



Republika e Kosovës
Republika Kosova-Republic of Kosovo
Qeveria-Vlada-Government

BRUSSELS AGREEMENTS IMPLEMENTATION STATE OF PLAY

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SERVICE**

BY THE GOVERNMENT OF THE REPUBLIC OF KOSOVA

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FOREWORD

The Brussels dialogue between two states, Kosovo and Serbia, facilitated by European Union has produced remarkable results during nearly four years. Started as a technical dialogue in 2011, the Brussels dialogue has been advanced in scope and relevance aiming at normalization of relations of two states since fall 2012. I believe that main goals of this dialogue such as improving lives of citizens, establishing peaceful neighbourly relations between both states, ensuring European integration for both countries as well as helping strengthen peace and stability in the region are in a good path of being achieved.

After almost four years of this intensive peace process, and thanks to the consistent facilitation by EU and full support by the United States, relations between two states of hostile past are being transformed into a European model of cooperation. At the same time, the normalization of situation in northern part of Kosovo is progressing through the legal and democratic functioning of four northern municipalities since the local elections in 2013, integration of Serb citizens into the Kosovo institutions and dismantlement of Serb parallel structures, while bringing to an end Serbia's meddling in the domestic affairs of Kosovo.

The Dialogue on normalization of relations between Republic of Kosovo and Republic of Serbia, held between Prime Ministers of both states and facilitated by EU High Representative of the Union for Foreign Affairs and Security Policy Catherine Ashton, since October 2012 resulted in the signed Agreement on Normalization of Relations on 19 April 2013. Ever since, the Brussels dialogue has been progressing in two levels: in reaching implementation agreements/action plans and in practical implementation on the ground of the issues that are covered by the Agreement.

This is a very important agreement, because it is for the first time that Kosovo and Serbia, reached a political/peaceful agreement after more than two decades of hostile relations, to include occupation, war and genocide of Serbia against Kosovo (1989-1999) and the struggle for independence of Kosovo people, that was brought to an end thanks to US and NATO intervention in 1999 and placing Kosovo under UN and NATO protectorate. Nevertheless, Serbia continued to meddle into the Kosovo domestic affair, particularly trying to maintain control in the northern part of our country (known for rich mines and water resources) by establishing Serb illegal parallel structures. Even after independence of Kosovo in 2008, which was legitimized by the International Court

of Justice in 2010, Serbia continued its interference in Kosovo. A new peace process became necessary for the sake of good neighbourly relations and regional peace and stability, hence UN General Assembly called both countries to engage in a dialogue by the resolution adopted on 9 September 2010, where European Union was invited to play role of a facilitator.

At earlier stage, there were two major efforts to achieve peace and peaceful relations between both countries: the peaceful talks in the Rambouillet Conference in 1999 and the status talks on independence of Kosovo in Vienna (2006-2007). Both processes failed due to the fact that Serbia failed to sign the accord even though they were part of the talks in both cases. In this context, the current agreements achieved through both dialogues (technical and political) are a historical breakthrough for Kosovo and its citizens.

The current Agreement on Normalization of relations provides an opportunity to close the chapter of conflicts and open the chapter of peace between two states, Kosovo and Serbia, and even between both nations, Albanians and Serbs.

The Dialogue on Normalization was preceded and made possible due to the Technical Dialogue. The Technical Dialogue between Kosovo and Serbia took place in 2011-2012, facilitated by EU and with US presence in the negotiating table. It resulted in seven reached agreements. In fact, the first ever reached and signed agreements between Kosovo and Serbia resulted from this Technical Dialogue and the issues resolved include: freedom of movement of people, free trade, integrated management of the interstate border, elimination of obstacles for regional cooperation, returning back to Kosovo of cadastral and civil registry documents taken by Serbia during the war, and mutual recognition of university diplomas.

The Technical Dialogue while producing first concrete agreements on the above mentioned issues, it also helped to pave the way for political talks on normalization of relations.

Both dialogues, technical and political, have faced huge scepticism and rejection by citizens. For Kosovo citizens it was not acceptable to talk to former-enemy, Serbia, before the apology on genocide and before the recognition of independence of Kosovo by Serbia. It was interesting enough that people were more opposing technical dialogue than the normalization dialogue, perhaps because it was for the first time talking to

Serbia after the independence of Kosovo and having in mind that in two previous peace processes, in Rambouillet and Vienna, Serbia declined the agreement.

However, our position as a leadership was clear that while the past cannot be forgotten, it should not be the obstacle that impede us moving forward our vision for the Euro-Atlantic state of Kosovo. We remain committed to our vision for Kosovo as a sovereign and independent state based on central values of democracy, rule of law, market economy – a state that is respected and recognized internationally and a factor of peace and stability in the region, implemented *inter alia* through good neighbourly relations and regional cooperation. We strongly believe that the ongoing Euro-Atlantic reforms undertaken by the Government of Kosovo and a very prudent and constructive approach in the Brussels dialogue are bringing Kosovo closer to EU, NATO, UN and other relevant institutions, while Kosovo has already initialled Stabilization Association agreement with EU.

Being the Chief Negotiator of the Republic of Kosovo in the Technical Dialogue with Serbia for almost two years, and then member of the Delegation of the Republic of Kosovo to the dialogue on normalization headed by Prime Minister Hashim Thaçi, to continue further as the Head of Kosovo delegation in the Brussels Implementation Dialogue, I can say that it was not at all an easy job, despite my experience from the past, particularly in the Peace Conference of Rambouillet. However, I believed it was the right thing to do. I knew that it was not a popular mission, but in essence was peaceful and forward-looking mission; hence I was sure that when concrete implementation of the agreements takes place, people would slowly realize that it was for their benefit. Moreover, the results of the Brussels dialogue strengthened Kosovo's path to European Union and Euro-Atlantic integration and this is another legacy we are leaving for the future generations of Kosovo.

I wrote this foreword as a summary of all process of Brussels dialogue because I wanted to highlight the unique relevance of Brussels peace dialogue. This dialogue is not only important for the European perspectives of two states and regional peace and stability, but also for the European Union's future peace efforts in the region that seem to be necessary in endeavours of speeding up the European integration for all countries in Western Balkans.

I use this opportunity to express my high appreciation for the extraordinary efforts of HR Catherine Ashton for making a breakthrough in establishing good neighbourly

relations between Kosovo and Serbia. My special appreciation goes to all her team who tirelessly and patiently worked and will be working for this important peace project.

I would like to highlight the outstanding commitment of Government of Kosovo and all other institutions of Kosovo, Prime Minister Hashim Thaçi and all my colleague ministers for the challenging mission in the Brussels Dialogue. My special appreciation goes to all in my team who has been competent and worked hard in all these years with the Brussels Dialogue.

As a conclusion let me say that the Agreement on Normalization of Relations is a historic step because of the importance I tried to briefly elaborate above. However, I strongly believe the real historic agreement will be the one that will end up with recognition of independence of Kosovo by Serbia, namely the recognition of new political reality in the Balkans following the collapse of former Yugoslavia and the birth of seven new states.

Sincerely,



Edita Tahiri

Deputy Prime Minister

Head of the Republic of Kosovo Delegation
at the Brussels Implementation Dialogue

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EXECUTIVE SUMMARY

This report presents the assessment of the Government of the Republic of Kosovo on the progress and challenges in the implementation of the Brussels Dialogue Agreements for the period from January to September 2014. It looks at all Brussels agreements reached in the Dialogue on normalization of relations and the Technical dialogue between the two states, Kosovo and Serbia, facilitated by European Union and supported by the United States.

In the reporting period, Government of the Republic of Kosovo and all other institutions remained fully committed to the Brussels dialogue on normalization of relations between two states despite the fact that this has been a national elections year for us. We have been particularly focused on effective and consistent implementation of all Brussels Agreements, as we believe that implementation is critical to the success of this dialogue and to the progress it aims for.

In fact, there have been national elections held in Serbia as well in spring this year. Consequently, the election agendas of both countries have slowed down the dynamics of the dialogue, but we believe that a substantial reason for delays is rather the lack of political will of Serbia to fulfil the implementation obligations or even by posing obstacles.

In political level, of Prime Ministers and HR Ashton, there were only few meetings held (in January, February and March), while in implementation level negotiations continued throughout the reporting period except for election periods. Hence, more progress has been achieved in implementation process rather than in settling the remaining differences regarding the implementation plans, including on justice issues and on security issues for the part of dismantlement of so called “Serb civil protection structures” and, on building the plan for establishment of the Association of Serb majority municipalities.

There has been remarkable progress in legal functioning and integration of four northern municipalities into the Kosovo institutions after the successful local elections in November 2013, in compliance with the Kosovo law and Brussels agreement. After the elections, the elected local authorities of four northern municipalities embarked in a legal and democratic governance processes, followed by official inauguration and adoption of the municipal statues in accordance with the Kosovo law as called for in the Brussels Agreement. There is an increasing cooperation between those local authorities and central authorities pushing forward the agenda of better life for Kosovo citizens.

We are pleased to highlight that integration of our Serb citizens from northern municipalities into the Kosovo's institutional and social life is in a good path, as the Government of Kosovo continues to consolidate sovereignty, democracy, rule of law and economic perspective throughout Kosovo for the benefit of all citizens and all communities.

Similarly, good progress has been made on the security issues. The closure of Serbian Ministry of Interior parallel structures in northern part of our country and full integration of Serb personnel into the Kosovo Police, including the ranking process for them based on the Kosovo law and Brussels Agreement, provides much better quality of safety for all.

The progress has been also made in advancing the implementation of IBM agreement where the agreement on permanent buildings for six IBM border crossing points has been reached and signed (September 2014).

The huge progress is marked in energy issues, where finally the Action plan on energy is agreed and signed together with the Inter-TSO agreement and operational agreement. We consider this a huge progress because after almost four years of negotiations on energy issues, finally agreement and implementation plan are reached respectively last year and this September, hence the chapter of cooperation in energy issues between the two states has commenced, whereas Serb illegal operators will be removed to allow normalization of energy situation in northern part of Kosovo. The energy cooperation between two states shall contribute to the energy stability in the region as well based on the Energy Community Treaty, bringing to an end Serbia's breach of this treaty with regards to Kosovo.

Regarding the Telecom, there has been made a good progress although the action plan is yet to be finalized.

Good progress has been made in Customs revenue collection at the northern border crossing points, as well as the establishment of the Development Fund and its management board which already has over 3 million Euros. Thus with this step, we succeed not only in establishing the rule of law in this area, that was lacking for a long time, but also in providing additional development investments in North, to which we remain committed.

The Government of Kosovo considers that the European Union has played a critical role in facilitating and speeding up this progress. It succeeded to overcome whatever barriers of whatever political or technical nature including the lack of willingness of

Serbia to cooperate, by pursuing a proactive role in communicating clearly the messages of linkage between the Brussels dialogue obligations of parties and their European perspective. Besides, EU officials realized numerous bilateral talks directly by visits to Belgrade or/and by online and VTC communication. Similarly, the contribution of the EEAS in Kosovo, US Embassy in Kosovo and the US Government have been critical in achieving progress on the ground in all areas, and particularly in the legal functioning of northern municipalities.

We, the Government of Kosovo and Prime Minister Hashim Thaçi, participated in all political levels talks held in Brussels under the facilitation of HR Ashton prior to the national elections (in June 2014), whereas after the announcement of official election results, we resumed participation only at the technical implementation talks. We have also used different ways of communicating to Brussels the need to speed up the implementation process, including several visits to Brussels in order to inform and discuss the ways to speed up the implementation process.

Time wise, most of concrete results were achieved during September and we hope it will continue.

Generally speaking, since the 19th of April 2013, when the Brussels Agreement was reached, the progress in implementation has been marked in various levels on various issues addressed by this Agreement as well as on the agreements of Technical dialogue. This progress can be seen in the improved relations between the two states Kosovo and Serbia, normalizing the situation in the northern part of Kosovo through the integration of Serb citizens of that part into the Kosovo institution, dismantling of the illegal Serb structures operating in Kosovo since 1999, and advancing European integration for both states.

We emphasize with concern the tendencies by Serbian side of circumventing or delaying the implementation of the Brussels Agreements, as they provide room for different negative developments in northern municipalities and shows that Serbia has not ceased to aim at meddling in domestic affairs of Kosovo.

In this period, we note with concern obstacles to the establishment of rule of law and normalcy in the four northern municipalities posed by illegal mayors, paramilitary and criminal groups, which hindered the progress of the Serbian community in Kosovo over the last fifteen years. These structures also continue to endanger the staff of domestic and international law enforcement agencies, as witnessed recently in relation to EULEX as well as in barricades that continue to prevent the freedom of movement.

In this line, by mid-June, we experienced tensions in Mitrovica stemming from unilateral removal of a barricade from Ibër Bridge and establishment of new ones, which threatened deterioration of security situation in northern part. We succeeded to curb those tensions by acting prudently and in coordination with international partners, resulting in the EU facilitated agreement to resolve the issue of barricades and to ensure that this bridge will eventually become a bridge of full freedom of movement in accordance to EU standards after many years.

The Government of the Republic of Kosovo highly appreciates the acquired progress in the Brussels dialogue and we remain fully committed to move forward all aspects of this dialogue. However, a lot more remains to be done on some relevant issues that still remain pending a resolution that would ensure a sustainable basis for achieving the above mentioning goals of the Brussels dialogue.

The report is a follow-up of the previous report issued by the Government of Kosovo on January 16, 2014 and, tracks down the progress made in different areas in the reporting period. For more information in the areas that had no progress, the reader is advised to refer to previous report which can be found at: <http://www.kryeministri-ks.net/?page=2,252>.

1. FUNCTIONING OF FOUR NORTHERN MUNICIPALITIES IN KOSOVO

Following the successful completion of the local elections organized throughout Kosovo in November 2013, the elected local authorities of four northern municipalities of Kosovo, Mitrovica North, Zvečan, Zubin Potok and Leposaviq, embarked in a legal and democratic process of local governance. The official inauguration of the municipal bodies in all four municipalities (January 11, 2014) and adoption of the municipal statutes (May 16, 2014) in accordance with the Kosovo laws as called for in the Brussels Agreement marked a critical progress in the implementation of the Brussels agreement. It paved the way towards normalization and democratization in this part of our country that was lacking for many years.

The successful inauguration of municipal bodies in four northern municipalities was rather challenging and sensitive process that required intensive cooperation of all actors, the Government of the Republic of Kosovo, the European Union, EUSR, US Embassy and elected mayors, given the critical transition this process involved. All elected mayors and assembly members successfully took their oaths, apart from the mayor-elect of the municipality of Mitrovica North who has failed to do so; hence, was replaced by another elected mayor in a new round of elections in February 2014.

The municipal statutes adoption process has also been a difficult process but ended successfully. It took two stages, the first one when municipalities adopted the statutes that in some sections were not in compliance with the Kosovo laws and the Brussels Agreement (March 12, 2014).The second stage, legal harmonization of adopted statutes through long process of negotiations between the Government of Kosovo and mayors of concerning municipalities, which in most part had to be facilitated by EUSR and US Embassy. The legally harmonized statutes were adopted by municipal assemblies on May 16, 2014, whereas the adoption of symbols and flags remained for a later stage and will follow a procedure of special decision in compliance with the Kosovo law.

The functioning of four northern municipalities brought legal and legitimate local government closer to citizens of those municipalities while bringing an end to illegal structures that were operational prior to the Brussels Agreement.

There is increasing cooperation between those local authorities and central authorities moving forward the agenda for better quality of life for citizens of this part of Kosovo. We are pleased to highlight that integration of Serb citizens of this part into the Kosovo's institutional and social life is in a good path, as Government of Kosovo

continues to consolidate sovereignty, democracy, rule of law, and economic perspective throughout Kosovo for the benefit of all citizens and all communities living here. It is worth pointing out that a remarkable contribution to this process is being provided by EUSR and US Embassy in Kosovo.

Progress in functioning of four northern municipalities is underlined in the report on functioning of the local bodies, especially the election of deputy mayors and chairpersons of municipal assemblies. Furthermore, progress has been made regarding the notice and submitting municipal acts for evaluation of legality to the Ministry of Local Government Administration (MLGA).

The challenges ahead involve different areas, including difficulties that emerged especially with municipal staff wage processing, the 2015 budget planning; establishment of local administrations and municipal departments; and transition of existing staff to the municipal administration following the principle of inclusivity. The Government of Kosovo and partners are working closely to overcome these difficulties. For this purpose, the Working Group on functioning of four municipalities chaired by Deputy Prime Minister, Edita Tahiri, has been established in the beginning of September, composed by Government representatives, Mayors of respective municipalities and international partners. The Working Group is making all efforts to address challenges in municipal budgets, organizational structures of municipal administrations, and transition of existing staff into a new municipal administration, while making sure that the Kosovo law on civil servants is applied and political impartiality is ensured. Moreover, the Government has prepared guidelines for the number and systematization of municipal staff, and based on a specific training program all the activities have been arranged to train the municipal financial officials. The progress has been made regarding the appointment and certification of the financial officials and the Municipalities started to use their budgets and to realize expenditures of municipal budgets.

We note, with special concern, obstacles to the functioning of legal municipal authorities in the four northern municipalities posed by ongoing operation of illegal mayors who still receive support by Serbia. The Government of Kosovo has raised these concerns during meetings with the EU officials in Brussels requesting from Serbia full compliance with terms of Brussels Agreement through ceasing the operation of illegal mayors.

2. SECURITY

On security issues a good progress has been made. The dismantling of illegal Serbian police structures (former Serbian Ministry of Interior parallel structures) in northern part of Kosovo and complete integration of Kosovo Serb personnel in Kosovo police, including their ranking process based on the Kosovo law and Brussels Agreement, ensures a higher quality security for everyone in Kosovo. Based on the Brussels Agreement, Kosovo Police has promoted 23 former MUP officers in the following ranks: 6 police officers were promoted into the rank of Police Major; whereas 17 police officers were promoted into the rank of Police Lieutenant. With the completion of the promotion process, Kosovo has implemented all commitments related to the Brussels Agreement and implementation plan.

In the area of security in four northern municipalities remains more to be done, including dismantling of the remaining parallel structures, such as paramilitary structure so-called Civil Protection Structure (CPS). The Government of Kosovo has presented a comprehensive plan for integration of the members of this structure into Kosovo's civil institutions and urged EU to speed up this process. However, Serbia is late in introducing the dismantling plan and in undertaking legal adjustments and structural organization of the Ministry of Defence and Ministry of Interior of Serbia that would formally cease the operation of "CPS" (for further details on this subject, please refer to the previous report¹ given that the situation has remained unchanged). We should also make a reference to the Roadmap for dismantling of so called CPS which has to be presented by EU.

¹ "BRUSSELS AGREEMENTS IMPLEMENTATION STATE OF PLAY", Report submitted to the European Union /European External Action Service by the Government of the Republic of Kosovo, on 16 January 2014, page 8-10, <http://www.kryeministri-ks.net/?page=2,252>

3. JUSTICE

On justice issues, progress has been made to a greater extent regarding implementation planning rather than in practice. The implementation plan on justice has been largely agreed but not finalized yet. It foresees implementation of the Kosovo legislation and functioning of the unitary justice system in northern part of Kosovo, through establishment of one Basic Court and one Basic Prosecution Office for Mitrovica region. However, some details more of quantitative nature remained open due to delays caused by parliamentary elections held in both countries. We look forward to concluding the implementation plan paving the way to consolidation of the Kosovo unitary justice system in northern part of our country and the integration of Kosovo Serb judges and prosecutors in the Kosovo's justice system. Meanwhile, since September 2013, parallel courts and prosecutorial offices have been closed in accordance with agreed plan and cases are transferred to EULEX pending the functioning of legal ones². There are no clear or visible indications on the ground that the parallel structures on justice are being closed. There are some indications that parallel judicial structures in the northern Kosovo are still receiving new cases on urgent matters in civil cases. Serbia continues to pay salaries for the parallel judicial personnel that illegally operates in Kosovo.

4. AMNESTY LAW

Kosovo adopted the Law on Amnesty on September 17, 2013, and it is being implemented consistently in the integration process of Serb citizens of northern part in the institutions of Kosovo as provided by the Brussels Agreement. In concrete terms, the Law on Amnesty is applied in the integration process of Serb policemen into Kosovo Police; as well as in planning process for integration of "CPS" members in Kosovo civil institutions after its dismantlement expected to take place, and it will apply to all other areas as provided by Brussels Agreement. Adoption of this law confirms the political will of the Government of Kosovo for integration of Serb citizens of northern part in Kosovo institutions. We consider the Amnesty Law as a relevant tool of confidence building measure in efforts of Kosovo institutions to fully integrate Serbian minority, which serves the purpose of restoring trust that has been ruined by the negative interference of Serbia since the end of war in 1999.

² For more on this issue see Ibid, page 12-13

5. CUSTOMS REVENUE COLLECTION

Good progress has been made in Customs revenue collection at the northern border crossings between Kosovo and Serbia, as well as in establishment of the Development Fund for northern municipalities. According to the Kosovo Customs' report, since December 14, 2013 when implementation of this agreement started, the overall process of collection of revenues at border crossing points Jarinje and Bernjak went well without major problems resulting with the collection of over 3 million Euros.

In the meantime, progress is marked in the process of licensing of controlled goods allowing for private companies to carry on their activities, including the mechanisms of temporary licensing in order to avoid any gap in their activities. Kosovo authorities issued 53 different licenses/certificates and another 169 temporary license certificates (temporary forms of licensing for export/import) for the companies from the northern part, which applied for licensing. Since the beginning of implementation of this Agreement, the number of private companies from north registered under the Kosovo system has increased (over 400 of them up to date).

Implementation of this Agreement not only helped establishing rule of law in this area and reducing informal economy, but it also provided an additional source for development investments in northern part to which the Government of Kosovo remains committed.

6. DEVELOPMENT FUND

The Development Fund is established in December 2014 with the aim to promote the socio-economic development of the northern part of Kosovo to the benefit of local population. The revenues collected at the northern border crossing Jarinje and Bernjak (applicable customs and excise duties including VAT) from the companies operating, and goods designated to the local population of the northern municipalities, are being transferred to the Development Fund in accordance with the Brussels Agreement and Kosovo legislation. Money in the Development Fund is public, and will be treated as such during its management and expenditure. The Development Fund has over 3 million Euros collected from revenues in two northern border crossings since December last year up to date. The Fund will increasingly grow as per flow of revenue collections as well as possible other contributions which might come from different international donors, in accordance with Kosovo legislation.

The Board of Development Fund, comprised of EUSR, the Minister of Finance of Kosovo and a Serb representative of four northern municipalities, has been working towards making the Fund operational. The Provisional Terms of Reference for functioning of the Development Fund was approved by the Board in December 2014. At this stage, the Board is working on criteria and procedures for project financing, and the Board meeting is planned to take place in the next two weeks to approve criteria and launch call for proposals for projects.

7. LIAISON OFFICES

On Liaison Offices Agreement, progress has been made following the registration of the Serbian Liaison Office in Kosovo, which was concluded on April 4, 2014 with considerable delay and only after continuous request by Kosovo side. (Kosovo and Serbia exchanged Liaison Officers on June 17, 2013).

Upon the request of the Serbian Liaison Office and Liaison Officer (LO), the Government of Kosovo has immediately conducted the registration and issued official ID for Liaison Officer, family member and the staff. Consequently, Kosovo Tax Administration Office has issued the fiscal number certificate for them.

The implementation of the Agreement on Liaison Offices still has pending issues such as official stamps of the respective Liaison Offices. Both Liaison Offices are still operating without stamps. In the last meeting held in Brussels, March 7, 2014, parties' position has been as follows: Kosovo's position was that the stamp should be same as of the Kosovo's diplomatic missions across the world, with the Republic of Kosovo coat of arms and outline text which reads: Liaison Office of the Republic of Kosovo in Serbia. The Serbian side has presented its position that stamps should be without symbols and outline text which reads: Liaison Office in Prishtina (for Serbia's office in Kosovo) and the Liaison Office in Belgrade (for Kosovo's Liaison Office in Serbia). The difference of parties over the stamps remains unresolved.

Further, there is still no agreement regarding letterheads for use in official documents. In the last trilateral meeting, parties came to understanding that the formulations and appearance of the letterheads will be same as for stamps definition.

Kosovo side raised the issue of having additional staff in both respective offices. Serbian side was not ready to talk on this issue. The EU facilitator suggested the issue to be addressed in next stages.

Regarding the handling of the requests for official visits (in Kosovo and in Serbia), we come to an agreement that both LO`s should take over the handling of the official visits. It was agreed that, unless there are objections by either party, by March 28, 2014 LO`s would assume responsibility for handling visits as of March 31, 2014. In April 4, 2014 was held a trilateral videoconference/VTC to discuss the modalities for the implementation of handling the requests for official visits by respective LO`s. However, despite the agreed solutions, Serbian side withdrew by claiming they do not have competencies to decide until the next government of Serbia is established.

8. ASSOCIATION

The establishment of the Association of Serb majority municipalities is expected to take place after the implementation plan is agreed in Brussels. The Association will follow the model of existing Association of municipalities in Kosovo, based on Kosovo law and Brussels Agreement. In this line, in December 2013, Kosovo authorities introduced to the EU a draft statute of Association designed based on Kosovo Law and Brussels Agreement. The Management Team, a transitional four member team, is operational in providing logistical/technical support and other services in line with the agreed Terms of Reference in Brussels. The members of this team, who initially refused to cooperate with the Kosovo authorities/MLGA, are changing positively towards better cooperation, and recently they have signed the contract with MLGA for receiving their salaries from Kosovo budget. Following these positive signals, MLGA remains committed to support the work of the Management team which will be operational until the establishment of the Association of Serb majority municipalities.

The Government of Kosovo maintains that establishment of this Association would take place upon the conclusion of implementation process in areas of security and justice, leading towards normal conditions of its functioning.

9. INTEGRATED BORDER MANAGEMENT (IBM)

On September 4, 2014 in Brussels, after a year of negotiations the agreement on permanent buildings was reached and signed by three parties Kosovo, Serbia and EU. This marks a crucial progress towards full implementation of the IBM Agreement and Technical Protocol. The Agreement foresees construction of the IBM Permanent Border Crossing Points following the agreed design and location, and based on the best European standards and practices. The European Commission/DG Enlargement has allocated the fund of around 21 million Euros and will be in charge of all procedures for planning and construction. The fund, comprised of IPA funds of both states, has already been earmarked and will be formally allocated in October 2014.

Similarly, after almost a year of negotiations the agreement on the Veterinary Certificate on Feed was reached in the meeting held on September 5, 2014, in addition to Phytosanitary Certificates agreed at an earlier stage of talks. As a next step, both sides will extend the model and approved language to the Veterinary Certificates for the export of livestock.

As agreed during the IBM IG meeting in September 2013, cooperation between IBM authorities of both states is at a satisfactory level, in line with the Brussels Agreement and European standards, which can be also seen through regular local and regional level meetings. The second central level meeting was held in Belgrade on September 11, 2014.

10. FREEDOM OF MOVEMENT

Concerning the Freedom of Movement, although its functioning has been rather satisfactory in this reporting period, yet some issues remain to be tackled in a more accelerated manner. The issues of Vehicle Border Insurance has remained as it was agreed in the beginning of entry into force of the Agreement on Freedom of Movement which has been a constant impediment for a free and unburdened movement of citizens from both countries. Much has been done in this regard, however the MoU that has been drafted jointly remained un-completed, and the agreement is yet to be achieved. The opening of new transit Border Crossing Points (BCP) to third countries for citizens of Kosovo as requested by Kosovo side and removing of Entry/Exit document in the designated border crossing points for Kosovo citizens had to be addressed in the

meeting of August 25, 2014, however despite the readiness of Kosovo delegation to attend the meeting in Brussels, the Serb delegation with excuse of summer holidays did not attend. On September 16, in the Brussels meeting on Custom revenue collection, the Serbian Delegation replied positively to our request of opening of new transit border crossing points in Serbia, facilitating further the freedom of movement for Kosovo citizens. This agreement provides free transit movement for Kosovo citizens to Belgrade and Nis airport as well as transit through Serbia to the third countries, including the second border crossings to Croatia and Hungary and the opening of transit border crossings point for Bulgaria, Romania, and Macedonia. This Agreement should start to be implemented within two months, and from 22 September 2014 Kosovo citizens can utilize Belgrade airport for transit. The agreement on removing Entry/Exit document in the designated border crossing points for Kosovo citizens is yet to be achieved.

We evaluate that the implementation of agreement in the area of free movement in general is running smoothly. Nevertheless, issue of removal of barricades is not yet over, although most of them are already removed, while occasionally they even generate tensions.

10.1 Tensions with barricades on the Ibër River Bridge in Mitrovica

A most notorious is the case of barricade on the Ibër River Bridge, in Mitrovica, which instead of being removed; it re-emerged as source of tensions during June, immediately after the national elections in Kosovo. In unilateral actions by Serbian side and mayor of Mitrovica North, on June 18, 2014, the barricade was removed from the Ibër Bridge and was replaced with some new type of barricade “parks” which not only continued to prevent freedom of movement but it also has been provoking tensions and insecurity with potential for destabilization of situation in Mitrovica.

The Government of Kosovo approached this situation with prudence and in full coordination with international partners, EUSR, US Embassy and COMKFOR, making all efforts to resolve the issue through Brussels dialogue, whereas trying to moderate reactions/protests of population in South Mitrovica. It took over a month of talks and tensions as well as additional actions for new barricades around the Bridge and counter reaction of population in North Mitrovica through building of some new barricades, until the plan for removal of barricades and other obstacles was reached in Brussels on July 22, 2014.

DPM Edita Tahiri, together with the delegation of the Republic of Kosovo, at invitation of the EU HR, Baroness Ashton, participated at two meetings in Brussels on the matter of removing barricades. (on 11 and 22 July 2014)

DPM Tahiri, in these meetings, presented the position of the Government of Kosovo that building of barricades is unacceptable and in contrary with Kosovo laws and Brussels Agreements; therefore, they should be removed in order to respect the freedom of movement, pursuant to the European standards. She also confirmed that the Government of Kosovo remains committed to coordinate actions with the European Union in relation to the removal of the barricades on the bridge, as well as other obstacles around it.

On July 22, 2014, at the tripartite meeting, after several hours of discussions, and with the proposal of EU, it was agreed to remove the barricades and revitalize the bridge in a gradual and parallel process, a process in which the EU will engage directly, by including financial assistance for projects aimed at improving the lives of all citizens of Mitrovica.

EU's plan includes following elements:

1. To respect the Kosovo Law
2. To conduct a technical evaluation of Ibër Bridge static structure stability by EU
3. To draft the project for revitalization of the Bridge, as well as implementation of revitalization/restoration of the Ibër Bridge by EU

In September 2014, the experts engaged by EU, will present the findings of technical evaluation to proceed afterwards with the complete revitalization and functionalization of the Bridge, in the view of free movement.

The parties also agreed to continue the moratorium which prohibits any action on placing barricades in that part, and in case of failure to comply with this moratorium, relevant institutions of the Republic of Kosovo will respond with the force of law and in the view of law enforcement.

Mayors of South and North Mitrovica, Agim Bahtiri and Goran Rakic, who were also present in the meeting expressed their commitment to engage and cooperate on normalizing the situation as well as implementing EU's plan, agreeing that this plan is in the interest of all citizens of Mitrovica.

11. FREE TRADE

On the issue of free trade between two states (Agreement on Custom Stamps), the implementation has been going rather well. Occasionally, violations of the agreement by Serbia have been identified in using illegal and provocative stamps of former parallel structures in the area of customs and any other provocative acronyms in documents. Kosovo's side has raised concerns over these issues with the EU officials and Serbian side in a few meetings held this year on IBM or customs issues; it remains to be seen if it will be resolved.

12. REGIONAL COOPERATION

Considerable progress has been made on Kosovo's membership in major regional organizations. Kosovo has obtained a full membership status with the Regional Cooperation Council (RCC), last year, and with the South Eastern Europe Cooperation Process (SEECP) on June 26, 2014. Kosovo also accepted at the Regional School of Public Administration (ReSPA) last November and joined the Venice Commission of the Council of Europe this June. Recently, it was confirmed the membership of Kosovo to the regional organizations dealing with migration, border management, and law enforcement - MARRI.

The Government of Kosovo consistently pursues the path to membership and participation in other relevant regional organizations and initiatives, although not all obstacles by Serbia are removed, despite the Brussels Agreement reached on this matter since February 2012, and, in spite of common acknowledgment that regional cooperation is beneficial to all countries and supports their European perspective. Some of examples where such obstacles are identified include membership to Center for Security Cooperation (RACVIAC), Southeast European Law Enforcement Centre (SELEC), European Directorate for the Quality of Medicine and Health Care, Initiative of the European Cooperation, Police Cooperation Convention for Southeast Europe, etc.

13. ENERGY

On energy issues, there has been a great progress. The Energy Action Plan has been signed by all parties, Kosovo, Serbia and EU, on September 15, 2014. In addition, the Inter-TSO Agreement has been also signed by Transmission operators of Kosovo and Serbia, respectively KOSTT and EMS, and Energy Community Secretariat on September 12, 2014.

It should be noted that negotiations on both issues lasted over a year since the Energy Agreement was reached on September 8, 2013 and, they were mostly held in a bilateral meetings and online communications due to election dynamics in both countries. In the first part of the year, the Framework Agreement of cooperation between Transmission operators of Kosovo and Serbia, respectively KOSTT and EMS has also been signed and guaranteed by signing from Energy Community Secretariat.

In fact, negotiations on energy issues lasted over four years, starting in April 2011 within the frame of Technical dialogue and being completed in the Normalization of relation Dialogue between both countries facilitated by EU and supported by the US.

All this progress was made possible with the outstanding role of EU Commission/DG Enlargement and Energy Community Secretariat, which has been critical in facilitating and speeding up the process.

With completing the formal approval of both documents, the Government of Kosovo is confident that we are opening a new chapter of cooperation on energy between both countries, Kosovo and Serbia, based on the European values and standards. Establishing energy relations between both states with facilitation and guarantees of EU will undoubtedly contribute to better energy services for citizens and enhancement of energy stability in the region, whereas bringing an end to illegal operators in northern part of Kosovo and to Serbia's breach of the Athens Treaty with regard to Kosovo.

14. TELECOMS

On telecoms, there is good progress in completing the Telecoms Action Plan, with a few issues still pending the settlement. Similarly as in the case of energy issues, negotiations on action plan on telecoms have been taking place for over a year since the Agreement was reached (September 8, 2013) and they were mostly held in bilateral meetings and online communications due to election dynamics in both countries. We hope that Telecoms Action Plan will be approved soon. Approval from our side will follow after closing some open issues related to the allocation of dialling code to Kosovo by the ITU on which EU is intensively engaged in cooperation with Austria, who has offered readiness to apply for a code on behalf of Kosovo.

15. CIVIL REGISTRY

The Civil Registry Agreement is fully implemented. Thanks to this Agreement, Serbia handed over to Kosovo 12,036 civil registry books (scanned copies of books certified by EULEX) that were taken from Kosovo during the war time. The scanning and verification process was carried out by three partite expert groups with facilitation of EULEX which has also certified the scanned copies of books. It took over two years for the implementation to be completed (from December 6, 2011 to March 6, 2014), although agreed timeline was 9 months. Though the pace of implementation was not satisfactory, what counts is a successful implementation of the agreement. As per Agreement, the process of scanning and verification of the books were conducted by three partite teams in Nis (Serbia), whereas certification was done by EULEX and then handed over gradually to the Kosovo authorities. The EU funded this project and technical assistance was offered by DRC as an implementing partner contracted by the EU/ EUSR.

The total of 12, 391 civil registry books belonged to the following the municipalities: Lipjan (848), Obiliq (264), Fushë Kosovë (219), Drenas/Gllogoc/ (430) Prishtinë (1013), Podujevë (1066), Gjilan (935), Kamenicë (824), Viti (726), Novobërdë (67), Ferizaj (741), Shtërpe (243), Kaçanik (167), Shtime (270), Pejë (687), Istog (642), Mitrovicë (735), Zveçan (249), Zubin Potok (409) , Leposaviq (383), Vushtrri (919) and Skenderaj (554).

We note that during the verification process, the Kosovo expert group has identified additional 320 duplicative books in Serbia that we claim to be returned to Kosovo in a spirit of the agreement, however there has been no reply from Serbian side yet.

16. CADASTRE

Regarding the implementation of the Agreement on return of cadastral documents from Serbia to Kosovo there has been no progress. Kosovo side has not yet adopted the law on a new technical agency (Kosovo Property Comparison and Verification Agency), although it has passed the first reading in the Parliament of Kosovo. The reluctance of some parliamentarians towards adopting this law and delays in inauguration of new parliamentary bodies after June's national elections in Kosovo has kept this law on hold. On the other hand, Serbian side did not make any progress on scanning of the cadastral documents due to a decision of Serbian Constitutional Court that ruled the Agreement for cadastre being in non-compliance with its constitution. Recent update from EU tells that Serbian side has overcome this obstacle by adopting a Government decree in favour of its implementation (August 21, 2014). Even though, the Serbian government has issued a decree, the EU Delegation in Belgrade decided to fund the implementation of this agreement/the scanning process; however, the level of the cadastral documents scanning is not known yet.

17. DIPLOMAS

On the issue of mutual recognition of university diplomas there was no positive progress, except for the international certification process conducted by the European Association of Universities (EAU). As reported, up to date, there was only one case where an official recognition was issued by authorities in Serbia to a dialogue based certified diploma from Kosovo institutions of higher education. In addition, Serbia's Constitutional Court ruling against the Brussels agreement on Diploma recognition further complicates the process of implementing this agreement. Furthermore, the initial agreement to employ SPARK to facilitate the process of diploma certification was reached for a two year period, until March 2014. This time has elapsed; therefore a tripartite meeting on further steps is crucial.

18. VEHICLE INSURANCE

Based on the last meeting held in 2013 the Kosovo delegation has maintained that the best solution to solving the high prices for border vehicle insurance and constraints to the Freedom of Movement is a Memorandum of Understanding between two Insurance Bureaus of Kosovo and Serbia, with the facilitation and guarantees by EU. In several meetings were held in 2014 starting from 16th of January 2014 and onward, after many ideas and positions from all (including EU) sides, the prevailing line was the MoU as requested by our delegation in all the meetings should be drafted and agreed upon by parties.

A working draft of MoU was drafted which in its substance maintained that all the vehicles coming from Kosovo would be covered with a TPL plus while vehicles coming from Serbia would be covered by the insurance based on Multilateral Green Card Agreement (only the basic insurance issued to vehicles in Serbia) will suffice as a coverage to enter Kosovo.

The CoB was agreed to be the intermediary to the agreement, which CoB as well has taken on board with, and most of the issues pertaining to the role of the CoB as the intermediary and arbiter were solved.

The issues that still remain unsolved are:

1. Both Insurance Bureaus agree in principle on the MoU, however until now there was a push and pull system were Insurance Bureaus were not consistent on their positions
2. The issue of the deposit from the Kosovo Insurance Bureau (and its member companies participatory in the agreement) was discussed and agreed to a certain degree though remains to be finalized. A great deal of leniency was shown by CoB in this regard and they have indicated that they are ready to lower the amount;
3. The issue of listing Kosovo in the list of countries covered by the Serbian insurance form remains to be agreed
4. The issue of amount of damages paid to parties in vehicle incidents (Car, Bus, Truck - including dangerous material transport)
5. To certain extend the issue of police reports was solved, were the 50 km reports witnessed by ethnic police (when a Serb vehicle is accidented a Serb police to be

present, and when Kosovo Albanian driver is accidented an Albanian police to be present in Serbia) in both sides, however some extra work is needed for the modalities

In the context of cooperation and integration of Kosovo Insurance Bureau in the CoB, which for Kosovo side is seen as a necessary process in addition to MoU with Serbian side on vehicle insurance issues, the following has been discussed:

The request by Kosovo Bureau to open a point of sale for Green Card coverage in Kosovo, were interesting ideas were put forward, and the prevailing one is that a member of CoB to open a point of sale in Prishtina. This will not impact the MoU as it will be complimentary and the Green Cards sold in Kosovo will be used for third countries.

The issue of capacity of the KIB to maintain its financial independence in an event of removing the border insurance (in bilateral relations between Kosovo Insurance Buro and CoB.

CONCLUSION

In general terms, the Government of the Republic of Kosovo considers that there has been good progress in the Brussels dialogue during the reporting period. Progress has been made in implementation process of the agreements reached in both dialogues, normalization of relations and technical dialogue, including the areas of legal and democratic functioning of four northern municipalities in Kosovo, security issues for the part of police, IBM, freedom of movement of people and goods, civil registry books which is completed, customs revenue collection, development fund, energy implementation agreements, regional cooperation.

However, a substantial progress is required to finalize the implementation process in justice issues although a substantial part of it was already agreed; on security issues for the part of dismantlement of so called "Serb civil protection structures"; on telecoms, vehicle insurances as well as developing the implementation plan for establishment of the Association of Serb majority municipalities. Furthermore, the agreements on mutual recognition of university diplomas and cadastral records are pending implementation.

The Government of Kosovo maintains that the acquired progress is relevant, however a lot more remains to be done in the future, for which a political will of Serbia to fulfil the obligations is essential.

The Brussels dialogue succeeded in making a breakthrough in efforts of normalization of relations between two states. Thanks to the consistent facilitation by EU and full support by the United States, relations between two states of hostile past are being transformed into a European model of cooperation.

List of abbreviations

BCP – Border Crossing Point
DPM – Deputy Prime Minister
DRC – Danish Refugee Council
CEFTA - Central European Free Trade Agreement
CPS – Civil Protection Structure
CoB - Council of Bureaux
EEAS – European External Action Service
EMS - Serbian Transmission System and Market Operator
EU – European Union
EUA - European University Association
EULEX - European Union Rule of Law Mission in Kosovo
EUSR – European Union Special Representative
HR – High Representative of the Union for Foreign Affairs and Security Policy
IBM – Integrated Border Management
IG – Implementation Group
ITU – International Telecommunication Union
KOSTT - Kosovo Electricity Transmission System and Market Operator
KP – Kosovo Police
KPCVA - Kosovo Property Comparison and Verification Agency
MARRI - Migration, Asylum, Refugee Regional Initiative
MoU – Memorandum of Understanding
MLGA - Kosovo Ministry of Local Government Administration
MUP - Ministry of Interior Serbia
OSCE - Organization for Security and Co-operation in Europe
PM’s – Prime Ministers
RACVIAC – Center for Security Cooperation
RCC - Regional Cooperation Council
ReSPA - Regional School of Public Administration
SEECF - South-East European Cooperation Process
SELEC - Southeast European Law Enforcement Centre