

6.5 Steering Committee and Project Coordinators

According to the Description of Action of the project and meetings held with the main counterparts, the Kosovo Anti-Corruption Agency (KAA) and the Financial Intelligence Unit (FIU) will be responsible for the coordination of Project activities on behalf of Kosovo institutions and to this end will designate each a Project Coordinator as senior experts in the respective subject matters (corruption and money laundering).

The Project's Steering Committee will be composed of representatives from all beneficiary/target institutions, the European Union Office in Kosovo and the Council of Europe. It will consist of:

- the Prime Minister's Office of Good Governance;
- the Kosovo Anti-Corruption Agency;
- the Financial Intelligence Unit;
- the Ministry of Justice;
- the Ministry of Finance;
- the Ministry of Internal Affairs;
- the Kosovo Police;
- the Kosovo Judicial Council;
- the Kosovo Prosecutorial Council;

- the Special Prosecution of Kosovo;
- the Kosovo Central Bank;
- the Ministry of European Integration;
- the European Union Office in Kosovo; and
- the Economic Crime and Cooperation Unit of the Council of Europe/Council of Europe office in Pristina.

Since representatives from these institutions will have to be permanent members of the Steering Committee of this project, an official nomination of each permanent member has been requested to the main counterparts as indicated above and expected that such nomination takes place not later than the date of the Start-up event.

Key project's co-ordinators will be from: the Kosovo Anti-corruption Agency which will be the central co-ordinator for the Anti-corruption component, and the Financial Intelligence Unit will be the co-ordinator for the anti-money laundering component.

The Steering Committee meetings will involve other relevant authorities related to the project results and activities as needed. Definite composition of the Steering Committee will be discussed in the inception phase and approved by the start-up conference. The Steering Committee will take strategic decisions and supervise the proper implementation of the Project. The Steering Committee meetings will take place at least every 6 months, and on *ad hoc* basis whenever such need arises. The terms of reference of the Steering Committee are attached to this report and shall be adopted at the first steering committee meeting. The SC chairing will be decided at and during the inception phase by taking into consideration the PECK I previous evolving experience where beneficiaries ended up chairing the SC meetings after a while they were co-chaired by donor and implementing agency - thus moving ahead and demonstrating more ownership.

Other beneficiary institutions include Ministry of Justice (legislative drafting and inspections), Ministry of Finance (as the FIU hosting institution), Ministry of Internal Affairs and Kosovo Police (economic crime investigations), the Kosovo Judicial Council, the Prosecutorial Council, the Special Prosecutor's Office, the Agency for Managing Sequestered and Confiscated Assets (AMSCA) as well as the Central Bank of Kosovo. With regard to ER 3 and ER 4 (assessment process), the Council of Europe will designate 3 international experts as peer reviewers to each component. The experts in each team shall participate in the Project's assessments considering the role of each in policy making, legislative reforms as well as capacity building components.

The institutional counterparts will be actively involved throughout the whole implementation steps of the project.

Other institutions and structures and law enforcement agencies, the financial sector and the industry, as well as the civil society will be involved in different specific activities of the project. Final beneficiaries include society at large to the extent that it benefits from an efficient anti-corruption and anti-money laundering/countering the financing of terrorism framework and its long term expected impact.

The initial Project's Steering Committee Meeting is tentatively scheduled to take place on 4 May 2016.

6.6 Launching of the Project

A series of preparatory meetings will be held with key Project stakeholders in light of the PECK II Project Launching Conference, specifically the KAA, FIU and EU Office in Pristina to discuss the format of the Conference as well as further steps and activities of the Project.

The Project against Economic Crime in Kosovo (PECK II) will be officially launched during the Launching Conference in Pristina scheduled to take place in May 2016 (see Annex V – Launching Conference Draft Agenda). The Launching Conference is expected to be attended by around 100 representatives of relevant ministries and agencies, international organizations, private sector and civil society. 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 implementation of project’s activities and its outcomes.

7 VISIBILITY/MEDIA COVERAGE

7.1 CoE and PECK II websites

Project news, upcoming events, and outputs/deliverables will be reported on the Council of Europe Economic Crime website (www.coe.int/corruption), a section of which is exclusively dedicated to the PECK project: www.coe.int/peck2

The website will report regularly on all Project activities and deliverables as well as news. This Council of Europe official project site will have links to other relevant sites in Kosovo and internationally.

Important Project activities and news and upcoming events in the PECK II Project will also be featured on the website of the Council of Europe Office in Pristina (www.coe.int/pristina).

7.2 The EU visibility

The project will ensure the visibility of the EU contribution at all stages of its activities. The Council of Europe will take all appropriate measures to publicise the fact that the project’s 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. The project will implement the Communication and Visibility Plan (Annex VI of the contract EU/CoE). An elaborated Communication and Visibility Plan is enclosed in Annex VII of this report.

7.3 Disclaimer

All publications will include the following disclaimer: “This document was produced with the financial assistance of the European Union and the Council of Europe. The views expressed herein can in no way be taken to reflect the official opinion of the European Union and/or of the Council of Europe”.

7.4 Publications

The Project will produce reports to update and inform the European Union Office in Pristina on their findings and progress of the project’s implementation. During the project, booklets, leaflets, brochures will be used and copies of such will be available for reporting. As stipulated in the General Conditions of the Project Agreement, “Any [project deliverable] publication and press release will be communicated to the Contracting Authority [European Union Office in Pristina] as and when they are issued”. If any publication takes place, they will acknowledge the financial contribution of the EU, and will contain the above-mentioned disclaimer. They will also be made available for the public.

8 BUDGET AND CONTRIBUTIONS

The total cost of the project for the period of 36 months involves a total of €2,225,000. This amount includes:

EUR 2,000,000 financial contribution from EU (89.89%); and
EUR 225,000 financial contribution from CoE (10.11%).

Upon the signature of the contract (22 December 2015), and upon the submission of the 1st Request for Payment, the Council of Europe received an initial amount of **671,541.00 Euro** as first pre-financing instalment in line with the Article 4(2) of the Special Conditions.

9 NEXT STEPS AND CONCLUSIONS

9.1 Next Steps

The project proposal has been translated into a detailed and timetabled Workplan. The Workplan intends to draw on national and international expertise to provide targeted expertise and assistance.

The draft **workplan of activities** along with this **inception report** that were both prepared during the inception period will be reviewed and discussed at the 1st Steering Committee meeting tentatively scheduled to take place on 28 April 2016 after internal consultations with CoE and EU Office in Pristina have taken place.

9.2 Longer-term Impact

The project will assist Kosovo authorities with the implementation of specific recommendations from the previous assessment cycles conducted within PECK I through targeted technical assistance while continuing with structured assessment of AC and AML/CFT frameworks vis-à-vis evolving international standards. Technical assistance activities will cover the two components (corruption and money laundering) by addressing economic crime-related capacity building aspects in connection with legislative, institutional, policy and operational reforms. They will further support Kosovo authorities to better participate in the forthcoming assessment process that will be carried out during the last year of PECK II (2018).

The project acknowledges the need of Kosovo to continue having a comprehensive and structured assessment process. On the basis of the first-time successful experience, specific designed components of the project will have as a purpose, strategy and resources the undertaking of periodical and thorough assessments in Kosovo on issues of economic crime and more specifically: corruption; money laundering and terrorism financing. The assessment will cover institutional, legal policy and resource areas divided in separate themes mostly modelled after the evolving Council of Europe's mechanisms (GRECO and MONEYVAL) and their methodologies and tailored to the Kosovo context.

10 LIST OF ANNEXES

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Project against Economic Crime in Kosovo* (PECK II)

| Overall objective | Objectively Verifiable indicators OVI(s) | | Sources of verification | | Total cost | | 2016 | | | | | | | | | | | | 2017 | | | | | | | | | | | | 2018 | | | | | | | | | | | | | | | | |
|---|--|---|---|--|--|--|--|---|---|---|---|---|---|---|---|----|----|----|------|----|----|----|---|---|---|---|---|----|----|----|------|----|----|----|---|---|---|---|---|----|----|----|---|----|----|----|--|
| To contribute to democracy and the rule of law through prevention and control of corruption, money-laundering and financing of terrorism in Kosovo | Kosovo rating in the Comparative Indicator-based Monitoring of Anti-corruption Progress initiative (CIMAP) | | Transparency International Reports | | € 2 225 000 | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | | | | | |
| Project Purpose | Objectively Verifiable indicators OVI(s) | | Sources of verification | | | | Assumptions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| To strengthen institutional capacities to counter corruption, money-laundering and financing of terrorism in Kosovo in accordance with European standards through targeted technical assistance and assessments for improving and streamlining economic crime reforms | – Level of compliance by Kosovo institutions with international standards (GRECO and FATF/MONEYVAL) in the area of fight against corruption and money laundering; – Cross-annual comparison of reported, investigated, prosecuted and adjudicated corruption cases. | | – Project assessment and compliance reports – EC Annual Progress Reports for Kosovo | | | | – Political will continues to exist to prevent corruption, money laundering and terrorism financing, if necessary through legislative means – Political will exists in all beneficiary institutions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Expected Result No. 1 | Objectively Verifiable indicators OVI(s) | | Sources of verification | | Assumptions | | Cost | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Institutional capacities of anti-corruption stakeholders to effectively implement and coordinate anti-corruption measures are further strengthened | – At least three risk assessments in the AC area conducted by the KAA in coordination with other stakeholders; – At least ten legal opinions and technical papers for concrete anti-corruption measures and/or initiatives produced. | | – Project progress and activity reports – Official statistics of key institutions: Kosovo Anti-Corruption Agency, Kosovo Prosecutorial and Judicial Council, Kosovo Police, Tax Administration – Project assessment reports and compliance matrix – Media reports on corruption and related offences – Training needs, statistics and capacities report | | – Willingness of key institutions to cooperate in risk analysis and to implement its recommendations – Readiness of beneficiaries to fully and regularly report, exchange information and provide/receive feedback – Sufficient absorption capacity of stakeholders to be fully involved in project activities – Availability and quality of baseline data – Sustainability of all administrative and reform oriented actions is ensured – Trainees selected appropriately – Full reporting by beneficiaries on the impact of activities | | € 667 808 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Activities | Inputs/Actions | | Deliverables | | Beneficiary Institutions | | Target groups | | Means | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Activity 1.1: Conduct risk analysis and assessment in up to three priority areas | 1.1.1 | Brainstorming workshop to exchange views and identify sectors and institutions for anti-corruption risk analysis, based on clear criteria | Report on identified institutions/target sectors with beneficiaries from inter alia public procurement, tax/revenues, customs, police, planning and cadastral services, infrastructure, inspection, public utilities, prosecutors and judges. | | KAA and other identified relevant public institutions Identified participating NGOs and/or local consultants | | Policy makers, practitioners form relevant institutions, NGOs | | – STC (incl. international travel and per-diems) – Research – Cost of up to 2 workshops – Translation/interpretation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1.1.2 | Preliminary assessment of sectors and institutions identified for anti-corruption risk analysis. | Assesment report with identification of information sources | | KAA and other identified relevant public institutions Identified participating NGOs and/or local consultants | | Policy makers, practitioners form relevant institutions, NGOs | | – STC (incl. international travel and per-diems) – Preliminary study/research – Up to 1 Technical Paper – Cost of up to 2 workshops – Translation/interpretation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1.1.3 | Carry out 3 risk assessments of identified (sectors) institutions | – Up to 3 sectorial risk assessment reports finalised, disseminated and published – Corruption Risk Assessment Guide delivered, disseminated and published – Methodology made available to KAA – Technical discussion meetings and sessions including 3 visibility events | | KAA and other identified relevant public institutions Identified participating NGOs and/or local consultants | | Policy makers, practitioners form relevant institutions, NGOs | | – STC (incl. international travel and per-diems) – Studies/research – Up to 3 Technical Papers – Cost of up to 5 workshops – Cost of up to 3 visibility events – Translation/interpretation – Publication and dissemination costs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Activities | Inputs/Actions | | Deliverables | | Beneficiary Institutions | | Target groups | | Means | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Activity 1.2: Provide legal and technical opinions and legislative proposals and support their implementation to make the relevant anti-corruption legislation compliant with international standards | 1.2.1 | Provide review of at least 6 relevant laws (i.e. core anti-corruption framework, AML/CFT legislation and regulations, conflict of interests and integrity prevention, liability of legal persons, incriminations in Criminal Code, Criminal Procedure Code, seizure and confiscation of criminal proceeds...) and advice on amendments to relevant legislation in order to comply with relevant international standards as recommended by PECK Assessment Reports | – Legal Reviews for selected areas of economic crime frameworks – Comparative Analysis Paper – Report on outcome Legal working group meetings – Workshops/round-table meetings | | KAA and FIU, PMO, MoJ, MoF, MIA, KJC, KPC, SPO, SPRK, CBK | | Policy makers, law drafters, practitioners form relevant national institutions | | – STC (incl. international travel and per-diems) – Up to 6 Technical Papers – Cost of up to 6 workshops – Translation/interpretation – Printing/copying | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1.2.2 | Support the drafting of the necessary legislative instruments based on the results of the reviews conducted under 1.2.1 | – Working materials and reviews – Legislative and Institutional Recommendations Report – Draft Legislation Provisions – Working group sessions | | KAA and FIU, PMO, MoJ, MoF, MIA, KJC, KPC, SPO, SPRK, CBK | | Policy makers, law drafters, practitioners form relevant national institutions | | – STC (incl. international travel and per-diems) – Up to 4 Technical Papers – Cost of up to 4 workshops – Translation/interpretation – Printing/copying | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1.2.3 | Support the introduction of 'corruption proofing' methodology and guidelines and their further implementation | – Methodology Paper on Corruption Proofing – Materials for working group sessions and workshops – Training sessions on corruption proofing for relevant institutions | | KAA and FIU, PMO, MoJ, MoF, MIA, KJC, KPC, SPO, SPRK, CBK and civil society | | Policy makers, law drafters, practitioners form relevant national institutions, NGOs | | – STC (incl. international travel and per-diems) – Up to 1 Technical Paper – Cost of up to 2 workshops and 2 training sessions – Translation/interpretation – Printing/copying | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Activities | Inputs/Actions | | Deliverables | | Beneficiary Institutions | | Target groups | | Means | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Activity 1.3: Review legal and institutional whistleblowing mechanisms and provide proposals for improvement | 1.3.1 | Review of the existing whistleblowing legal framework to identify shortcomings and provide recommendations | – Analysis of institutional and operational shortcoming of the whistleblowing system – Review of legal whistleblowing framework with recommendations for further improvement – Working group | | KAA, MoJ, MIA, KP, SPO, SPRK and civil society | | Policy makers, practitioners form relevant national institutions, NGOs | | – STC (incl. international travel and per-diems) – Up to 2 Technical Papers – Cost of up to 2 (1 day) workshops – Translation/interpretation – Cost of up to 2 visibility events – Publication and dissemination costs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

[illegible]

[illegible]

| |
|--|
| AC - Anti-corruption |
| ACAP - Anti-corruption Action Plan |
| AML/CFT - Anti-Money Laundering / Combating Financing of Terrorism |
| AMSCA - Agency for Managing Seized and Confiscated Assets |
| CBK - Central Bank of Kosovo |
| CoE - Council of Europe |
| EUOK - European Union Office to Kosovo |
| FIU - Financial Intelligence Unit |
| GRECO - Council of Europe Group of States against Corruption |
| KAA - Kosovo Anti-corruption Agency |
| KJC - Kosovo Judicial Council |
| KPC - Kosovo Prosecutorial Council |
| KJI - Kosovo Judicial Institute |
| LEAs - Law Enforcement Agencies |
| MIA - Ministry of Internal Affairs |
| MoF - Ministry of Finance |
| MoJ - Ministry of Justice |
| MONEYVAL - Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism |
| MPA - Ministry of Public Administration |
| NGO - Non-Government Organisation |
| SOP - Standard Operating Procedure |
| SPO - State Prosecutor's Office |
| SPRK - Special Prosecution of Kosovo |
| STC - Short Term Consultancy |

[illegible]

Annex 2:

PECK II beneficiary institutions/stakeholders and respective roles¹

| Stakeholder | Role | Field |
|--|--|--------------|
| Kosovo Anti-Corruption Agency (KAA) | Main direct beneficiary and local AC coordinator, PSC member | AC |
| Financial Intelligence Unit (FIU) | Main direct beneficiary and local AML/CFT coordinator, PSC member | AML/CFT |
| Office for Good Governance, Human Rights, Equal Opportunities and Gender Issues/Office of the Prime Minister (OGG) | PSC member | AC |
| Ministry of Justice (MoJ) | PSC member | AC – AML/CFT |
| Ministry of Finance (MoF) | PSC member | AC – AML/CFT |
| Ministry of Internal Affairs (MIA) | PSC member | AC – AML/CFT |
| Kosovo Police (KP) | PSC member | AC – AML/CFT |
| Kosovo Judicial Council (KJC) | PSC member | AC – AML/CFT |
| Kosovo Prosecutorial Council (KPC) | PSC member | AC – AML/CFT |
| Kosovo Special Prosecution Office (SPRK) | PSC member | AC – AML/CFT |
| Central Bank of Kosovo (CBK) | PSC member | AML/CFT |
| Ministry of European Integration (MIE) | PSC member | AC – AML/CFT |
| State Prosecutor's Office (SPO) | Sectorial beneficiary | AC – AML/CFT |
| National Coordinator for Combating Economic Crime (NCCEC) | Sectorial beneficiary | AC – AML/CFT |
| Kosovo Customs (KC) | Sectorial beneficiary | AC – AML/CFT |
| Kosovo Tax Administration (KTA) | Sectorial beneficiary | AC – AML/CFT |
| Police Inspectorate of Kosovo (PIK) | Sectorial beneficiary | AC – AML/CFT |
| Kosovo Academy for Public Safety (KAPS) | Sectorial beneficiary | AC – AML/CFT |
| Supreme Court (SC) | Sectorial beneficiary | AC – AML/CFT |
| Constitutional Court (CC) | Sectorial beneficiary | AC – AML/CFT |
| Kosovo Judicial Institute (KJI) | Sectorial beneficiary | AC – AML/CFT |
| Agency for Managing Seized and Confiscated Assets (AMSCA) | Sectorial beneficiary | AC – AML/CFT |
| Kosovo Business Registration Agency (KBRA) | Sectorial beneficiary | AC – AML/CFT |
| Central Electoral Commission (CEC) (including the Office for Political Parties Registration and Certification) | Sectorial beneficiary | AC |
| Kosovo Assembly (KA) | Sectorial beneficiary | AC |
| Ministry of Public Administration (MPA) | Sectorial beneficiary | AC |
| Institute of Public Administration (IPA) | Sectorial beneficiary | AC |
| Independent Supervisory Council for Civil Service (ISC) | Sectorial beneficiary | AC |
| Office of the Auditor General (OAG) | Sectorial beneficiary | AC |
| Kosovo Ombudsperson (KO) | Sectorial beneficiary | AC |
| Public Procurement Regulatory Commission (PPRC) | Sectorial beneficiary | AC |
| Procurement Review Body (PRB) | Sectorial beneficiary | AC |
| Central Procurement Agency (CPA) | Sectorial beneficiary | AC |

¹ This list is not exhaustive and would be adjusted during implementation depending on actual and coordinated needs.

| Stakeholder | Role | Field |
|--|-----------------------|---------|
| Kosovo Intelligence Agency (KIA) | Sectorial beneficiary | AML/CFT |
| Department for Registration and Liaison with NGOs (DRLNGO) | Sectorial beneficiary | AML/CFT |
| Industry in the financial sector (banks, micro-finance institutions, money or value transfer service providers, exchange bureaus) | Sectorial beneficiary | AML/CFT |
| NPOs | Sectorial beneficiary | AML/CFT |
| Designated Non-Financial Businesses and Professions (DNFBPs): lawyers, notaries, auditors, accountants, casinos, real estate agents, dealers in precious metals and stones and trust and company service providers | Sectorial beneficiary | AML/CFT |
| Professional associations: Kosovo Bankers' Association, Association of Microfinance Institutions of Kosovo (AMIK), Bar, Chamber of Notaries, Society of Certified Accountants and Auditors of Kosovo (SCAAK) etc. | Sectorial beneficiary | AML/CFT |

ANNEX III



Project against Economic Crime in Kosovo* (PECK II)

www.coe.int/peck2

Terms of Reference for the Steering Committee (SC)

(DRAFT)

1. SC Membership/Participation

The Steering Committee of this project will consist of representatives of

- the Kosovo Anti-corruption Agency;
- the Financial Intelligence Unit;
- the Prime Minister's Office of Good Governance;
- the Ministry of Justice;
- the Ministry of Finance;
- the Ministry of Internal Affairs;
- the Kosovo Police;
- the Kosovo Judicial Council;
- the Kosovo Prosecutorial Council;
- the Special Prosecutor's Office;
- the Central Bank of Kosovo;
- the Ministry of European Integration;
- the European Union Office in Kosovo;
- and of the Economic Crime and Cooperation Unit of the Council of Europe.

The Steering Committee will also involve in its meetings other relevant authorities related to project results and activities. The Steering Committee will be jointly chaired by an EUO and a CoE representative. The responsibilities of the secretariat of the PSC are to be undertaken by the project team.

* 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.

2. SC Responsibilities

The Steering Committee will take strategic decisions and supervise the proper implementation of the Project. It will address major issues that the project might face. The Steering Committee shall be called to meet at least 6 times during the implementation of the project, and whenever such need arises. The responsibilities of the Steering Committee are the following:

- Monitoring the implementation of the project and discussing its achievements;
- Approving workplans and calendar of activities;
- Assessing emerging issues for sound project implementation and approving the resulting guidelines for the Project Management; and
- Approving the necessary departures from the original ToR or Workplan.

3. SC meetings and calendar

The Steering Committee shall be called to meet at the beginning of the project and at least once every six months and whenever such need arises. The following is the tentative Calendar of Regular SC Meetings:

| Number of Regular SC Meetings | 1 st SC Meeting | 2 nd SC Meeting | 3 rd SC Meeting | 4 th SC Meeting | 5 th SC Meeting | 6 th SC Meeting |
|-------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Tentative Dates | April 2016 | October 2016 | April 2017 | October 2017 | April 2018 | October 2018 |

4. List of permanent designated SC members from Kosovo institutions

| Name | Institution/Position | Main Nominee | Substitute | Email |
|--------------------|--|--------------|------------|--------------------------------|
| Hasan Preteni | Director, Kosovo Anti-corruption Agency | + | | hasan.preteni@rks-gov.net |
| Blerim Kelmendi | Kosovo Anti-corruption Agency, Investigation Directorate | | + | blerim.kelmendi@rks-gov.net |
| Dardan Nuhiu | Director, Financial Intelligence Unit | + | | dardan.nuhiu@fic-ks.org |
| Flutra Blakçori | Legal Officer, Financial Intelligence Unit | | + | flutra.blakcori@fic-ks.org |
| Habit Hajredini | Director, Office of Good Governance at the Prime Minister's Office | + | | habit.hajredini@rks-gov.net |
| Trëndelinë Dreshaj | Senior Officer, Office of Good Governance at the Prime Minister's Office | | + | trendeline.dreshaj@rks-gov.net |
| Lulzim Beqiri | Director, Department for European Integration and Policy Coordination, Ministry of Justice | + | | Lulzim.Beqiri@rks-gov.net |
| Selvije Elezaj | Head of Division for Policy | | + | Selvije.Elezaj@rks-gov.net |

| Name | Institution/Position | Main Nominee | Substitute | Email |
|------------------|--|--------------|------------|--------------------------------|
| | Coordination, Department for European Integration and Policy Coordination, Ministry of Justice | | | |
| Berat Havolli | Senior Analyst on Macroeconomics, Ministry of Finance | + | | Berat.Havolli@rks-gov.net |
| Armend Shabani | Senior Official on European Integration, Ministry of Internal Affairs | + | | Armend.Shabani@rks-gov.net |
| Shaip Havolli | Head, Economic Crime Investigation Section, Kosovo Police | + | | Shaip.Havolli@KosovoPolice.com |
| Astrit Hoti | Director, Legal Department, Kosovo Judicial Council | + | | Astrit.Hoti@rks-gov.net |
| Aferdita Bytyqi | Judge, Basic Court of Pristina, Serious Crimes' Department | + | | Aferdita.Bytyqi@rks-gov.net |
| Lavdim Krasniqi | Kosovo Prosecutorial Council | + | | lavdim.krasniqi@rks-gov.net |
| Faton Mecinaj | Administrator, Special Prosecutor's Office | + | | Faton.Mecinaj@rks-gov.net |
| Migjen Selmani | Expert, Special Prosecutor's Office | | + | Migjen.Selmani@rks-gov.net |
| Labinot Preniqi | Head of Division for Prevention of Money Laundering, Central Bank of Kosovo | + | | Labinot.Preniqi@bqk-kos.org |
| Atif Hoxha | Compliance Officer, Central Bank of Kosovo | | + | Atif.Hoxha@bqk-kos.org |
| Krenare Bektashi | Ministry of European Integration | + | | Krenare.Bektashi@rks-gov.net |



Project against Economic Crime in Kosovo* (PECK II)

www.coe.int/peck2

Agenda Project Launching Conference

Pristina, 26 May 2016

Venue: Government Building (Room P038)

08:45 – 09:15 **Registration**

09:15 – 10:00 Opening remarks

- Mr Isa MUSTAFA, Prime Minister of Kosovo
- Mr Hajredin KUÇI, Minister of Justice
- Mr Thomas GNOCCHI, Head of Political Section, EU Office in Kosovo
- Mr Ivan KOEDJIKOV, Head of Action against Crime Department, Council of Europe

Moderator: Ms Edis AGANI, European Union Office in Kosovo

10:00 – 10:30 *Coffee break*

10:30 – 11:15 **Combating Corruption, Money Laundering and Financing of Terrorism in Kosovo**

Keynote Speakers:

- Ms Sevdije MORINA, Deputy Chief State Prosecutor
- Mr Hasan PRETENI, Head of Kosovo Anti-Corruption Agency
- Mr Petrit MALIQI, Deputy Head of Kosovo Judicial Council

Moderator: Mr Ivan KOEDJIKOV, Head of Action against Crime Department, Council of Europe

11:15 – 11:45 **Presentation of project expected results and activities**

- Mr Edmond DUNGA, PECK II Project Advisor

11:45 – 13:00 Discussion / Questions on major activities and actions planned and agreed by the Project Steering Committee

13:00 – 14:00 *Reception*

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

ANNEX VI

Screenshot of PECK II Launched Website



Europe and the European Union Office in Pristina. The PECK II Project started on 1 January 2016, with a duration of 36 months and a budget of 2,225,000 Euro (EU funds: 89.89% and CoE funds: 10.11%).

The Project's overall objective is to contribute to the democracy and the rule of law through the prevention and control of corruption; money laundering; and the financing of terrorism in Kosovo. The Project's purpose is to strengthen institutional capacities to counter corruption; money laundering; and financing of terrorism in Kosovo in accordance with European standards through targeted technical assistance and assessments for improving and streamlining economic crime reforms. The Kosovo Anti-Corruption Agency (KAA) and the Financial Intelligence Unit (FIU) are the main counterpart institutions for this Project.

NEWS

1st Steering Committee meeting (Pristina, Kosovo, 4 May 2016)

The 1st Steering Committee (SC) Meeting of PECK II Project will be organised on 4 May 2016 at the Council of Europe Office in Pristina. The meeting will be attended by the SC permanent members, namely the Kosovo Anti-Corruption Agency, the Financial Intelligence Unit, the Office of Good Governance, the ministries of Justice, Finance, Internal Affairs and European Integration, the Kosovo Police, the Kosovo Judicial Council, the Kosovo Prosecutorial Council, the Special Prosecutor's Office, the Central Bank of Kosovo, the European Union Office, the Council of Europe Office in Pristina and the project team. The Steering Committee will discuss and adopt the following documents: Terms of Reference of the Steering Committee (SC) and List of SC members, the Inception Report, Workplan and Calendar of Activities for the PECK II Project and its Communication and Visibility Plan.

► [Agenda](#)



ANNEX VII

COMMUNICATION AND VISIBILITY PLAN

A. Objectives

1. Overall communication objectives

The project communication plan aims to ensure that the EU/CoE support and assistance to the Kosovo authorities to efficiently fight and prevent corruption, money laundering and the financing of terrorism in the framework of the EU/CoE Joint project against Economic Crime in Kosovo II (PECK II) is visible and recognisable by Kosovo authorities, professionals and general public. It will ensure the visibility of the project objectives, actions, achieved results and deliverables.

The communication initiatives will strive to actively involve beneficiary institutions and general public in order to enhance their commitment and ownership of the project results.

2. Target groups

In Kosovo:

- General public;
- Relevant ministries (covering the justice, internal affairs, finance and public administration areas), law enforcement institutions, specific government structures and central institutions, key executive agencies;
- Financial sector, industry and civil society.

3. Specific objectives for each target group

The aim of the communication/visibility activities outlined below is to:

- Make general public aware of the project, its objectives and deliverables, as well as the roles and values of the Council of Europe and the European Union in effectively fighting and preventing corruption and economic crime;
- Familiarise Kosovo anti-corruption and AML/CFT experts and project stakeholders through direct involvement in project activities and/or through disseminated deliverables of the latest European standards and procedures in the economic crime field, as well as specific recommendations for Kosovo;
- Raise public awareness of factors leading to and risks and consequences of corruption and economic crime, enhance dialogue and build public confidence in public institutions;
- Involve more actively the civil society and general public in the AC and AML/CFT reform processes.

B. Communication Activities

4. Main activities that will take place during the period covered by the communication and visibility plan

Project implementation includes legislative review, needs and risk assessments, training seminars, workshops, study visits, regional conferences and GRECO and Moneyval style assessments of Kosovo's compliance with international AC and AML/CFT standards.

The responsibility for these activities lies with the project implementation team as well as

Kosovo counterparts.

5. Communication tools chosen

N.B. The below list of proposed communication and visibility tools is not final. It will be further developed and discussed with main project stakeholders during and after the inception phase and approved by the Steering Committee/Start-up conference.

Given the nature of the project the most appropriate and efficient communication tools are deemed to be:

- Media outreach tools:
 - Regular press releases concerning project activities;
 - Mediatized project opening and closing events;
 - Visibility events to present major project deliverables (risk assessments, AC and AML/CFT assessment reports, studies, manuals/guidelines, etc.).
- Visibility tools:
 - A project banner displayed at all project events;
 - Visibility/promotional items (notebooks, pens, folders, conference bags, badges, USB-sticks, etc. with the project logo) produced and disseminated at each event;
 - Information leaflets/brochures outlining project objectives and expected results produced and disseminated as widely as possible;
 - Project publications (assessment reports, risk analysis, training manuals, guidelines, etc.).
- Communication tools:
 - A dedicated project web-site regularly updated with news on project activities, main achievements and deliverables;
 - Visibility campaign(s) to raise public awareness on factors leading to and risks and consequences of corruption and economic crime, enhance dialogue and build public confidence in public institutions;
 - The Project intends to use certain occasions to promote economic crime reforms beyond the target groups within beneficiary institutions. This will include *inter alia* launching and closing events and some other high-level events and activities.

6. Completion of the communication objectives

The project evaluation report will estimate the completion of the communication objectives via:

- A media review of five key publications covering project activities;
- Overview of the feedback of participants in project activities.

7. Provisions for feedback

The majority of project activities will include evaluation forms for participants. They will include, *inter alia*, the question concerning the project visibility.

8. Human Resources

- Communication professional will be identified and selected through relevant CoE tender procedure to develop specific communication and visibility strategic plan in close consultation and cooperation with the project team and project partners, that will include, *inter alia*, designing of visibility/promotional materials and visibility/awareness raising campaign(s);
- Project teams in Pristina and Strasbourg will be responsible for:
 - i) maintaining and keeping the project website regularly updated with news on project activities, achievements and deliverables;
 - ii) preparing and disseminating project leaflets/brochures and other promotional materials, as well as project publications

9. Financial resources

3.15% of the total project budget has been earmarked for communication and visibility actions.

Annex VIII

PECK II Project/Management Team

Contact in Headquarters (Strasbourg)

Economic Crime and Cooperation Unit (ECCU)

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DG I - Directorate general of Human rights and Rule of Law
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