



**REPUBLIC OF SERBIA
GOVERNMENT**

OFFICE FOR KOSOVO AND METOHIJA

**PROGRESS REPORT ON THE
DIALOGUE BETWEEN BELGRADE AND
PRIŠTINA**

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Contents

Introduction	2
A) Social and political situation in Kosovo and Metohija	3
B) Security situation in Kosovo and Metohija.....	4
C) Obligations stemming from the First Agreement	5
1. Community of Serbian Municipalities	5
2. Police	7
3. Judiciary	8
4. Local elections	9
5. Energy	9
6. Telecommunications	11
7. EU integrations	12
D) Obligations stemming from technical agreements.....	13
1. Cadastre.....	13
2. Registry books.....	15
3. Customs stamp	15
4. University diplomas	15
5. Freedom of movement	15
6. Regional representation.....	16
7. IBM (integrated boundary management)	18
8. Liaison officers	18
E) Other topics	19
1. Levying customs duties	19
2. Development Fund for the North of Kosovo	19
3. Vehicle insurance	20
4. Free trade	21
5. “Peace Park” on the Kosovska Mitrovica bridge.....	22
6. Civil protection	23
7. Agreements and dialogue between the chambers of commerce	25
Conclusion	27

Introduction

Mindful of the unequivocal commitment of the Government of the Republic of Serbia to continue to actively contribute to regional stability by means of intensifying the dialogue on the normalization of relations between Belgrade and Priština, as well as the Republic of Serbia's ambition to provide support, within the scope of its capabilities, to every effort conducive to accelerating the processes of European integrations in the Western Balkans, this Report represents a systematic, written testimony of the utmost dedication of the Serbian side to verbatim implementation of the First Agreement of Principles Governing the Normalization of Relations, the Implementation Plan, and all related documents stemming from the hitherto course of the dialogue.

Results achieved so far in the course of the Belgrade-Priština dialogue are best appraised by a systematical review of what has been agreed and what has been implemented across three clusters of issues. The first cluster consists of the issues and processes stemming from the political segment of the dialogue, pursuant to the First Agreement of Principles governing the Normalization of Relations, and related documents. The second cluster encompasses issues stemming from the so-called Technical Agreements reached under the EU facilitation. The third cluster involves issues stemming from arrangements aimed at resolving and overcoming less important, daily problems, whose persistence decelerates the process of normalization.

It must be emphasized that the past semiannual period was marked by a standstill in the political dialogue, due to the known crisis concerning the formation of the government of the Provisional Institutions of Self-Government in Priština, which lasted almost a year, ending in January 2015. However, as soon as Priština was able to send its delegation, the Agreement on Judiciary was reached, and the Serbian side is vigorously engaged in implementing it. Technical dialogue on other pending issues, such as energy and telecommunications, is also ongoing, with the overall impression that Priština is resorting to various means in trying to sabotage the reaching of resolutions in these fields. In the meanwhile, a temporary agreement concerning the bridge over the Ibar River and the "Peace Park", the so-called "Žbogar Plan", has been reached, and Serbia is complying. Similarly, the Agreement on Civil Protection has been reached and its successful implementation is expected in the upcoming period. Talks facilitated through the chambers of commerce are also ongoing.

Despite the evident progress, the impression is that several vital circumstances are still significantly and adversely affecting the process of the dialogue: firstly, a deviation from the dynamics of implementing the First Agreement which is clearly set forth by the Implementation Plan; secondly, evident absence, on the ground, of the leading role by facilitators in the dialogue and other international missions in Kosovo-Metohija, in terms of the full implementation of the agreed; thirdly, Priština's incessant attempts to include the issue of status in each topic initiated in Brussels, thereby directly violating the status neutral format of the dialogue, as agreed at the very beginning of the process; fourthly, lack of clear incentives for the negotiating sides, primarily concerning the uncertainty of the dynamics in the process of European integrations.

A) Socio-Political situation in Kosovo and Metohija

Socio-Political situation in Kosovo and Metohija for the period October 2014 through March 2015 can be described as unstable and complex.

After the Government of the Republic of Serbia has, for the first time ever, called on the Kosovo and Metohija Serbs to participate in the parliamentary elections for the Provisional Institutions of Self-Government, in December 2014 the so-called Government of Kosovo was constituted from the ranks of the major Albanian parties (LDK and PDK) and the “Serbian List” (“Lista Srpska”). This was preceded by several months of pronounced political instability, precariousness, institutional blockade, and stalemate in the negotiations between Belgrade and Priština. The root cause of such an adverse socio-political development was the inability of the major Kosovo Albanian political parties to reach a minimum of consent on the common goals, priorities and joint participation in the government. Following the conclusion of the Coalition Agreement between LDP, PDK and the Serbian List in December 2014, it appeared that the period of instability was over, and that the new government in Priština would start addressing the accumulated political, social and economic issues.

Unfortunately, such predictions soon proved to be overoptimistic. The new government has been perceived by many citizens as an unprincipled coalition, one incapable of, and lacking the political will to, adequately address the main challenges. The momentum was lost, thus allowing the society and the public discourse in Kosovo and Metohija to slip back into the negative spiral of interethnic bigotry, instability, and violent political protests, without a clearly defined platform for resolving problems in economy.

Consequences soon became apparent; the most blatant illustration of this negative socio-political dynamics was the eruption of mass exodus of the Albanians leaving Kosovo and Metohija in tens of thousands, in pursuit of a better life in the EU member countries, abusing the Agreement on the Freedom of Movement between Belgrade and Priština. In response, Director-General of the Police of the Republic of Serbia and the PISG representatives from Priština made an arrangement in Brussels, thereby defining and initiating measures to put an end to this negative trend of mass emigration from Kosovo and Metohija.

On the other hand, violent political street protests against the government in Priština were further radicalized with the use of anti-Serbian rhetoric, and employed as a leverage to pressure Isa Mustafa to dismiss Minister Jablanović from the Serbian List. This led to a crisis within the ruling majority, as well as to freezing of all activities of the Serbian representatives in the Provisional Institutions of Self-Government in Priština. The situation was additionally aggravated by the failure to observe the key points of the Coalition Agreement signed with the Serbian List, primarily those concerning privatization of property in Serb-inhabited areas in Kosovo and Metohija, and also those concerning formation of the Community of Serbian Municipalities. Such attitude of Albanian political parties vis-à-vis the Coalition Agreement, signed and its verbatim implementation guaranteed by Isa Mustafa and Hashim Thaci, totally demotivated the Serbian representatives from taking part and working within the Kosovo and Metohija institutions. Consultations on the return of Serbian representatives to the Kosovo and Metohija institutions continue, and the Government of the Republic of Serbia provides supports

and assistance in finding an acceptable solution for overcoming the political crisis and instability in Priština.

In the meantime, legal violence and ethnically motivated attacks against Serbs, their property and facilities of the Serbian Orthodox Church persist throughout Kosovo and Metohija. Combined with reports on corruption at all levels of public administration, involving both Kosovo and Metohija institutions and the international missions, all contribute to the general impression of the unacceptable lack of the rule of law across Kosovo and Metohija.

B) Security situation in Kosovo and Metohija

The rise in security risks was a result of the pronounced economical and political discontent, while the situation particularly deteriorated since the beginning of 2015. In addition to the protests in healthcare, education and judiciary, over previous months we witnessed violent political street protests with an amplified nationalistic charge.

More recent security challenges encountered by the Provisional Institutions of Self-Government include massive migrations, religious extremism and attempts to prevent recruitment and departure of locals to fight in foreign war zones.

A decided constant in the security situation in Kosovo and Metohija are the ethnically motivated attacks. From 1 October 2014 to 24 March 2015, there was a total of 37 ethnically motivated attacks against Serbs. Most of them involved houses and facilities owned by the returnees in Klina, Peć, Kosovo Polje and the village of Babljak (Municipality of Uroševac). Offensive graffiti were sprayed on the Visoki Dečani Monastery and gravestones were damaged. All attacks were duly reported to the Kosovo Police which carried out site investigations and reporting.

Here are a few examples of the ethnically motivated attacks:

- In October 2014, three Molotov cocktails were thrown at the “YU Program” residential apartment building in Kosovo Polje, targeting premises which are the meeting place of the Serbs. In parallel, intimidating messages, “Serbs are racists” and “Kill the Serb”, were sprayed on the facade of the building. In Klina, stones were pelted at seven houses of the Serbian returnees.
- In November 2014, 29 houses were burgled in the village of Ljevoša, Municipality of Peć. In the village of Drsnik, Municipality of Klina, two firearm bursts were shot in the direction of a returnee who was working in the field.
- In December 2014, six houses of the Serbian returnees were burgled in the village of Babljak, Municipality of Uroševac, during the absence of their inhabitants.

Below are several selected attacks on the religious facilities and graveyards:

- In October 2014 graffiti were sprayed in black and red on the property of the Visoki Dečani Monastery, reading: “ISIS” (Islamic State of Iraq and Syria), “Caliphate is coming”, “UCK” (the so-called Kosovo Liberation Army), AKSH (Albanian National Army), along with two

graffiti in the Arab script. While the Kosovo Police was carrying out a site inspection, a group of Albanians shouted “UCK” from the distance of approximately 100 meters.

- In December 2014, the autumn planting of crops was destroyed on the property of the Monastery of SS. Cosmas and Damian in the village of Zočište, Municipality of Orahovac. Also, “UCK” and “Kosovo” graffiti were sprayed on the wall in the port of the monastery.
- In January 2015, marble tombstones were stolen from the desecrated and ruined Orthodox Christian graveyard in the village of Donja Srbica, Municipality of Prizren. This Orthodox Christian graveyard had been initially destroyed in 1999, following the pull out of the Serbian security forces from Kosovo and Metohija. On 6 January 2015, a large number of Albanian protestors, gathered outside the Monastery of the Dormition of the Mother of God in Đakovica, prevented a group of Serbian IDPs from celebrating the Christmas Eve. Also, the “UCK” graffiti were sprayed on the Orthodox Church in Lipljan, as well as on the enclosing wall around the Orthodox Church in Đakovica.
- In February 2015, the “UCK” graffiti were sprayed on the main gate of the SS. Cyril and Methodius Seminary in Prizren.

All these incidents suggest that the security of the Serbs, and the security of the Serbian cultural patrimony in Kosovo and Metohija, was at an unsatisfactory level in the reporting period.

C) Obligations stemming from the First Agreement

1. Community of Serbian Municipalities

Despite the fact that the first six points of the Brussels Agreement are dedicated to the establishment of the Community of Serbian Municipalities (CSM), no steps have yet been taken towards its establishment.

The facts that the opening points of the Agreement are devoted to the CSM and that the provisions on CSM make up almost a half of the First Agreement, clearly indicate the importance of this matter. It should be noted that the CSM is a warranty to the remaining Serbian people in Kosovo and Metohija that fundamental human rights and freedoms would be observed, and also a prerequisite for establishing an elementary degree of trust that what was agreed in Brussels would be observed.

The establishment of CSM is both a necessary prerequisite and a toll to resolve the array of issues which are still pending, such as those concerning the structuring and operation of the local self-government system in the north of Kosovo* (the so-called “parallel institutions”), education, health, social protection, economic development, etc.

In order to ensure immediate and complete implementation of the First Agreement of Principles governing the Normalization of Relations, and also seeking to provide a starting point for the continuation of talks on the crucial accomplishments made so far in the framework of negotiations under the auspices of the European Union, the Serbian side presented to the international mediators in the process of Belgrade-Priština dialogue, the Draft Statute of the Community of Serbian Municipalities.

The Draft Statute of the Community in no way constitutes an attempt to revise what was already agreed; rather, it is an effort by the Serbian side to ensure full implementation of matters previously agreed upon and to constructively contribute to the progress of the dialogue.

It should be underscored that the Draft Statute provides for the CSM to execute its role on the territory of the member municipalities.

There are at least three problems which render uncertain the establishment of the CSM and consequently also the implementation of the Brussels Agreement, given that the establishment of the CSM is the focal point of the First Agreement. The first problem is the discord among two sides about the nature of the CSM. The second one is conditioning the establishment of the CSM with resolving of other issues in the dialogue. The third problem is the need to adjust the Kosovo legal framework, in line with the First Agreement and Implementation Plan.

Discord about the nature of the CSM

The Priština side insists that the CSM is the same as the Association of Kosovo Municipalities, already present in Kosovo as an association of units of local self-government, and that therefore it is necessary to establish the CSM in accordance with the current Kosovo legislation. For the Serbian side, this is unacceptable interpretation of the provisions of the Brussels Agreement, for the following reasons:

a) Had the CSM been envisioned as a counterpart of the already existing Association of Kosovo Municipalities, there would have been no need to bring it up in the First Agreement, because the right to its establishment would have already existed, irrespective of the negotiation process taking place in Brussels. Quite the contrary, the arrangement on the establishment of the CSM came as a result of a written political agreement, reached under the EU mediation and guarantees. Also, the irrefutable fact is that Points 4, 5, 6, as well as Point 9 of the First Agreement of Principles governing the Normalization of Relations, provide for and clearly define the role of the CSM as significantly different from the role of any existing forms of associating recognized by the current Kosovo legal framework. That primarily pertains to the role of the Community in the areas of economic development, education, health, urban and rural planning, participation in the police personnel matters, as well as the foreseen option of Priština transferring additional competences to it;

b) Should the CSM remain without a clearly defined role in terms of the collective exercise of competences of mutual significance for member municipalities, or the oversight option in the areas specified by the First Agreement, the existence of the CSM would be rendered utterly pointless for the Serbian people in Kosovo and Metohija, and it could not be expected to safeguard their rights and assume the obligations set forth by the First Agreement;

c) The primary objective for the establishment of the CSM is to provide the highest possible level of the quality of life, human rights and equality of all citizens, in the spirit of the fundamental purpose of the First Agreement – to recognize the need to institutionalize the

uniqueness of the position of the Serbian people in Kosovo and Metohija, and to ensure conditions for their sustainable survival. This cannot be achieved if we are to accept Priština's interpretation, which denies the CSM any possibility of protecting the minimum of legitimate interests of the Serbian people in Kosovo and Metohija.

Conditioning the establishment of CSM with resolving other problems in the dialogue

Such attitude is counterproductive since it puts off the implementation of the already agreed-upon issues, hinders the continuation of the dialogue, ushers mistrust and doubt in the possibility of implementing the most significant provisions of the First Agreement, and therefore calls into question the very essence of the process.

Adjustment of the legal framework of the PISG in Priština

The Brussels Agreement wording nowhere mentions that the CSM is to be established in line with the "current legislation". Quite the contrary, Point 4 of the Agreement solely refers to the European Chart and the Kosovo law as the frameworks in which the CSM is to exist. If we add to that the obligation of adjusting the legal framework provided in the Implementation Plan, it becomes absolutely clear that this is an entity which is in its nature different from the Association of Kosovo Municipalities and which inevitably requires the adjustment to the legal framework.

2. Police

The Republic of Serbia undertook appropriate measures to ensure that integration of Ministry of Interior (MoI) employees into Kosovo and Metohija security structures is executed successfully, efficiently and within the agreed timeframes.

Out of 337 former MoI employees who took part in the process of integration, 287 are successfully integrated, having previously retired, 27 withdrew from the process or resolved their status in a different way, whereas the remaining 23 candidates have not yet been integrated, with their applications refused on the grounds of insufficiently explained "security reasons".

Integration of 74 former MoI administrative and technical staff is not executed yet. We were informed by the EEAS that there is an offer for 34 persons to be integrated in the Provisional Institutions of Self-Government (PISG) in Priština, whereas remaining 40 will be on the PISG payroll and their final status will be resolved after municipal budgets in the north are adopted.

Similarly, 15 former employees of MoI Directorate for Food and Accommodation are not involved in the process of integration at all. Despite the fact that this group of staff have not been discussed in the negotiations, we hold that that a proper solution for their status must be found too.

Out of 64 employees in the Firefighting unit, status of 30 in Northern Kosovska Mitrovica has been temporarily resolved, whereas integration solutions are still pending for the remaining 34.

As agreed, the Republic of Serbia secured the funds and has been disbursing pension payments for 1,200 former MoI employees from Kosovo and Metohija.

The Republic of Serbia is committed to continue to fully observe the First Agreement on Principles governing the Normalization of Relations and the Implementation Plan, and calls for the process of integration of police to be conducted to the full extent, and requests that Priština complies with the undertaken obligations.

Members of the Working Group on Police from Belgrade have repeatedly pointed out at previous meetings that provisions of the First Agreement, providing for the full integration of all former employees of the Ministry of Interior of the Republic of Serbia in the appropriate Kosovo structures, must be fully observed by employing the administrative staff in equivalent administrative positions and firefighters in fire brigades, while endeavoring to preserve their acquired labor rights and status to the highest extent possible.

We expect that both the appointments of the managing staff of the Regional Police Directorate of Mitrovica North and the establishment of the organizational structure, unfold in full compliance with the principle of conforming the ethnic structure of employees to the local community ethnic structure, pursuant to the Agreement.

The position of the Regional Commander of the Police Directorate of Kosovska Mitrovica – North is currently being held by the Acting Commander, and the final appointment will only be carried out after the Community of Serbian Municipalities has been formed pursuant to Article 9 of the First Agreement.

Provisions laid down in Article 9 of the First Agreement must be integrated in the Kosovo legal framework, by amending the Kosovo Law on Police, which has not yet been done.

3. Judiciary

The Agreement on Judiciary was reached and initialed at the talks held in Brussels on February 9-10, 2015, owing to the extraordinary efforts and a constructive stance of the Serbian side. At the meeting held in Belgrade on March 9, 2015 between representatives of the Serbian Government's Ministry of Justice and the Office for Kosovo and Metohija on one side, and the representatives of EEAS and EULEX on the other, implementation of the Agreement on Judiciary was agreed.

It was agreed that job vacancies for judges and prosecutors would be published on 25 March 2015, with the deadline for applications expiring on 25 May 2015, and that judges and prosecutors would be appointed by 25 August 2015. The last day in office for the judges and prosecutors within the existing system would be 31 August 2015, whereas their first day in office in the Kosovo and Metohija legal framework would be 1 September 2015. Furthermore, via EU

facilitation, Priština offered for a *supervising judge in charge of the branch/judge rapporteur* to be appointed from the ranks of Serbian community in all court branches located in parts of southern Kosovo and Metohija where Serbs constitute ethnic majority.

As to the administrative staff, whose number exceeds the number of positions reserved, it has been arranged to proceed by appointing the most qualified individuals. It has been agreed that Priština provides the organizational structure of all jobs in the courts and prosecutor's offices, in order to prepare decisions for appointments.

At the meeting held on 9 March 2015, a list of staff employed in Serbian judiciary bodies in Kosovo and Metohija was handed over to the representatives of EEAS and EULEX. Thereupon was agreed that Serbian side would be provided a list of Serbs already integrated in the Kosovo and Metohija judiciary, so that those individuals could be omitted from the list of staff to be integrated.

Several problems in the process of integration have been identified: legal problems; amount of future salaries for the employees; administrating pension insurance; overstaffing; possibility of employing approximately 30 court assistants; accommodating and equipping the premises of the courts; possibility that the court president could at the same time be a member of the Kosovo Judicial Council.

Integration process and method of verifying those Serbian judiciary decisions that are in the interest of both sides will be conducted through the already agreed form of document ("validity appeal").

4. Local elections

Local elections were held in accordance with provisions of the First Agreement and the Implementation Plan, and the local authorities in Kosovo and Metohija were successfully constituted.

5. Energy

The so-called Energy Arrangement, governing future relations between the EMS and KOSTT was initialed in Brussels on 08 September 2013, in the framework of the political dialogue at the prime-ministerial level. The Arrangement provides that the EMS should support the efforts of KOSTT in becoming a member of ENTSO-E Association and in becoming a separate control area, and that Priština, in turn, would facilitate registration of two new companies to deal with the wholesale electricity trade and the supply and the distribution services.

In keeping with this Arrangement, the Contract on Interconnection and Contract on Service Provider were signed between the EMS and KOSTT on 15 September 2014. Closure of these contracts, in accordance with the Arrangement, facilitated the initialing of the Action Plan on 19 September 2014, and the latter was then handed over to the EU representatives.

By providing active support, the EMS has fully performed the obligations stemming from both the Agreement and Action Plan and enabled for KOSTT to establish the control area¹ as of 1 June 2015, expecting that Priština would fulfill its part of obligations elaborated in detail in the Action Plan.

Following the talks with the EU and Priština representatives about complying with obligations stemming from the Arrangement, on 20 November 2014 persons authorized by EPS submitted application for the registration of two companies to the so-called Kosovo Business Registration Agency, in keeping with the Action Plan (Point 5.1), namely, the “EPS Trgovina Ltd. Kosovska Mitrovica” (which is to operate in wholesale electricity trade) and “Elektrodistribucija Sever Zubin Potok Ltd” (established by the Assembly of the Municipality of Zubin Potok a day earlier), which would deal with the supply and distribution services in accordance with the Arrangement and the Action Plan.

The Priština side afterwards informally agreed to register the company “EPS Trgovina Ltd Kosovska Mitrovica”², and requested additional documentation.³ On the other hand, registration of the company “Elektrodistribucija Sever Zubin Potok Ltd” was rejected as illegal, and the Office of Prosecutor in Priština summoned Stevan Vulović, the Mayor of Zubin Potok, for a hearing for having issued such a decision.⁴

The next rounds of talks on the implementation of said Arrangement were held in Vienna on November 26, 2014 and in Brussels on December 16, 2014. Serbian side requested that Priština desist from violating the Arrangement and the Action Plan, observe its own laws and facilitate the establishment of the company having as its founder the Municipality of Zubin Potok.

No progress has been made whatsoever since then, despite the repeated insistence from our side to the EU officials for Priština to meet its obligations.

On March 24, 2015, the Priština side informally announced its consent to have EMS as the founder of the electricity supply company (originally planned to be established as “Elektrodistribucija Sever Ltd. Zubin Potok“), and to grant this company the license for the supply of electricity. It was also suggested that said company should negotiate the distribution services with the KEDS. Such proposal is not in accordance with the Arrangement and Action Plan.

Belgrade has repeatedly requested from Priština and the EU representatives that PISG should carry out their obligations assumed under the Arrangement and Action Plan, and to:

¹ With the new borders towards the EMS (SS Novi Pazar), MEPSO (Macedonia), CGES (Montenegro) and OST (Albania) transmission system operators.

² The Serbian side was informed by Edita Tahiri at the meeting held in Vienna on November 26, 2014, that there are no obstacles to the registration of the company EPS Trgovina Ltd. Kosovska Mitrovica.

³ This additional documentation was submitted to the Agency by EPS on March 25, 2015.

⁴ It was indicated that it “was not in accordance with the Kosovo laws”, i.e. that the request for registration was in contravention with the provisions of the Article 17 of the Law on Local Self-Government (03/L-040).

- Enable registration and issue necessary electricity supply licenses to the company “Elektrodistribucija Sever Ltd. Zubin Potok“, featuring the Electric Power Industry of Serbia as the founder, which is fully in line with the Action Plan;
- Adjust the legal framework governing public enterprises, in order to provide for the right of a municipality from the north of Kosovo and Metohija to establish the electricity supply company;
- Provide in writing a positive response on the registration of EPS Trgovina Ltd. Kosovska Mitrovica (founded by the EMS), for which oral consent was provided.

Drawing from negative past experiences when it comes to meeting obligations set out in the First Agreement and related to the establishment of the Community of Serbian Municipalities, the Republic of Serbia conveyed to the EU representatives concerns that any perseverance on the part of Priština to evade meeting its obligations stemming from the Energy Arrangement and the Action Plan may cause serious consequences on the ground and additionally jeopardize negotiations with the PISG.

6. Telecommunications

The Agreement on Telecommunications was reached between the Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia (hereinafter: the Ministry) and the representatives of EU and Priština on 8 September 2013.

European Commission proposed the Draft Action Plan for the implementation of this Agreement. Representatives of the Ministry who conducted negotiations and accepted the Agreement on Telecommunications, informed the EU representatives that, in general, this Draft Action Plan was acceptable. By contrast, Priština requested to amend said plan, in the part that “Kosovo” should be the holder of “country dialing code”, which was rejected both by our side and the EU.

The fine-tuning in terms of harmonizing the Draft Action Plan⁵ is now pending.

As to the solution for the dialing code, the European Commission has repeatedly proposed the wording which would be published in the ITU Bulletin upon consent from the Government of the Republic of Serbia.

„The Administration of the Republic of Serbia agrees to the Director of TSB assigning the following international codes to Kosovo:

E.164 Code (as defined in Recommendation ITU-T E. 164 section 4.1): 383

E.212 Code (as defined in Recommendation ITU-T E. 212 section 3.3): 221

Q.708 signaling area network code (SANC): 7-214.

⁵ In the framework of the Draft Action Plan the first contentious issue relates to the dialing code, followed by issues defined in Points: 4.3 ensuring the right of the existing operators to submit the application in order to regulate their statuses, and that those mobile operators, operating without an authorization, will cease transmission and resolve the presence of their infrastructure in Kosovo and Metohija; 4.4 the issue of the transfer of fixed assets for the fixed telephony to the new company; and 6 possibility of initiating an appropriate request for the expansion of the infrastructure of the new company.

The Activation dates of these codes and the transition from the currently used codes to these assigned codes will be advised later“.

In consultations with the ITU, it was confirmed that Chapter E.164 (as ITU recommended) should not prejudice the status of the Autonomous Province of Kosovo and Metohija, nor delve in the domain of the politics as to allocations of country dialing codes, but rather that this solution should imply allocation of a dialing code for a “specific territory” (geographical principle), as provided for by the ITU’s regulations as an option and as permitted in practice irrespective of the international and legal status of a subject territory.

Also, the same ITU recommendations foresee that such dialing code can be allocated only to states for their specified territories. In accordance with this, the ITU dialing code (+383) is allocated to the Republic of Serbia for the “territory of Kosovo”.

Within the scope of the Draft Action Plan, Belgrade requests guaranties for the “interconnection”⁶ between the existing dialing code +381 and the new one, +383, during and after the transitional period as foreseen by the Action Plan.

Regarding Austria’s proposition to mediate in the matter of resolving the issue of dialing code, as communicated to the Serbian side by the EU in the meanwhile, the proposed wording is unacceptable for Belgrade and the Serbian side holds that there is no need for Austria to initiate this procedure.

Telecom Serbia JSC Belgrade made all necessary decisions, taking into consideration provisions of the Draft Action Plan and the Kosovo laws, in order to register the company in Kosovska Mitrovica.⁷ Priština rejected Telecom Serbia JSC Belgrade as the founder of the new company, citing that this act is not in contravention with the Kosovo Law on Business Organizations, but that this is politically unacceptable, as assessed by Edita Tahiri.

In accordance with the Draft Action Plan and “the Law on Business Organizations of Kosovo”, Serbia expects that the registration of the company in Priština by the Telecom Serbia JSC will be facilitated. Similarly, the Serbian side expects to receive clear written guaranties by Priština and the EU that this company will be granted licenses, as proposed in the Draft Action Plan, on the same day of approval of the dialing code for the “Kosovo territory”, following Belgrade’s consent.

7. EU integrations

After being granted the status of the candidate country on March 1, 2012, in June 2013 the Republic of Serbia was also granted the opening date for the EU accession talks, and on January 21, 2014 the accession negotiations were formally opened. These negotiations are structured in 35 chapters, among which the last one bears specific importance and thus is to be

⁶ To charge and dial all calls between dialing codes +381 and +383 (by dialing only local dialing code) as if they were local.

⁷ “MTS Ltd Kosovska Mitrovica”. Granting the licensing to this company has been conditioned by ceding of the dialing code to Priština.

opened first and closed last, since it concerns cooperation with neighbors, with a special focus on full normalization of relations with the Provisional Institutions of Self-Government (PISG) in Priština. In relation to this, the Republic of Serbia signed the First Agreement of Principles governing the Normalization of Relations with PISG in Priština on April 19, 2013 in Brussels. Article 14 of said Agreement stipulates that neither party will block, nor encourage others to block, the other side's progress in their respective EU path. However, it seems that Republic of Serbia is the only party complying with this article, as opposed to Priština, whose officials constantly use their public statements to call on the EU to exert pressure on Belgrade to meet Priština's demands and resolve issues that fall outside the framework of the agreements brokered so far, whereas Belgrade refrains from such acts. Furthermore, it is Belgrade that often acts proactively in alleviating Priština's position in many regional organizations.

Additionally, since the key requirement for the opening of negotiating chapters is the implementation of the signed agreements, by not implementing the subject agreements Priština is directly blocking Serbia's European agenda and bringing it to a halt. Examples of such obstruction abound in the areas of energy and telecommunications. However, the biggest problem in terms of Priština's non-compliance with the First Agreement concerns the formation of the Community of Serbian Municipalities (CSM); this procrastination effectively renders it impossible to resolve problems in a number of areas that CSM is to be administering, and on whose resolving, in turn, depends the pace of Serbia's progress in the process of its EU accessions.

D) Obligations stemming from the Technical Agreements

1. Cadastre

The Republic of Serbia has been implementing the concluded Agreement on Cadastre in its entirety. In line with this Agreement, the European Union allocated funds for the project to Serbia's Republic Geodetic Authority (RGA), through the EU Delegation in Belgrade. Subject donation contract between the EU Delegation and the RGA was signed in August 2013, and the handover of the first batch of digitalized copies to the EU Special Representative in Priština was executed on January 24, 2014. To date, the RGA has been performing its part in keeping with the agreed dynamics.

By contrast, the so-called Government in Priština approved the Draft Law on Kosovo Agency for Comparison and Verification of Property on February 5, 2015, and submitted it to the Assembly for adoption. The subject law directly violates the Technical Agreement on Cadastre closed between Belgrade and Priština, by creating conditions for legalization of the unlawfully seized property of the Serbs. The Office for Kosovo and Metohija analyzed the draft and established its non-compliance with the Technical Agreement on Cadastre on several grounds, as follows:

1. The Tripartite Implementation Group, provided for in Article 2 of the Technical Agreement, to oversee the Technical agency, selected by the EU in consultations with both parties, has not been formed;

2. Article 2 is additionally violated in the part stipulating establishment of a Technical Agency by the EU, by means of having it effectively replaced by the Agency for Comparison and Verification of Property, whose formation is not envisioned in the Technical Agreement;
3. Also violated is Article 4, which provides that the Technical Agency formed by the EU shall issue decisions on the validity of cadastral records (by means of cross-referencing the cadastral logs), since those competences are transferred to the Agency for Comparison and Verification of Property, as stated in Article 4, point 2, bullet 1 of the subject draft law;
4. Article 14 of the draft law, in contravention with the Technical Agreement, provides that the Agency for Comparison and Verification of Property shall decide about the validity of cadastral records, thus deciding on the proprietor of assets, and that the final decision by the Agency shall be registered in the Cadastre pursuant to Article 20 of the draft law;
5. The Draft Law does not refer to the rights of Belgrade nor the role of the Serbian cadastral experts in the process of verification, as stemming from Article 2 and, in part, from Article 1 of the Technical Agreement;
6. This Draft Law is also in violation of Article 81 of the so-called Constitution of Kosovo, which defines the required majority vote of the minority deputies when Assembly is adopting “laws of vital interest”, given that Serbian deputies are presently not attending the sessions of the Kosovo and Metohija Assembly.

Representatives of the Serbian and other non-majority communities were neither given opportunity to participate in the process of drafting nor were able to provide their comments on the draft law before its adoption, despite the fact that the drafting process took over two years. The Serbian version of the draft law abounds in grammatical and spelling errors, rendering some sections hardly comprehensible (e.g. Article 14, point 4); in addition, certain provisions of the draft law differ in two official translations (e.g. Article 14, point 3). Further, the draft law does not contain clear statement of the purpose of its adoption. The manner in which this draft law is structured and its provisions are organized, does not meet elementary nomotechnical rules for the legal and technical layout of a legal act.

In cases where the Agency decides on the holder of the title to certain material right over an immovable asset, the right of appeal to the Supreme Court of Kosovo and Metohija does not comply with the requirements laid down in Article 13 of the European Convention on Human Rights on the right to effective legal remedy. Further, the issue of procedural preconditions for conducting fair proceedings by the Agency has not been considered in a duly comprehensive manner. For example, provisions of the draft law fail to regulate the manner of warranting client’s right to be informed in a timely manner about the inconsistencies in the cadastral records regarding the asset claimed by the client.

Adoption of this law could cause irreparable damage to the Serbian community and gravely jeopardize its interests by allowing legalization of the unlawfully seized assets, and this contravenes both the signed agreements and the fundamentals of any legal order and, in particular, the *acquis* of the present day European society.

2. Registry books

The Republic of Serbia successfully implemented Agreement on Civil Registry Books in its entirety.

3. Customs stamp

The Republic of Serbia implements the Agreement on Customs Stamps in its entirety. Solutions from this Agreement are applied in all documents involved in the traffic of goods (e.g. veterinarian and phytosanitary certificates). We hold the implementation of this Agreement to be highly successful.

4. University diplomas

The Republic of Serbia fully implements the Agreement on University Diplomas, whereby diplomas issued by the universities in Kosovo and Metohija and subsequently certified by the European University Association from Brussels (EAU), are treated in the same manner as any other document issued by institutions of higher education that are not accredited in the Republic of Serbia. Diplomas issued by the universities from Kosovo and Metohija and certified by EAU, undergo the same procedure in the Republic of Serbia as the diplomas issued by e.g. the University of Vienna, Oxford University, Cambridge University, etc. This approach to the issue of diplomas is full in keeping with the Agreement on University Diplomas and the European practice in this field.

However, the issue of the University of Kosovska Mitrovica remains open, given that its diplomas are not recognized by Priština, regardless of the EAU certificate. This constitutes a major problem for the students who successfully graduate from this University which is accredited by the Republic of Serbia and, consequently, is a member of numerous international university associations and organizations.

Both sides consider that the Agreement on University Diplomas failed to provide the expected results.

5. Freedom of movement

The freedom of movement regime is established under the Technical Agreement on the Freedom of Movement, agreed in Brussels with the EU facilitation.

The Agreement on the freedom of movement has been expanded on 22 September 2014 to include “Nikola Tesla” Airport in Belgrade and on 15 November 2014 to include the border crossings at “Konstantin Veliki” Airport in Niš, Kelebija/Tompa, Gradina/Kalotina, Preševo/Tabanovce and Šid/Tovarnik. It is currently being implemented at six joint crossing points (JCP) and eight border crossings.

Under this agreement, when crossing the administrative line and the state border, and when entering the Republic of Serbia, persons from Kosovo and Metohija holding the

identification documents issued by Provisional Institutions of Self-Government from Priština are issued the Entry/Exit Document valid for maximum of 15 days. Minors are issued Entry/Exit Document on the basis of birth certificate and a photograph.

The abuse of the right to the freedom of movement lead to the increase of the number of persons from Kosovo and Metohija who attempted to illegally cross the border between the Republic of Serbia and Hungary in order to proceed to the European Union. This, in turn, resulted in the increased engagement of certain resources of the Republic of Serbia and in rising of costs.

Control at every joint crossing point has been enhanced and all alternative roads leading from Kosovo-Metohija to central Serbia have been closed. Also, measures for the enhanced protection of the state border between the Republic of Serbia and Hungary have been taken in order to ensure detection and prevention of illegal crossing of the state border by persons from Kosovo-Metohija.

Operative work on detecting criminal groups involved in human trafficking has been reinforced, as well as the control of vehicles and individuals at the border and administrative line crossings, along with the inspection of the facilities providing accommodation in the proximity of the border. The number of joint patrols on Serbia-Hungary border has been stepped-up, along with the joint usage of Hungarian and German thermovision cameras, and exchange of information between the border authorities of the Republic of Serbia and Hungary via a joint contact-centre.

On 19 February 2015, representatives of the Republic of Serbia's Ministry of Interior and their Hungarian counterparts signed the Working Arrangement on the transfer of individuals from Kosovo and Metohija residing in Hungary. Talks are ongoing with the Austrian police to frame a working arrangement on the transfer of the same category of persons currently staying in Austria.

6. Regional representation

The Agreement on Regional Representation and Cooperation, reached in February 2012, is fully implemented. In keeping with this Agreement, the Republic of Serbia has adopted a most constructive approach and has sought to facilitate a status neutral participation of Priština's representatives in all relevant regional forums and initiatives.

The latest in the series of concrete demonstrations of the Republic of Serbia's commitment to regional cooperation is the "Western Balkans 6" meeting held in Priština on March 25, also attended by the Kosovo* representatives. The meeting served as a forum to discuss concrete development projects and to consolidate regional cooperation. Serbian delegation was led by First Deputy Prime Minister of the Government of Serbia and Minister of Foreign Affairs, Mr. Ivica Dačić, and Minister of Construction, Transport and Infrastructure, Ms. Zorana Mihajlović, was also present in the delegation.

On the issue of the so-called Kosovo's application for membership in the RACVIAC - Centre for Security Cooperation, addressed to the chair of the Multinational Advisory Group (MAG), the position of the Serbian side is that Kosovo's membership is not possible but that PISG representatives from Priština may attend the RACVIAC meetings. It was agreed that the MAG would invite the PISG in Priština to participate in all RACVIAC activities, at all levels, without the right to vote and without the option of participation of the so-called Kosovo security forces. The arrangement was adopted consensually.

The OSCE Mission in Kosovo organized a conference on the future regional approach to addressing the issues related to the internally displaced persons, in Skopje in November 2014. Dalibor Jevtić, that-time minister in the PISG in charge of the return, attended the gathering as the PISG representative under Serbia's consent.

The informal regional meeting of ministers of foreign affairs and finance on "Economic Governance and Connectivity" was held in Belgrade in October 2014. Attendance of the representatives of the Provisional Institutions of Self-Government in Priština at that meeting was also facilitated.

The Republic of Serbia constructively participated in the meeting held on August 28, 2014 in the framework of the "Berlin-Process" initiated by German Chancellor Angela Merkel, which involved topics such as the European path of the Western Balkans, consolidation of regional, and promotion of prosperity of the Western Balkans through sustainable economic growth.

Furthermore, the Republic of Serbia took constructive approach concerning participation of the so-called Kosovo representatives in the expert activities of the Migration, Asylum, Refugees Regional Initiative (MARRI). The Republic of Serbia did not prevent or hinder in any way the participation of the PISG at the meetings of the Regional Forum and the Regional Committee MARRI held in Cavtat, Croatia. The Government of Serbia has no information as to why the PISG representatives failed to appear at these meetings. At the invitation of the host, a PISG representative participated as an observer in a session of the MARRI Regional Committee held in Skopje on December 04, 2014.

Regarding the participation of the so-called Kosovo in the work of the South-Eastern Europe Cooperation Process (SEECP), the position of the Ministry of Foreign Affairs of the Republic of Serbia was that it was acceptable for the Serbian side to include PISG representatives in the work of SEECP on an equal footing, but without prejudice to the status. At the Bucharest Summit, held on June 25, 2014, Kosovo* was invited by Declaration to participate in further activities of the SEECP.

When it comes to membership of the so-called Kosovo in the Regional Cooperation Council (RCC), proposals to amend Annex I (the list of participants) and Annex II (the Statute) of the Joint Declaration on the RCC establishment were adopted at the RCC Board meeting held in Sarajevo on 28 February 2013. The essence of the proposed amendments is that RCC "members" become "participants", after which Kosovo was included in the work of RCC as a full participant. The constructive approach of the Republic of Serbia in facilitating the

amendments to the RCC Statute and ensuring comprehensive inclusion of all participants from the Western Balkans, is an illustration of Belgrade's genuine commitment to comply with the agreed in the field of the regional cooperation.

7. IBM (integrated boundary management)

Republic of Serbia is fully implementing the Agreement on IBM, along with the Technical Protocol and the Action Plan stemming from the Agreement; so far almost entire Agreement has been implemented. In keeping with the Agreement, the exchange of information has been established, meetings at local, regional and central level have been held regularly, and the flow of goods and people is practically unhindered. The agreed-upon procedures on the information exchange are fully observed.

All six joint crossing points (JCP) were established in December 2012. The Agreement on expanding current capacities of all six integrated administrative crossings was reached in Brussels on September 04, 2014. It was agreed that expansion of three crossing points (Jarinje, Mučibabe and Končulj) would be financed from the IPA funds available to Serbia, whereas the remaining three (Brnjak, Merdare and Mutivode) would be financed from the IPA funds earmarked for Kosovo. The UNOPS is in charge of implementation, and the Republic of Serbia fully complies with the dynamics set by the UNOPS and EU.

Technical issues arising in the day-to-day operation of the JCPs are dealt with at the meetings regularly held at all levels, making the cooperation of all services present at these crossing points, including the EULEX Mission, operating at the highest level. The meeting held in Priština, on March 12, 2015 resolved some important issues, such as defining the basic tasks of the technical team and the related timelines, position of the investors, and risks involved in the project to expand the JCPs whereby the model chosen has been the "Red FIDIC".

The process is currently in the phase of outlining the project proposal, by means of bilateral talks held between the UNOPS representatives and the individual ministries and offices, mediated by the Office for Kosovo and Metohija.

The SEED project, used for the electronic information exchange, is essentially making a good progress. The Republic of Serbia, on its part, is completely complying with all obligations proceeding from the agreed procedures.

In keeping with the Action Plan, the layout of the document accompanying the goods undergoing phytosanitary control has been agreed upon, and the Agreement on Veterinary Certificates has been reached according to the phytosanitary model.

8. Liaison Officers

The established system of Liaison Officers in Belgrade and Priština operates in the agreed and satisfactory manner. Making use of this system has resolved several issues, and starting from 1 December 2014, organization of so-called "official visits" was fully transferred under the competence of Liaison Officers. Since then, a considerable number of visits to Kosovo

and Metohija have been organized, both by the highest state officials (Prime Minister, Deputy Prime Ministers, Ministers) and other ranking government officials. These visits unfolded without a single problem and in excellent cooperation.

Numerous visits by the PISG officials from Kosovo and Metohija were organized in the same manner. These visits also unfolded without a single problem and in excellent cooperation. Liaison Officers have achieved a high level of mutual cooperation, as well as high levels of cooperation with the institutions in Belgrade and Priština.

At the meeting held in Brussels on 14 November 2014, when the arrangement on transfer of the so-called “official visits” to the competence of the Liaison Officers was reached, it was also agreed that each Liaison Officer may have one assistant.

The pending issue for both sides is the need for EU decision on providing additional office space for the Liaison Officers.

E) Other topics

1. Levying customs duties

The Republic of Serbia is fully committed to implementation of the Agreement on Customs Duties; levying of all duties is carried out in accordance with the Agreement.

Occasionally, the Kosovo Customs has acted contrary to the Agreement and banned the entry of certain shipments. Such problems have usually been resolved by the intervention of Liaison Officers with the relevant institutions in Priština. It should be noted that the Republic of Serbia has invested considerable effort to establish with institutions in Pristina, a licensing regime for companies trading with the so-called controlled goods, and hence, the Agreement is fully implemented in this regard as well.

It is important to note that the issue of obtaining licenses for medicaments, medical devices, pharmaceutical wholesalers and pharmacies from the institutions in Pristina, is still pending. This is a key reason behind the shortage in supply of medical drugs and medical devices in health centers in Kosovo and Metohija. At the request of Priština and the European Union, in January 2015 a list of all medicaments and medical devices registered by the Agency for Medicines and Medical Devices of the Republic of Serbia was provided to Priština, in order to carry out a comparative analysis of Priština’s regulations. So far, Priština provided no response or conclusions. This matter requires urgent resolution, given that the date to fully resolve the issue of medicaments and medical devices was set to May 31, 2015, with the EU facilitation.

2. Development Fund for the North of Kosovo

The customs agreement provides for the establishment of the Development Fund for the municipalities in the north of Kosovo and Metohija. According to the information available to the Serbian side, so far about five and a half million EUR have been disbursed into this Fund.

The Development Fund Committee has met only once and still has not drafted the criteria or procedures by which the funds would be allocated from the Fund for the infrastructural projects in the north of Kosovo and Metohija.

The UNMIK and UNDP officials brought attention to the irresponsible delay in the managing of funds available to the Development Fund, assessing that such (failure to) act inflicts serious damage to the planned projects of importance to the Serbian people in the north of Kosovo and Metohija, and calls into question the appropriateness of this manner of operation of the Fund.

3. Vehicle insurance

In negotiations held with the Kosovo Insurance Bureau (KIB), under the EU mediation, the Government of the Republic of Serbia and the PISG in Pristina, the Association of Serbian Insurers (ASI) has made numerous and significant concessions at the insistence of the EU, the demands from Priština and owing to dedication of the Office for Kosovo and Metohija, in order to constructively expedite the completion of negotiations and sign the Memorandum of Understanding on the vehicle insurance.

The ASI departed from the initial idea to not charge an additional insurance to the existing one when crossing the boundary, and agreed to several commercially unfavorable concessions; it accepted a many-times higher “insurance limit” and lower bank guarantees; ASI consented to a sort of equalization before the Council of Bureaus of the Green Card with the KIB, although the latter is not a member of the CoB; ASI also consented to KIB’s failure to introduce the security-wise significant system of electronically verifying the insurance policies, whose absence paves the way to possible smuggling of vehicles; and also made other concessions.

At the talks held on 17 December 2014, in reference to draft MoU delivered to them on December 9, 2014, the representatives of ASI, seeking to harmonize the remaining technical and legal issues, asked for a minimum in guarantees: firstly, that in the event of the withdrawal of the Council Bureau from the Memorandum this be treated as termination of the validity of MoU; secondly, to formulate the dynamics of implementation of the Memorandum, along with the guarantees by the Council of Bureaus and the signature of all three parties to the Agreement (ASI, KIB and the Council of Bureaus); thirdly, that the claims for damages refer only to the period of validity of the Agreement.

Representatives of the Council of Bureau and the EU proposed implementing measures as a compromise solution. To the partially accepted objections made by ASI and the insufficiently clear legal obligation to apply the "implementing measures", the ASI expert group re-submitted their requirements. These requirements are as follows: to formally establish a legal relationship between the draft memorandum and implementing measures guaranteeing the mandatory nature of their application, and to specify supremacy in case of conflict; that the EU undersigns the implementing measures; to specify that the provision of guarantees to the Council of Bureaus is a precondition for signing the MoU; and the Council Bureaus be the third signatory to the Memorandum and in charge of “arbitration” in contentious damage claims.

At the end of the overall unsuccessful and poorly rounded negotiations, the ASI was faced with *fait accompli* by the unilateral scheduling of the signing of the Memorandum.

The Office for Kosovo and Metohija of the Government of the Republic of Serbia invested exceptional efforts in conducting consultations with ASI representatives in trying to identify an acceptable solution with a view to signing the Memorandum. However, ASI representatives maintained firm position that to sign the proposed Memorandum was extremely economically harmful to both the public and the insurance companies and, as such, contrary to the effort to ensure economically viable travelling to citizens. The prevailing opinion is that, despite the undeniable political will of the Republic of Serbia to find an acceptable solution, there is no economic logic to persuade the insurance companies to adopt such a form of contractual arrangements.

During the talks, representatives of the ASI particularly recalled the fact that the signing of such Memorandum would have no legal basis, given that it had been unanimously refused by the vote of the representatives of 23 insurance companies, of which 19 from EU Member States. All domestic and foreign insurance companies operating in Serbia stated lack of commercial interest as their sole reason for refusal.

The proposal of the ASI representative to resume talks in order to redraft the proposed Memorandum of Understanding on vehicles insurance has been accepted.

Undoubtedly, additional political efforts in this field are required, taking into account the spirit of dialogue between Belgrade and Priština at the political level and its status neutral character, and also in consideration of the fact that the subject arrangement is of business and financial nature and that it is necessary to take into account the legitimate interests of all stakeholders and involved parties.

4. Free trade

Free trade between the Republic of Serbia and Kosovo and Metohija is conducted under the Central European Free Trade Agreement (CEFTA) and other technical arrangements resulting from the Belgrade-Priština dialogue. Those are primarily the agreements on the customs duties and customs stamp, which have cleared up numerous issues previously plaguing the trade between two sides, and also the Agreement on Integrated Management of Administrative Crossings.

Despite the fact that Kosovo* is member of the Central European Free Trade Agreement (CEFTA), signed by UNMIK on behalf of the Provisional Institutions of Self-Government in Priština, the latter have repeatedly violated provisions of this agreement in regard to the Republic of Serbia. This mostly concerns indirect discriminatory measures, based in the laws adopted by the Provisional Institutions of Self-Government, as well as the Kosovo's* customs and fiscal system, which was established in such a way to gradually sever traffic connections between the north of Kosovo* and central Serbia.

Agreements on customs and customs stamp are implemented by the Republic of Serbia in entirety. Nevertheless, numerous problems are still burdening the trade between two sides, especially for Serbian businesses wishing to trade in goods in Kosovo and Metohija. Most of the problems boil down to indirect customs constraints which the Republic of Serbia has tried to resolve through the dialogue with Priština for years. Among the most problematic non-customs barriers applied by PISG from Priština, the one that stands out is the unrealistic customs base for calculating duties (e.g. taxes) for certain types of goods. Namely, instead of using transaction value to determine the customs base, as the primary method for determining customs value applied to nearly 90% of delivered goods, the Kosovo* Customs is using secondary method, which is used only if no other methods apply. This method considerably increases the customs base (by as much as 200%) in relation to the invoiced amount, which in turn significantly affects the price of products, rendering Serbian goods less competitive. Furthermore, customs authorities are required to clearly explain how the customs value is determined, which they fail to do. In other words, criteria for calculating customs value are neither clear, nor transparent. Despite the fact that the Republic of Serbia has brought attention to this problem as early as in 2012 and has sought to find solution for it at six CEFTA meetings and four meetings between the chambers of commerce, this problem persists.

The additional problem for Serbian business entities is their inability to conduct any form of trade in Kosovo and Metohija if they are not registered with the Kosovo Business Registration Agency. Also, import of all kinds of goods originating from central Serbia to the north of Kosovo and Metohija, be it of plant or animal origin, medicaments, petroleum and petroleum products, as well as other excise goods and commodities under special control, is conditioned by holding licenses issued by competent institutions of the PISG from Priština. Business owners from the north of Kosovo and Metohija are especially impaired, because they are justifiably not able to meet most of the requirements for conducting business, since Kosovo* institutions are not operating in the north. Due to that fact, they must conduct their business with temporary licenses which must be extended every three months, which, in turn, places them in unending uncertainty and aggravates their normal business operation. Most of them are small-size importers, unable to pay the numerous imposed duties and, therefore, forced into buying products of Serbian origin from big importers from the central Kosovo, for whom most of the Kosovo* regulations are tailor-made. Also, entrepreneurs registered only with the Serbian Business Registers Agency and not also with the Kosovo Business Registration Agency, can sell their goods only to citizens or end users, given that they are not part of the Kosovo* fiscal system, which places them in a very difficult position.

5. Peace Park on the bridge in Kosovska Mitrovica

In the night between 17-18 June 2014, heavy machinery was used to remove the previously existing barricade of piled soil, positioned on the northern approach to the main bridge over Ibar River in Kosovska Mitrovica. A sort of man-made hill, composed of dirt, gravel, stone and rubble, approximately two meters in height, 15 in length and five in width, had fully blocked the traffic of motor vehicles across the bridge from both directions, while allowing pedestrians access to the bridge from the north-eastern direction through a meter-wide passage. Outright removal of this blocking material, from both traffic lanes and sidewalks, in early morning on 18 June 2014, allowed for unobstructed and full usage of the bridge, which quickly

led to a gathering of a large number of people on both sides of the bridge, and later to the crossings of vehicles and groups of pedestrians from the south to the north part of the city, with intention to provoke the local Serbian population.

Promptly reacting to a new situation, decision was made to install the “Peace Park” on the bridge itself, followed by a quick and efficient placing of jardinières, benches and other park items, and laying of a thin layer of soil and turf on the driveway, thus again preventing the traffic of motor vehicles given that it proved problematic in terms of security. Two fully passable pedestrian sidewalks have been left in full width. In the following three weeks, several incidents developed on the southern bridge approach, when larger numbers of local Albanian people tried to enter the park in order to destroy it, but strong police forces and KFOR successfully curbed their intentions.

At the EU initiative, on 11 July 2014, a meeting of the working group consisting of representatives of the Republic of Serbia, PISG, local authorities (mayors of the northern and southern parts of Kosovska Mitrovica) and EEAS officials was convened in Brussels, to discuss the future of the bridge, with the aim of deflating political and ethnic tensions. Proposal by Mr. Samuel Žbogar, Head of EU Office in Priština, was adopted, by which a team of French construction experts was to be deployed to the bridge, the same one that performed restoration of the bridge a decade earlier, now tasked with examining technical capacities for a possible permanent installment of the park, after which they would inform the working group on their finding, and the working group would decide on future setup of the bridge. In the meantime, concrete blockades in form of jardinières were firstly placed and soon afterwards removed at the northern end of the bridge, followed by cutting through the asphalt and creating a half a meter deep ditch, thus blocking the access to motor vehicles, except for a single lane providing exit from the bridge from south to north-east direction (in order to prevent potential unilateral removal of the Park and restoration of traffic before the political agreement is reached).

Although EU informed us during the fall of 2014 that the team of experts examined the bridge and concluded that it is unsuitable for setting of a permanent park on its surface, Serbian side has not yet received proper documentation, nor was the Working Group ever convened.

The Republic of Serbia considers that, in further discussions about the fate of the bridge and the “Peace Park”, the security aspect and consequences of any proposed solutions must be taken into account, as well as the maintaining of stability in the north of Kosovo-Metohija, since that should be the primary goal of all stakeholders.

6. Civil protection

Civil protection in the north of Kosovo and Metohija was established by local self-governments for the purpose of protecting and rescuing population from natural disasters caused by meteorological and geological conditions, as well as from technical and technological accidents and other hazards to human life, property and the environment. It has been operating in complex political and security circumstances in Kosovo and Metohija and remained outside of the security structures.

The matter of CP integration has been a topic of discussion for a prolonged period of time, and a more substantial arrangement was reached between the representatives of EEAS and the Office for Kosovo and Metohija in the town of Kuršumlija on February 4-5, 2015. The discussion was resumed on March 25-26, 2015, when the final agreement was reached and signed by two sides on the same day.

The agreed text of the arrangement elaborates integration of 483 members of the Civil Protection (in the institutions in the north), out of a total of 751 persons, as follows:

- 80 persons in the Kosovo Agency for Emergency Management,
- 25 persons in the Kosovo Correctional Service,
- 50 persons receiving salaries from the PISG contingency funds until job positions have been determined for them in the public sector in the municipalities in the north of Kosovo and Metohija,
- 328 persons, according to the model proposed by PISG, in the branches of the Kosovo institutions to be established in the north of Kosovo and Metohija.

Formation of a panel has been agreed (a CP representative, two PISG representatives and an EU representative), to implement the process of integration, starting from April 27 through to September 1, 2015, in accordance with the agreed requirements and steps in the process, so that all parties are satisfied of mutual transparency and genuine commitment to this arrangement.

The arrangement determines requirements for applying for positions; responsibilities of candidates; methodology of applying; the dynamics of the integration process; the structure and manner of operation of the panel selecting the candidates.

The Panel will conclude its work by 14 August 2015, and all employment contracts will be signed by 1 September 2015, when the whole process of integration will be completed.

The Panel will first decide on the selection of candidates in emergency situation management (80 positions) and the correctional service personnel (25 positions). Selection of these positions will be completed by 15 June 2015, and contracts will be signed by 1 July 2015.

Additionally, the Serbian side has committed to do the following by April 20: hand over the container near the main bridge in Kosovska Mitrovica to the KPS, and relocate the remaining three containers on the road K. Mitrovica-Jarinje; remove or hand over the camera systems (CCTV) to the KP Regional Command; hand over all equipment and premises to Priština institutions and, by the end of August 2015, completely abolish the Civil Protection in the north of Kosovo and Metohija and discontinue its funding. Priština has committed to provide the necessary premises for the integrated persons, renovate a part of the existing premises, and fully equip all premises and facilities by September 1, 2015.

Belgrade has entered into this dialogue with a genuine intention to comply with the agreed and expects Priština to do the same in order to demonstrate its readiness to resolve the problems encountered by the Serbian community in Kosovo and Metohija through sincere cooperation. Certainly, it is also expected that the EU be the guarantor of the agreed in order that all future proposals coming from the EU continue to be treated with trust.

7. Agreements and dialogue between the chambers of commerce

In the spirit of the modern global standards, where flow of goods, services and capital in the world of business knows no political barriers and brings people together by promoting the flow of business and overall growth, the Chamber of Commerce and Industry of Serbia (CCIS) and the Chamber of Commerce of Kosovo (CCK) have been holding meetings since June 2013, under mediation of the Eurochambres, aimed at resolving issues of interests for the promotion of economic cooperation.

The adopted Memorandum of Understanding between the CCIS and the CCK, signed on July 24, 2013, along with the subsequently agreed Annexes on Arbitration in cases of disputes and creation of institutional capacities, constitutes the foundation for their cooperation.

So far, numerous issues of importance in terms of the restoration of infrastructure, elimination of technical and traffic barriers, promotion of business-investment environment and of business cooperation have been discussed.

Re-establishment of the postal traffic was identified as an issue of special importance to the everyday life of people in Kosovo and Metohija, and therefore the Serbian side has over the past six months repeatedly urged to sign and start implementing the already agreed Agreement on Technical Principles on the Exchange of Postal Shipments. This Agreement acknowledges the existing situation on the ground, appreciative of the fact that both “Post of Serbia” and “Post of Kosovo” provide necessary and useful services to the citizens, in certain territories where they make use the infrastructure and have personnel. At the same time, the said Agreement is without prejudice to the status, ownership or personal issues, which are to be negotiated subsequently at a political level. Unfortunately, due to the insistence of Priština to insert into the Agreement references treating the property of the Post of Serbia in the territory of Kosovo* and Metohija as “belonging to Kosovo”, and its workers as “members of parallel structures”, the arrangement and expedition of the exchange of the posts never happened.

The issue of restoration of the Merdare Tunnel, destroyed in the 1999 bombing, was raised in the field of traffic. It was agreed to form an expert commission, composed of the representatives of both sides, to draft a proposal of measures in order to create preconditions to restore the Niš-Kosovo Polje-Skopje railway line, in order to bring down the expenses for transportation of goods and facilitate regular transportation of passengers.

Besides the railways, the issue of establishing the Belgrade-Priština airline was raised. At the next, tenth meeting between CCIS, CCK and Eurochambres in Rome, scheduled for 15 April 2015, representatives of the relevant business-institutional structures are expected to conduct more detailed talks on this topic.

In order to identify the most significant business topics and promote cooperation of business entities in Serbia proper, in Kosovo and Metohija and beyond, it was agreed to hold a B2B meeting in Priština or Gračanica, on the Europe Day, i.e. on 9 May 2015.

The need was identified for establishment of a special channel of communication between the chambers of commerce and the businesses environments in Belgrade and Priština, therefore was drafted proposal Annex to the Memorandum of understanding between CCS-CCK 2.1 concerning the exchange of representatives of the Chambers (Liaison Officers), to be seated in the premises of Delegation of the EU in Belgrade and EU Office in Priština.

Additional topics discussed include customs, phytosanitary, veterinary and medical (medicine and equipment) issues, as well as those of importance for the implementation of the CEFTA Agreement.

Evaluating the development of the dialogue between CCIS and CCK under mediation of Eurochambres as mutually useful and long-term beneficial for the lives of the citizens, the Republic of Serbia continues to provide necessary political support and aid, as confirmed by the fact that, upon Eurochambres' invitation, Director of the Office for Kosovo and Metohija of the Government of the Republic of Serbia, Mr. Marko Đurić, attended the meeting held in Brussels on February 25, 2015, whereas Ms. Edita Tahiri failed to attend said meeting, despite of the extended invitation and expectation of the participants. Both, Mrs. Tahiri and Mr. Đurić participated in the meeting held in Rome on April 15th.

Conclusion

Recognizing the need to improve conditions for the everyday life in Kosovo and Metohija, and especially aware of the difficulties that the unresolved issues create in the inter-ethnic relations, acting openly and in good faith, in the spirit of the status-neutrality of the dialogue at political level with representatives of PISG in Priština under EU mediation, the Government of the Republic of Serbia remains committed to the process of normalizing relations, while emphasizing the importance of implementing the laboriously negotiated First Agreement of April 2013, believing that it is the foundation of positive changes aimed at a more certain and prosperous future for all peoples in the region.

Present report focuses on the period covering the past six months, but is mindful of the fact that current developments over the second half of the year cannot be properly considered without taking stock of the entire developments in the dialogue at the political and technical levels. We recall that both the spirit and the wording of the First Agreement envision joint efforts to be invested by all parties involved, in terms of political, legal, social and organizational acknowledgment of the new reality. At the same time, we recall the numerous difficulties that the Republic of Serbia has successfully overcome in the process of negotiations and the consequent implementation of the First Agreement and a number of related technical documents. This primarily concerns legal difficulties (adjusting the legal framework), personnel (deployment of employees from the closed abolished work positions and their integration into the newly formed structures), as well as the burden of the huge public and internal political pressures under circumstances of the precarious political and security situation in Kosovo and Metohija.

With caution, great hope and understandable impatience, but also with a pronounced sense of suspicion resulting from previous bad experiences, Serbian and other non-Albanian communities look for the formation of the Community of Serbian Municipalities provided for by the First Agreement. Only the fully fledged Community of Serbian Municipalities would be able to properly ensure the much needed prerequisites for consolidating mutual trust between the Serbs and Albanians, as well as to create a reliable framework for a long-term sustainable development, return, endurance and persistence of the Serbian people in Kosovo and Metohija.

It is possible to observe that the main stumbling block in negotiations between the official Belgrade and the Priština representatives of the PISG concerning the implementation of the First Agreement lies in the substantial divergence of perception of the purpose and character of the Community of Serbian Municipalities. More to the point, despite the fact that the Serbian side consistently complied with the Implementation Plan of the First Agreement in the areas of adjustment of the legal framework, integration of the police and the judiciary, holding of elections which, for the first time, facilitated participation of legitimate representatives of the Serbian people in Kosovo and Metohija in the Assembly and the Government of the PISG in Priština, the Provisional Institutions of Self-Government in Priština kept trying to evade the implementation of the first six points of the First Agreement relating to the formation and role of the Community of Serbian Municipalities. The Republic of Serbia and the Serbian people in Kosovo and Metohija are particularly concerned with the evident unwillingness of the international mediators to exert decisive pressure on the political elite in Priština to fully

implement these most important commitments under the First Agreement of Principles governing the Normalization of Relations.

Sadly, the result is a situation where the leading ethnic Albanian political structures in Priština, internally divided and preoccupied with the turmoil in their struggle for power and authority, are encountering growing unrest among a poverty-stricken and frustrated young society, and, being reluctant to engage in the hard and laborious work of comprehensive reforms of the entire society, are prone to shifting the blame to "the usual disturbing factor" – the Serbian community in Kosovo and Metohija. This is a dangerous situation that is indirectly triggering further discrimination and violence against members of the Serbian people. Such negative social dynamics generates reluctance to enhance the engagement in creating conditions and adjust the political and legal framework to suit the establishment of the Community of Serbian Municipalities in the manner provided for under the First Agreement.

Meanwhile, in addition to implementing the First agreement, the Serbian side has consistently worked on the implementation of all agreements concluded with the PISG representatives in the framework of the technical dialogue. Moreover, the Republic of Serbia has demonstrated constructiveness by the efforts invested in finding solutions to the issues unrelated to commitments made in the framework of the political and technical dialogue, and, on that note, the importance of the arrangement on the integration of members of the Civil Protection in the north of Kosovo and Metohija into the PISG should be particularly emphasized. No less important are the arrangements achieved through the chambers of commerce, directly aimed at normalizing relations by overcoming the accumulated problems in the field of economy.

The Republic of Serbia reaffirms its commitment to the normalization of relations between Belgrade and Priština, believing in a common future of the region, consistently implementing all the arrangements and obligations arising from the process of technical and political dialogue, above all hoping to have an honest partner in the EU, one who understands the need of the Serbian people to ensure a minimum conditions for a sustainable development, survival and return to Kosovo and Metohija, within such political, security, institutional and social framework which can guarantee this.

The Republic of Serbia is ready to continue to jointly, with the PISG representatives in Priština, work towards the normalization of relations and improvement of the quality of life in the territory of Kosovo and Metohija. We are confident that the EU, where Serbia sees a common future of the region, understands and recognizes this. Hence the firm commitment of the Serbian side to the underlying principles of the First Agreement and the related agreements (on energy, telecommunications, freedom of movement and others), as well as the commitment to the establishment of ZSO in its full capacity, to continuing the dialogue at the highest political level, along with continuation of the dialogue on technical issues, of course, with the full support to the process of bringing together the business communities through the meetings between the CCIS-CCK, facilitated by the Eurochambres.

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