



**REPUBLIC OF SERBIA
GOVERNMENT**

**OFFICE FOR KOSOVO AND METOHIJA
AND
OFFICE FOR THE COORDINATION OF AFFAIRS
IN THE PROCESS OF NEGOTIATION WITH THE PROVISIONAL
INSTITUTIONS OF SELF-GOVERNMENT IN PRIŠTINA**

**PROGRESS REPORT ON THE DIALOGUE
BETWEEN BELGRADE AND PRIŠTINA
(April – October 2016)**

October 2016

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Introduction

During this reporting period, the EU-facilitated Dialogue between Belgrade and Priština proceeded at somewhat slower pace relative to the previous reporting period, which also involved occasional hold-ups. In comparison, in the preceding reporting period, 13 meetings were held within the framework of the negotiation process, whereas a total of 11 were documented over the previous six months.¹

Topics prevailing in the Dialogue during this reporting period were primarily those stemming from the so-called political component of the Dialogue, i.e. of the First Agreement of Principles governing the Normalization of Relations (First Agreement). These mainly concerned the issues related to the Agreement on Telecommunications, forming the most frequent topic of discussions in the reporting period, and judiciary related. At each meeting, our side raised the following issues: establishment of the Community of Serbian Municipalities, property (private, public and state owned), status and property of the Serbian Orthodox Church, and observance of human rights and freedoms of Serbs in Kosovo and Metohija, as the most important ones for the Serbian community in the Province. However, this was not met with positive response from other parties involved in the process of negotiations. Subjects discussed in the Dialogue failed to yield concrete results, although a huge step forward has been made towards harmonizing a large number of contentious details concerning the implementation of the Agreement on Telecommunications, while integration process in the field of judiciary has nearly been completed.

The second group of topics which were discussed in this reporting period are those related to the so-called technical agreements. These involved the issues pertaining to the cadastre, university diplomas, freedom of movement, official visits, and integrated management of administrative crossings (IBM). On that note, an extremely important agreement was reached on the issues involved in the freedom of movement. However, failure to reach agreement regarding the implementation of the Agreement on Cadastre, a vitally important one for the Serbian side, compounded with Priština's unilateral moves made in this context, are the reasons why the effects of this part of the Dialogue in the previous period cannot receive a passing grade. This assessment is supported by failures to implement the Agreement on University Diplomas and persistent problems in the implementing provisions of the Agreement on Official Visits of Senior Officials. The latter was occasionally even grossly violated.

As to the Other Topics, discussions in the framework of the Dialogue in the previous period were held on the issues related to the Agreement on the Bridge, and those relating to the transport of dangerous goods. Certainly, the arrangement that was made and which unblocked the process of implementing the Agreement on the Bridge was an important achievement in this segment of the Dialogue. Similarly, the Agreement on Transport of Hazardous Goods marks another important outcome of the negotiation process since it enabled the resumption of the free trade between the two sides.

It should be noted that Belgrade's approach to negotiations, same as in the hitherto course of the Dialogue, has been extremely responsible and constructive. This is convincingly evidenced by the fact that our side did not break off its participation in the dialogue even during the period of constituting the new government, which took place in the first part of the reporting period. Despite the fact that such circumstances limited the capacity of the Serbian side to make decisions, Belgrade did not use it as an excuse to avoid talks on technical issues. By contrast, Priština has a proven tendency to use any internal political turbulence to resort to procrastinating tactics. A

¹ The frequency of these meetings was fairly even, some 2 meetings per month, with a slightly lower intensity level of activities during June and July and a slightly higher one in September when two sides have met 3 times.

responsible and constructive approach on the part of Belgrade was clearly evident in the arrangements made to unblock the process of implementing the Agreement on the Bridge, where Serbian side engaged proactively at every session, presenting proposals on how to resolve the problem, and it is safe to say that the process of agreeing on implementing the Arrangement on telecommunications was able to advance to such an extent only owing to Belgrade's commitment to normalizing relations.

By contrast, during this reporting period, Priština's approach was deprived of any genuine willingness to compromise, and its representatives kept insisting on status issues, without offering tangible solutions to challenges at hand. Priština's irresponsible approach towards both the Dialogue and the normalization process in general, manifested in Priština's persistent rejection of talks on issues its representatives perceive to be conflicting with Priština's interests, specifically, the Community of Serbian Municipalities, property issues, and the rights and freedoms of Serbs and of the Serbian Orthodox Church in Kosovo and Metohija. The same applies to Priština's avoidance to put to effect the commitments it undertook under previously achieved agreements, or their attempts to subvert these obligations and/or modify their implementation so as to suit Priština's purpose, as evidenced in developments regarding the agreements on cadastre, police or civil protection.

On this note, it should be emphasized that the European External Affairs Service (EEAS), in Belgrade's view, has so far facilitated negotiations in a manner that was below their real potential and fell short of the genuine requirements of the process of normalizing relations. Namely, it is difficult to avoid the impression that, in the past, the facilitator insisted on talks on resolving only the topics that serve the interest of Priština, such as the bridge in Mitrovica, freedom of movement/licence plates, telecommunications, judiciary and construction of administrative crossings. The EU facilitator's persistent insisting on their imposing the topics of the Dialogue, topped with their persistently exerted pressure only on one side, while simultaneously demonstrating reluctance to compel the Priština side to negotiate on issues other than those it believes serve its interests and to put the agreed to practice in a manner stipulated, certainly limited the scope of the Dialogue in this reporting period.

In addition to the impression that stronger leadership from the EU is needed on the ground in the process of implementation, the described state of affairs as to the manner of setting the agenda of the negotiations is perceived as the greatest structural weakness of the Dialogue. By extension, Belgrade's greatest unmet expectation is the tolerance that Priština is awarded whenever it shirks the obligations it had assumed relating to the establishment of the Community of Serbian Municipalities, or when it comes to adopting the so-called Law on Kosovo Property Comparison and Verification Agency, which fully contradicts the Agreement on Cadastre. Lack of talks on property as well as enabling Priština to unilaterally pass laws aimed at resolving this issue to the detriment of the Serbian people and the Republic of Serbia, can also be added to this.

Present report is structured in the same manner as were the previous six-monthly reports on the course of the process of negotiations with the Provisional Institutions of Self-Government in Priština. The dynamics and the content of the Dialogue in the reporting period are comprehensively portrayed. The detailed overview of what has been agreed and implemented so far is segmented to three parts: the first comprises the issues and processes resulting from the First Agreement of Principles Governing the Normalization of Relations; the second comprises issues arising from the so-called technical agreements reached with the EU facilitation; and the third covers issues deriving from the arrangements made in order to overcome other, no less significant issues, which objectively hamper further normalisation of relations.

A) Social and political situation in Kosovo and Metohija

The social and political situation in Kosovo and Metohija has slightly improved when compared to the previous reporting period, and is marked by relative stability. This was largely brought about by the weakening of the opposition's pressure on the so-called Government in Priština which managed to provide a more or less smooth functioning of the Provisional Institutions of Self-Government during this reporting period. Despite this, the PISG failed to resolve the key challenges it encountered in this reporting period: meet conditions for the EU visa liberalization; resolve the issue of demarcation of the "border" with Montenegro; handle opposition's charges of "betraying" national interest in the Dialogue with Belgrade.

The decrease of the pressure by the opposition coincided with a small-scale so-called government reshuffle which took place in May 2016, whereby Hajredin Kuci was appointed "Deputy Prime Minister", Enver Hoxhaj "Minister of Foreign Affairs", and Durata Hoxha "Minister of Justice". This event was a side effect of the prior transition of the former leader of the Democratic Party of Kosovo (PDK) Hashim Thaci to the position of the "President of Kosovo" and the election of the "Speaker of the Assembly" Kadri Veseli as the head of the PDK. Despite everything, relations between two parties in the ruling coalition continue to be charged with suspicion and backbiting.

Similar relations are visible in the opposition bloc, which in the meantime had split into two fractions: the alliance between Ramush Haradinaj's Alliance for the Future of Kosovo (AAK) and Fatmir Limaj's Initiatives for Kosovo (IZK); and Self-Determination Movement led by Visar Imeri. Both regard the EU visa liberalization as the key challenge of the so-called Isa Mustafa's government and view all other contentious issues in this context, but they differ on the method of political struggle to be used against the authorities. Thus Self-Determination continues to insist on the use of violence, while AAK and IZK periodically send signals to the so-called government that they are ready for talks.

The common feature which brings together the so-called government and the opposition is their essential distrust and opposition they put up to all attempts of the Serbs in Kosovo and Metohija to protect their interests and to even minimally improve their difficult position in the Province. Moreover, some actors are openly seeking to exploit the frictions existing within the body of Kosovo Albanians and direct the dissatisfaction felt by the majority of people in Kosovo and Metohija towards the Serbian community, which is still occasionally being blamed for the poor situation in the province. So far there is no indication that this situation is likely to soon change, and therefore the issue of political rights of the Serbs in Kosovo and Metohija should be placed on the agenda of the Brussels Dialogue as soon as possible.

B) Security situation in Kosovo and Metohija

Security situation in Kosovo and Metohija in the past period can be characterized as relatively stable. This was largely due to the weakening of unity among the opposition and, consequently, much lesser degree of violent outbursts on the part of opposition. Nevertheless, the issue of demarcation of the "border" with Montenegro still projects high destabilizing potential. Thus, the violence of the opposition, but also of some extremist groups, first targeted the Provincial Assembly on August 4, then the private home of the Chair of the "Commission for Reviewing the Demarcation the Border between Kosovo and Montenegro" on August 8, and on August 22 the building of the "Radio Television of Kosovo".

The security risk of pronounced importance in Kosovo and Metohija are the renewed attempts on the part of the PISG to complete the process of transforming the so-called Kosovo

Security Force into the "Armed Forces of Kosovo." Competent institutions in the Province have undertaken measures to create a normative framework to enable and operationalize this transformation.

The continued return of the Islamic fighters from the battlefield in the Middle East has presented yet another significant security challenge in the Province. Such persons already attempted an attack on the Visoki Dečani Monastery in the previous reporting period, and their continued increase in numbers is likely to additionally aggravate circumstances and exacerbate the risk of terrorist attacks in the Province. This is indicated by the fact that the police structures in the past have executed an increased number of arrests of the radical Islamists and the radical Islamic preachers acting outside the framework of the official Islamic community in the Province.

Flaring up of the idea of a "Greater Albania" among the majority population in the Province also negatively affected security situation in Kosovo and Metohija during this reporting period. For the first time this irredentist idea received public support from the officials of the so-called Kosovo government and its protagonists held public promotions of this concept in all the predominantly Albanian populated territories in the region.

All described security challenges inevitably reflected on the Serbian community in Kosovo and Metohija, which during this reporting period was much more exposed to attacks and pressures by the Albanian extremists. This claim is corroborated by the fact that the number of ethnically motivated attacks on the Serbs in Kosovo and Metohija increased from 40 in the previous reporting period to 70 in the last six months. In addition to compromising the property of the returnees/IDPs and the historical, cultural and spiritual heritage of the Serbian people, they involved the physical and armed assaults on the Serbs. This period saw a campaign of intimidating Serbs by spray-painting threatening messages in public places. Also, the Serbs were once again prevented from celebrating the saint patron's day of the Monastery of the Holy Mother of God in Đakovica. The present believers and the Orthodox church itself in Orahovac were pelted with stones, while the Serbs from Mušutište were prevented from going to their place of origin and celebrating the patron saint on the ruins of the local temple. An increase in the number of assaults on the juveniles and females of Serbian ethnicity is idiosyncratic of this renewed wave of law intensity violence against the Serbs which took place during this reporting period. Although all attacks were properly reported to the Kosovo police, who carried out the examinations of the spot, none of the significant cases were resolved, as usual.

For the purpose of the present report, below is a shortlist selection of assaults perpetrated on Serbs, their property and their spiritual, cultural and historical heritage:

April:

- On the road from the village of Preoce, towards the village of Lepina, Municipality of Priština, there was an attempted kidnapping of underage girls walking back home from a local shop. A person sitting in the front seat in the vehicle carrying the attackers spoke to the girls in Albanian, through the rolled down window and then hit one of them with his hand. The frightened girls managed to escape into the nearby house yard.
- In the village of Rudice, Municipality of Klina, an armed assault was carried out on the house of a returnee, while two persons were at home. No one was injured. Façade of the house underwent material damage.

May:

- In the village of Drenovac, Municipality of Klina, two persons of Albanian ethnicity physically assaulted a Serbian woman, with residence in Berane, Montenegro, who was

visiting her mother in the said village. She sustained a cut on her lip and blue swellings on her face.

- In Gračanica, in Miloša Obilića Street, on the Priština-Gnjilane road, near the building of Social Welfare Center, an attack on underage girl from Gračanica was carried out. The girl who was walking home from school was hit several times in the back by unidentified perpetrators who afterwards drove off in a vehicle in the direction of Gnjilane.
- In the settlement of Malesia, Municipality of Kosovska Kamenica, three persons of Albanian nationality physically assaulted a minor of Serbian nationality.
- Memorial plaque near Orahovac, set up by the members of the Association of Journalists of Serbia at the place where journalists Đuro Slavuj and Ranko Petrović were kidnaped by the members of the terrorist "KLA" on August 21, 1998, was forcefully removed and stolen.

June:

- In the Monastery of Gorioč in Istok, persons of Albanian nationality stole the wire fence which was put up around a section of the monastery property.
- In the village of Boževce, Municipality of Kosovska Kamenica, two persons of Albanian nationality attacked M.N. from the village of Rajanovce, Municipality of Kosovska Kamenica, while he was gathering hay in the field which he owns. M.N. suffered severe physical injuries and had to be hospitalized in Kosovska Mitrovica.
- In the area of the village Paralovo, Municipality of Novo Brdo, persons of Albanian nationality fired several gun shots at N.Z. and his brother S.Z. who were tending to the livestock at their property. No one was injured.
- In Kolašinska Street in northern part of Kosovska Mitrovica, at the main bridge over the Ibar River, six persons of Albanian nationality attacked the Serbs D.I. and S.B. They were hospitalized and diagnosed with minor physical injuries.

July:

- In the area of the village Paralovo, Municipality of Novo Brdo, two brothers of Albanian nationality physically assaulted a Serb D.S. while trying to film with his cell phone the livestock pasturing on his property left by brothers Ibishi. He was physically assaulted, and managed to leave. Residents of Serbian nationality filed as many as 17 criminal charges from 1999 to the present day against the brothers Ibishi, who so far have not been prosecuted, and the KPS rationale is that said persons were on the run.
- In Novo Naselje of Lipljan, an attempted kidnapping of an underage Serb N.A. was made. Namely, from the vehicle arriving from the direction of the village Ašane, the person sitting in the front seat got out of the vehicle, with a knife in his hand and ordered the minor in broken Serbian to get in vehicle. At that moment, another vehicle appeared and the unidentified perpetrator got back into his vehicle and drove away into unknown direction.
- In the village of Binač, Municipality of Vitina, persons of Albanian nationality fired shots from automatic weapon at approximately 20 residents of the said village who were clearing up the front yard and entrance of the Monastery of St. Archangels. No one was injured.

August:

- The sisterhood of the Serbian Orthodox Monastery of Gorioč in Istok, informed members of the UNMIK that unknown perpetrators tried to forcefully pull out the fence of the monastery yard during the evening hours, and in doing so damaged five concrete pillars.
- The internally displaced Serbs from Mušutište were prevented by the Albanian protesters to mark the St. Patron of the Church of Holy Mother of God of Hodegetria at the ruins of the said church on August 28. On that occasion, the Albanian residents blocked the road Suva Reka-Mušutište and clashed with the special forces of so-called Kosovo Police.

September:

- Unknown persons desecrated and smashed the memorial plaque commemorating the Serbs killed in the village of Staro Gracko, near Lipljan. This plaque contained the engraved names of the Serbian harvesters killed during the July harvest in 1999, and the names of the victims of the NATO aggression. Apart from the smashed memorial plaque commemorating the perished Serbs, Albanian word “Hakmarrja” (revenge) was spray-painted on the school wall.
- In the village of Stanišor, Municipality of Novo Brdo, three underage girls of Serbian nationality were intercepted by two persons of Albanian nationality on their way back from school located in the village of Gornje Kusce. Said persons got out of the vehicle, spoke to the girls in Albanian language and tried to force them into the vehicle. They gave up after a police officer appeared. Having noticed him, the perpetrators got back into the vehicle and drove away in the unknown direction.
- In the northern part of Kosovska Mitrovica, in 3 Kolašinska Street, three persons of Albanian ethnicity assaulted with a knife two persons of Serbian ethnicity who were in a vehicle driving towards the main bridge over the Ibar River. One of the Serbs sustained physical injuries.
- Unknown persons broke into the unfinished Temple of Christ the Savior in downtown Priština and set it on a fire. Representatives of the Serbian Orthodox Church already twice pleaded with the authorities to post a police guard outside the Temple but have received no response on both occasions.

C) The obligations stemming from the First Agreement

1. Community of Serbian Municipalities

Although the establishment of the Community of Serbian Municipalities (CSM) is the pivotal part of the First Agreement of Principles governing the Normalization of Relations and a key determinant for the survival of Serbs in Kosovo and Metohija, no progress has been made towards it during this reporting period. The main reason for such a state of affairs is Priština’s persistent refusal to comply with the commitments it undertook and its resorting to various interpretations of the agreements reached in order to undermine and procrastinate the process.

Following the decision of the so-called Constitutional Court that the General Principles of August 25 are not fully compatible with the Constitution of Kosovo*², the Priština officials continued to publicly condition establishing of the CSM with coming up with new requirements, primarily the abolishing of the so-called parallel institutions and implementing the telecommunications and energy agreements. In addition, Priština has still not adopted the decree to introduce the Community into the legal system of Kosovo* as is its obligation in accordance with Point 2 of the General Principles.

Mindful of the above, Belgrade has been persistently insisting on jointly defining the dynamics of the CSM establishment as well as setting the starting date for the Management Team, which contrary to the First Agreement, is still not operational.³ Also, our side has conveyed to the EU intermediaries that the First Agreement and the General Principles of 25 August 2015 would constitute the sole basis for drafting the Statute and for the establishment of the CSM, since only these acts are the result of the joint agreement and the dialogue between Belgrade and Priština.

In the upcoming period, the EU mediators are expected to identify a solution for the legal basis to introduce the Community into the legal system of Kosovo*, and to also exert pressure on

² “This designation is without prejudice to positions on status, and is in line with UN Security Council Resolution 1244 and the Opinion of the International Court of Justice on the Kosovo Declaration of Independence”

³ As provided for by the General Principles, the Management Team was expected to finish its work on the Statute of the CSM by 25 December 2015.

Priština to comply with its commitments and facilitate the establishment of CSM. Such a development would to a great extent contribute to resolving a number of issues currently discussed in the framework of the dialogue, or to be discussed later, such as property, economic development, education, urban and rural planning.

2. Police

During this reporting period, Belgrade representatives strongly insisted that Priština meet the obligations it assumed when its representatives undersigned the First Agreement, in the part referring to the police. The key problem still remains integration of 143 former members of the Ministry of Interior of the Republic of Serbia in so-called Kosovo's security structures, which Priština has not yet implemented. The only partial progress was made with regard to integrating 71 former administrative staff of the Ministry of Interior⁴. Of this number, 32 persons completed their employment training for working in the Priština PISG and signed their employment contracts in August 2016. However, these persons have not yet started to work in the civil registry offices of the so-called Kosovo Police (KP), despite the fact that Priština promised that their work engagement will commence in September 2016.

The remaining 39 former Ministry of Interior administrative staff have not started their training for working within the Priština PISG, and further problems in terms of their integration and their starting to work with the civil registry offices in the Serbian municipalities in the north of Kosovo and Metohija concern the need to verify their jobs within the new systematization of work places in these municipalities⁵.

During this reporting period, Priština made no progress regarding its obligations to integrate the remaining categories of former members of the Ministry of Interior. Also, the Kosovo side once again started postponing integration of the remaining 34 firefighters (out of the total of 64), although Priština in principle does not dispute its obligation to integrate these persons. By contrast, Priština continues to insist that it will not integrate 23 former officers MoI of the Republic of Serbia, maintaining that these officers failed to pass "security checks" but refusing to provide our side with the specific reasons for this. Such attitude on the part of Priština fully substantiates the position of Belgrade representatives that any "accusations" against these police officers are purely political in nature, and that Priština is in fact under obligation to carry out their integration. The situation is similar when it comes to 15 persons who used to be employed with the Directorate for Food and Accommodation the Ministry of Interior of Serbia. Priština refuses to integrate said persons stating that systematization of work places in its institutions does not include such jobs, since these services are provided by private companies.

Priština has still not harmonized its legislation on police in order to enable formal appointment of the Regional Commander of the Police Directorate Kosovska Mitrovica – North (the Directorate). As a result, the commander of the Directorate is still Acting Commander. Conditions for his formal appointment will be created only after the Community of Serbian Municipalities has been established in accordance with Point 9 of the First Agreement.

⁴ At the beginning of the integration process, total number of former MoI of the Republic of Serbia administrative staff to be integrated into the Priština PISG was 77. However, in the meantime, the three persons met legal conditions for retirement, while the three stated that they refused integration.

⁵ In order for these Serb majority municipalities to amend their systematizations of work places, Priština must first allocate separate funds for the salary for the aforementioned 39 persons. It is therefore expected that talks between representatives of the so-called Priština government and the mayors of the north of Kosovo and Metohija on this issue would be organized in the upcoming period

During this reporting period, Priština continued to violate the Agreement on Police both by exerting political pressure on the management of the Directorate and by deploying in the north of Kosovo and Metohija the Kosovo Police units comprising about or above 50% of Albanians, which is significantly disproportionate to the local ethnic population structure. Contrary to the agreement, Priština holds these units outside the chain of command of the Directorate, which could be conducive to abuses in their engagement and could jeopardize stability in the north of Kosovo and Metohija.

3. Judiciary

In this reporting period, the main activity concerning implementation of the Agreement on Justice was the procedure of re-running job vacancy announcements for integrating judges and prosecutors, as well as the administrative staff, into the PSIG in Priština⁶.

In June, job interviews with candidates for administrative staff were concluded, while candidates for judges and prosecutors completed the necessary testing and job interviews during July, August and September. Although certain technical issues arose during the procedure of short listing of candidates, these were resolved and the process of selecting candidates for judges, prosecutors and administrative staff was concluded on September 23, 2016 after which the complete list of selected candidates was delivered to Belgrade.

The Republic of Serbia insists that, before integration is completed, all issues necessary for the proper functioning of the judiciary system in Kosovo and Metohija be resolved. Accordingly, it is necessary that Priština legally regulate the status and organizational issues of the Division of the Appellate Court in Kosovska Mitrovica, in accordance with Point 10 of the First Agreement, as well as to ensure participation of the integrated Serb representatives in the highest judiciary bodies of the PSIG in Priština. Also, it is essential that Priština complete the construction works on facilities to be used by the court and to ensure adequate work conditions in them.

Provided that all of these issues are resolved, the appointment of judges and prosecutors into the Priština system is expected to take place in November, as well as the signing of employment contracts by the administrative staff. The Republic of Serbia insists that all job vacancies still open after the selection process would remain reserved for members of the Serbian community, as envisaged by the Agreement on Justice.

In the upcoming period, the resolution of said issues is expected and the completion of implementation of the Agreement on Justice.

4. Energy

Implementation of the Arrangements on Energy from 8 September 2013, as well as of the Conclusions of EU mediators on implementing the Arrangement on Energy from 2013, of 25 August 2015, is ongoing.

In accordance with the Arrangement, in October 2015, the so-called *Connection Agreement*⁷ was agreed on and signed, which envisages for the KOSTT to become a separate control area, on condition that the company “Elektrosever” previously obtains a license to supply electricity and becomes operational⁸. The implementation of the *Connection Agreement* provisions

⁶ On March 29, 2016, Priština announced re-selection of 14 judges and 6 prosecutors for integration, and also 115 vacancies for administrative staff in courts and 34 vacancies for administrative staff in prosecutors’ offices.

⁷The *Connection Agreement* was signed between PC EMS and KOSTT within ENTSO-E.

⁸Article 16 of the *Connection Agreement*.

has still not occurred, given that the key precondition involving the establishment of two companies “EPS trgovina” and “Elektrosever”⁹ is missing. The reason for this is that in March Priština refused, for the third time, to register said companies with the so-called Kosovo Business Registration Agency (KBRA), because, allegedly, the submitted documents contained terminology which is not in line with the status-neutral form of negotiations¹⁰.

Instead of devising a mutually acceptable solution for registering these companies, Priština, supported by the European Union and the Energy Community, launched the procedure of amending Article 16 of the *Connection Agreement* in June, which would have made it possible for the KOSTT to become a separate control area without previously meeting the requirement involving companies registration. However, given that the European Network of Transmission System Operators for Electricity (ENTSO-E) insisted on a coordinated resolution, and that the two sides had failed to reach an agreement, *status quo* has been maintained.

In the upcoming period, the EU mediators are expected to find an appropriate solution to register companies and grant them operation licenses so as not to jeopardize the power supply of Serbian consumers in Kosovo and Metohija, and thus to facilitate full implementation of the Arrangement¹¹ and Conclusions¹².

5. Telecommunications

The implementation of the Arrangement and of the Action Plan on telecommunications is currently underway.

Even though the focus of the Dialogue over the past nine months was the process of incorporating the *mts* Ltd company, talks on this issue have still not been brought to a close.

With a view to finalizing the company incorporation, intensive talks on harmonizing the so-called Conclusions of the EU facilitators started in August, aimed at finding solutions for all issues involved in the process of implementation of the Action Plan on Telecoms, which is a precondition for incorporating a company which would be both sustainable and operational.

We underline that, even though most points of the Conclusions of the EU facilitators¹³ have been agreed on in a very short period of time, owing to the outstanding readiness for compromise on the part of the representatives of the Republic of Serbia, it is still necessary to further agree on certain technical issues¹⁴ and to find solutions for two pivotal issues: transfer of assets, and allocation of frequencies and of the base stations locations, to the *mts* Ltd company.

As for the transfer of assets, it should be underlined that Points 3.5 and 4.4 of the Action Plan provide for the transfer of assets from the parent company (*Telekom Srbija*) to *mts* Ltd, without distinguishing between the assets acquired before and after 1999. Priština insists on

⁹ Article 16 of the *Connection Agreement*, that PC EMS signed with KOSTT within ENTSO-E, on 1 October 2015, envisages for the KOSTT to become a separate control area, on condition that the company “Elektrosever” previously obtains a license for the supply of electricity and to become operational.

¹⁰ Requests were rejected on the grounds that exhaustive listing of activities next to the entry of specific activity codes, as agreed with EU mediators and Priština, is unacceptable, and that the Preamble of the Statute does not contain any reference to the Arrangement on Energy and to the so-called Kosovo legislation.

¹¹ Arrangement in the field of energy from 8 September 2013.

¹² Conclusions of the EU mediators on implementing 2013 Arrangement on Energy, from 25 August 2015.

¹³ Solutions to the issues of re-registration of customers, *IMSI* code, numbering and the use of core elements were reached.

¹⁴ The amount of fees which *mts* Ltd. should pay for the allocation of frequencies, as well as the issue of frequencies for the radio-relay links.

transferring only the rights of use to the *mts* Ltd, which is in contravention of the general principles of law, since the term *transfer of assets* is linked with the transfer of ownership rights always and in every legal system.

In addition, the issue of allocating frequencies to the *mts* Ltd has still not been entirely settled. Namely, Priština remains firm in its intention to allocate to the company the frequency scope which would be insufficient for its sustainable operation, which fact necessitates further talks, until a final solution is reached.

As for the allocation of locations for base stations, it should be underlined that *mts* Ltd is obliged, under point 4.0 of the Action Plan, **to provide current operations** to all its current subscribers in Kosovo and Metohija, **by relying on the current infrastructure**. The current infrastructure, as confirmed by the EU facilitator at the meeting held in Brussels, covers 72 locations in Kosovo and Metohija.¹⁵ Given that *Telekom Serbia* is currently providing services to its subscribers not only in the north, but also south of the river Ibar, it is technically infeasible that the *mts* Ltd. maintains current quality of services and coverage, as is its obligation set forth in the Action Plan, if Priština allocates the company only 22 locations in the north of Kosovo and Metohija, which is its current plan.

Representatives of the Republic of Serbia abide by their position that talks on granting licenses and giving consent to the allocation of the three-digit dialing code for the geographic area of Kosovo* may only be initiated after solutions for the said issues have been reached and preconditions created for incorporating a sustainable and operational company.

6. European integrations

During this reporting period, Belgrade was fully devoted to meeting the interim benchmarks as contained in Chapter 35 opened in the process of European Union accession negotiations of the Republic of Serbia in December 2015. Representatives of Belgrade have been actively involved in the Dialog between Belgrade and Priština in Brussels and have openly discussed the implementation of all the agreements reached.

In line with the EU Negotiating framework, it is envisaged that the European Commission and the EU High Representative monitor achieving of the interim benchmarks contained in Chapter 35 and report thereon twice a year. Accordingly, the European External Action Service (EEAS) presented the first interim benchmark assessment report for the Republic of Serbia to the Working Party on Enlargement and Countries Negotiating Accession to the EU (COELA) on 16 September 2016. The tone of the report is positive, confirming that the Republic of Serbia is complying with its obligations arising from the First Agreement.

D) Obligations stemming from technical agreements

1. Cadastre

Implementation of the 2011 Agreement on Cadastre saw little significant progress.

¹⁵22 locations are situated in the north, whilst 50 locations are situated south of the Ibar river. The entire infrastructure at 72 locations operated normally until 2010, when they were damaged in most locations by violent actions of the Albanian extremists. *Telekom Serbia* has been duly paying for the lease for all 72 locations.

Already in March 2016, the Republic of Serbia completed its obligations with respect to the digitization of cadastral documents removed from Kosovo and Metohija in 1999¹⁶. However, when it comes to the establishment of the bodies which have been provided for by the Agreement, and which are to be tasked with comparing cadastral records and deciding on the contentious cases¹⁷, almost no progress has been made so far.

Priština and the EU still maintain the position that implementation of the Agreement on Cadastre is Priština's internal affair and that all bodies provided for by the Agreement should operate in compliance with the "Kosovo" laws. In consequence, Priština adopted the so-called Law on the Property Comparison and Verification Agency in June 2016, thus, allegedly, enabling the implementation of the Agreement. The Law was adopted in violation of all procedures and without the representatives of the Serbs taking part in it, despite the fact said piece of legislation is of critical importance for resolving the issue of private property of the Serbian people and of the Serbian Orthodox Church in Kosovo and Metohija.

Belgrade repeatedly brought to the attention of the EU facilitators the reasons why said Law is in contravention of the Agreement and therefore constitutes an unacceptable solution for its implementation. Consequently, decision making competences on the property rights of the citizens of the Republic of Serbia and of the Serbian Orthodox Church must not be vested with the bodies established pursuant to said Law, bodies which include no representatives of the Serbs, since that would pave the way for legalizing the property seized from the Serbs from Kosovo and Metohija. Accordingly, Belgrade representatives underscored that the scanned cadastral records would not be handed over to the EU Special Representative until all three parties come to an understanding on this issue.

2. Civil registry books

The Republic of Serbia has fully discharged its obligations stemming from the Agreement on Civil Registry Books.

3. Customs stamp

The Agreement on Customs Stamp has been fully implemented. Solutions specified under this Agreement are used in all documents related to the movement of goods (veterinary certificates, phytosanitary certificates, etc.).

4. University diplomas

During this reporting period, discussions in the framework of the Dialogue between Belgrade and Priština were also held on implementing the 2011 Agreement on Mutual

¹⁶ A total of 3,765,830 images were scanned from October 2016 until March 2016, in the framework of the EU-funded project *Exchange of Cadastral Records between Belgrade and Priština*.

¹⁷The Agreement provides for the establishment of the following bodies:

1. Technical Agency envisaged by Point 2 of the Agreement, whose members are to be selected by the EU with the consent of both parties, and which is to be in charge of comparing cadastral records;
2. The Tripartite Implementation Group, as envisaged by Point 2 of the Agreement, whose role is to oversee the operation of the Technical Agency and which is to involve, under the Agreement, cadastral experts from both sides, headed by the EU;
3. The first instance in the adjudication mechanism, i.e. the Commission comprising international and Kosovo cadastral and property experts, the bulk of whom are to be appointed by the EU Special Representative, taking into account the interests of all concerned communities. In line with Point 4 of the Agreement, said Commission decides on the correct cadastral record, in cases where comparison proves mismatching of records;
4. Special Panel within the Kosovo Supreme Court which is to consist mostly of international judges and which is to act as the second-instance appeal mechanism against the decisions of the Commission (first-instance decisions).

Recognition of Diplomas and the Conclusions and the 2016 Operational Conclusions of the Working Group.

In accordance with the provisions of the Operational Conclusions, in September 2016, the European Union appointed NGO *SPARK* as the Implementation Partner (IP) via which the requests for the recognition of university diplomas will be submitted. All requests which were submitted to the competent ministries, as of 4 April, will be forwarded to the IP for further action. It is important to mention that the European University Association (EUA), which was to certify submitted requests for diploma recognition under the 2011 Agreement, refused further participation in this process. In order to resolve this challenge, the EU set up the Expert Certification Committee (ECC) which will certify diplomas going forward and issue certificates according to the same principles as the EUA.

As for the recognition of diplomas for the pre-university education level, the EU has yet appointed neither the Implementation Partner nor the body which is to certify these diplomas, but this is expected in the upcoming period.

We note that Priština has still not recognized a single diploma issued by the educational institutions of the Republic of Serbia in accordance with the Agreement¹⁸. Belgrade has repeatedly urged the EU facilitators to prevail with Priština to comply with the Agreement and immediately decide on 13 requests for the recognition of diplomas issued by the accredited universities of the Republic of Serbia and submitted between 2012 and 2014. Nevertheless, we have still not received any information on the status of those requests.

It is important to note that the issue of recognition of diplomas issued by the University of Priština, temporarily seated in Kosovska Mitrovica (UPRKM), is still outstanding. In a meeting held in September in Belgrade, the representatives of NGO *SPARK* stated that this NGO would not be accepting the requests for the recognition of diplomas from this university, after being instructed so by the EU. The representatives of Belgrade reacted with the EU facilitators and stressed that Point 4 of the Conclusions explicitly set forth that the Agreement and the Conclusions would apply to the diplomas of all accredited universities and programs of both parties. It was pointed out that Belgrade submitted the list of accredited universities and programs of the Republic of Serbia to the EU facilitators in April, which included UPRKM, and to which neither Priština nor the EU had any objections. Given the above reasons, it is unclear on what grounds this instruction was given to begin with, especially considering the importance of this university for the Serbian population in Kosovo and Metohija.

This and other contentious issues will be further discussed in the coming period.

5. Freedom of movement

The freedom of movement regime continued to evolve in line with the 2011 Agreement on Freedom of Movement. The Agreement is still applied at six common crossing points and the following border crossings: Preševo, Gradina, Batrovci, Šid, Kelebija, Horgoš, Belgrade Airport and Niš Airport.

¹⁸ Since the entry into force of the Agreement, 28 recognition requests with the EUA certificate have been granted by the institutions of the Republic of Serbia. By contrast, Priština has not recognized any of the 13 submitted requests for the recognition of diplomas issued by the accredited universities in the Republic of Serbia and certified by the EUA, despite being bound by the Agreement to do so. As for the work of the Implementation Partner, in February 2012 the EU first engaged the non-governmental organization *SPARK* via which the requests for EAU certificates were submitted. The mandate of this organization ended in July 2014.

Discussions on all contentious issues regarding the implementation of this Agreement continued in this period. Thus, on 14 September 2016 in Brussels, the parties agreed on the wording of the Arrangements concerning finalization of implementation of this Agreement.

Said document represents the consent reached on introducing a new regime for vehicles of both parties crossing the administrative line – the sticker regime.¹⁹ This regime provides for the relevant parts of the license plates on both parties' vehicles to be covered with two white stickers when the vehicles cross the administrative line. Furthermore, the parties agreed that the sticker regime would become effective as of 15 November 2016, and that it would not apply to vehicles with Serbian license plates from Kosovo and Metohija. In addition, the Arrangements also set forth that the re-registration of all vehicles to license plates issued by the Provisional Institutions of Self-Government in Priština begins on 15 January 2017 and lasts for 12 months, when this issue will be revisited with the EU facilitation. On the other hand, given that the validity of "KS" license plates expires in November 2016, it was agreed that Priština should extend their validity for additional five years, when this issue will be revisited with the EU facilitation, if required. With the aim of conducting the re-registration process, it was agreed that the parties and the EU would conduct a public information campaign, in order to explain vehicle re-registration modalities to the residents affected by this measure.

It should be noted that the issue of re-registering 1,239 vehicles owned by the Serbs in the Kosovo Morava Region with provisional (RP) license plates remained unresolved. Even though it was agreed at the high-level meeting in January 2016 that Priština should re-register these vehicles to "KS" plates without delay, it has not been done yet. In fact, in May 2016 Priština adopted the Administrative Instruction which granted the right to re-registration only to the owners of vehicles registered in Kosovo and Metohija before 10 June 1999 and which were verified by a commission. Belgrade will continue to insist on resolving this issue without any further delay.

With respect to the abuse of the freedom of movement right, the reporting period saw a drastic reduction in the number of persons from Kosovo and Metohija trying to illegally cross the state border, so as to enter the European Union member states. During the first eight months of 2016, a total of 4,554 persons were prevented from crossing the state border illegally, out of whom 2% comprise persons from the Autonomous Province of Kosovo and Metohija. In that period, criminal charges were brought against 40 persons from the AP of Kosovo and Metohija for "unauthorized state border crossing and human trafficking" (two persons for unauthorized crossing and 38 persons for trafficking).

6. Regional representation

Recognizing the consolidation of cooperation in the region of the Western Balkans as one of its key priorities, the Republic of Serbia has adopted an active and constructive approach on the issue of regional cooperation. Pursuant to the provisions of the Arrangement on Regional Representation and Cooperation reached in the framework of the dialogue between Belgrade and Priština, the representatives of the PISG in Priština have been enabled to engage in the work of numerous regional initiatives and conferences²⁰.

¹⁹ The sticker regime will replace the hitherto used PROBA license plates applied by Belgrade to vehicles with RKS license plates at the time when they cross the administrative line.

²⁰ In accordance with the Agreement on Regional Representation, the designation "Kosovo*" is used within the framework of regional cooperation for representatives of the PISG in Priština with a footnote which reads, "This designation is without prejudice to positions on status, and is in line with UN Security Council Resolution 1244 and the Opinion of the International Court of Justice on the Kosovo Declaration of Independence".

The Agreement on Establishing the Regional Youth Cooperation Office (ROYC) of the Western Balkans is an exceptional example of a successful implementation of the Agreement on Regional Cooperation. Said Agreement was signed during the Western Balkans Summit, held in Paris on July 04, 2016. Also, during the reporting period, the representatives of Belgrade and PISG in Priština together took part in numerous meetings held in the frameworks of the South-East European regional initiatives, to name some: the Regional Cooperation Council, Berlin Process, the South-East European Cooperation Process, MARRI Regional Committee and Forum, etc.

Belgrade will continue to contribute to regional stability and to advancing regional relations by its commitment to the provisions stipulated under this Agreement.

7. Integrated Boundary Management (IBM)

The Republic of Serbia fully observes the agreed Conclusions on the *IBM* and the Technical Protocol on the *IBM* Implementation.

The functioning of all six common crossing points (CCPs) is successful. The Republic of Serbia is undertaking all necessary measures to enable functioning of all crossing points and to increase the efficiency of the associated services.

During the reporting period, several meetings were held to discuss current projects and challenges. The Implementation Group on *IBM* met in Brussels on June 22 and concluded that implementation of the Agreement on *IBM* was ongoing without major issues, that numerous procedures envisaged by the Technical Protocol on the Implementation of *IBM* have been improved and that activities should continue towards that objective.

After that, the central-level meeting on *IBM* was held in Priština on July 26, where all issues pending from the previous meeting of the Implementation Group on *IBM* were further considered. The issues discussed at this meeting can be divided in two groups:

1. Solving everyday issues in the field of customs, MoI, veterinary, plants, traffic and the services engaged in the crossing points, and
2. Establishment of new and reconstruction of the existing administrative crossings.

With regard to the first group, it was concluded that all issues were successfully resolved and that a visible progress was made regarding the following points:

- The procedure of issuing entry/exit document was further improved by posting said form online, which allows users to download and fill it in beforehand.²¹
- The agreed phytosanitary certificate is successfully implemented at all administrative crossing points where commercial transport takes place.²²
- Veterinary certificates for livestock were agreed.²³ Separate discussions on the issue of goat and sheep certificate are still pending (due to outbreak of the “lumpy skin disease” in the region). The milk and dairy product certificates and certificates for products of animal origin are currently being agreed.
- Information pertaining to the lumpy skin disease of cattle (nodular dermatitis) was shared and coordination of the necessary measures to eradicate this disease from the region was agreed.

²¹ The Document was published on the website of the Office for Kosovo and Metohija.

²² The administrative crossings where commercial transport takes place are as follows: Rudnica/Jarinje, Merdare and Kočulj/Bela Zemlja.

²³ Live stock certificate (apart from certificates for breeding bovine) became effective on March 01, 2016.

- Infrastructural issues which existed at administrative crossings under the authority of the Republic of Serbia were resolved.²⁴

As to the second group of points, it was concluded that progress has been made after delegating coordination and management at all administrative crossings from under the authority of the Republic of Serbia²⁵ to the Administration for Joint Services for the Republic Bodies.

Further talks on all abovementioned issues are to be held at the next meeting of the Implementation group for *IBM*.

8. Official visits and Liaison Officers

Priština constantly violates the Agreement on Official Visits, especially concerning the simplified visits regime of selected officials which was agreed on October 15, 2015.²⁶

The most illustrative example of such practice are constant attempts to prevent the movement of the Director of the Office for Kosovo and Metohija, Mr. Marko Đurić. The most recent case of violating the Agreement was recorded on September 21, in Gračanica when members of the PISG in Priština attempted to arrest Mr. Đurić during his regular and properly announced visit. After that, the decision banning him from entering the Autonomous Province of Kosovo and Metohija for a period of two weeks was issued. Belgrade strongly protested with the EU mediators, pointing out that such acts constitute severe violation of the Agreement, and requested an urgent revoking of this decision.

In addition, it is important to note that the decision made by the PISG in Priština on April 24, 2016, banning the state officials of the Republic of Serbia, the Minister of Interior, Nebojša Stefanović and the Minister of Defence, Zoran Đorđević from entering Kosovo and Metohija, is still in effect.

Addressing of said problems and continuation of full implementation of the Agreement on official visits is to be expected in the upcoming period.

It is important to note that 62 visits were conducted pursuant to the Agreement on Official Visits during the reporting period. Of that number, 55 visits were made by officials of the Government of the Republic of Serbia, while seven visits were made by the representatives of PISG in Priština to Central Serbia. We especially highlight the successful visit at the highest level of the Prime Minister of the Republic of Serbia, Aleksandar Vučić, and of the ministers of the Government of the Republic of Serbia and other officials.

The system established by the exchange of the liaison officers functions successfully, both mutually and with the institutions and international missions deployed in Belgrade and Priština.

²⁴ Three administrative crossings (common crossing points) fall under the authority of the Republic of Serbia: Rudnica/Jarinje, Končulj/Bela Zemlja and Depce/Mučibaba.

²⁵ The Conclusion of the Government of the Republic of Serbia was adopted on April 27, 2016.

²⁶ With a view to furthering the process of normalization of relations and more relaxed organization and conduct of official visits, it was agreed on 15 October 2015 to extend the Agreement by including a special provision enabling regular and simplified visit regime for one official of each party, for whom the parties will provide logistical information only in order to facilitate the preparation of the visits. It was agreed to conduct the visits of these officials in a way that would further the process of normalization of relations or contribute to the overall work in the context of the EU facilitated dialogue. The simplified regime for the official of Belgrade side refers to the Director of the Office for Kosovo and Metohija, Marko Đurić.

The activities of the Belgrade's Liaison Officer to Priština are of great importance when solving everyday problems encountered by the citizens of the Autonomous Province of Kosovo and Metohija. This especially pertains to the issues of exempting of taxes of the goods being donated, resolving the issues involved in crossing of the administrative line, legal and property claims, personal documents, etc. It is equally important to underscore the role of the Liaison Officer in resolving the cases of detaining persons of Serbian nationality under the orders of the *EULEX* prosecutors.

E) Other topics

1. Collection of customs duties

The Republic of Serbia discharges all assumed obligations and collects all duties in accordance with the Agreement on Customs.

Certain challenges are still present when it comes to collection of duties at CCP Rudnica/Jarinje and Brnjak/Tabalije for goods intended for consumers in the north Kosovo and Metohija. The Priština administration implements a special procedure for determining the value of these goods by forwarding all documents from the crossing points to the headquarters in Priština via mail, where fees are calculated, and then charged at the crossing point. Because of this, and other technical issues (the limited office hours of the Priština administration and problems with internet connection) frequent bottlenecks occur at said CCPs, slowing down the flow of vehicles and goods. In the upcoming period, efforts will be invested on finding appropriate solutions to these issues.

2. Development Fund for Northern Kosovo*

During the previous period, from collected funds of the Fund, financing of specific project was continued, with an aim at supporting the socio-economic activities in the four municipalities in north of Kosovo and Metohija.

The Fund has so far raised around 12.8 million euro, out of which municipalities in the north were allocated approximately 9.5 million euro by September 2016. During the summer, the Municipality of Leposavić received 500,000 euro, while the Municipalities of Zubin Potok and Zvečan received 700,000 euro for the implementation of projects.

During the previous period, certain issues arose due to the reallocation of resources of the Fund, leading to concern that the unspent funds would be returned to the treasury at the end of the fiscal year as a surplus, and not refunded to the municipalities as their own income, and that they would not be transferred into the next fiscal year.

However, the Serbian representative from the Fund Management Board confirmed that the diversion of funds collected by the Fund was a technical amendment, made exclusively in order to facilitate the monitoring of financial flows. It was concluded that the Management Board will monitor the situation at the end of the fiscal year and report to competent authorities on possible irregularities, in order to duly react and prevent violation of the Agreement on the Development Fund for the North.

In the upcoming period, it is expected for the Fund's Management Board would deliberate on another five proposed projects worth approximately 1.5 million euro.

3. Vehicle insurance

Certain problems still arose in the previous period concerning the implementation of the Memorandum of Understanding in the field of vehicle insurance²⁷. Although some were successfully overcome²⁸, the issue of appointing correspondents still remains unresolved.

In fact, the so-called Kosovo Insurance Bureau (KIB) refuses claims by the Association of Serbian Insurers (UOS) for the appointment of correspondents for analysis, handling of claims and the compensation payment in the area of Kosovo and Metohija. This refusal on the part of KIB constitutes a direct violation of the provisions of the Memorandum²⁹, stipulating that each party shall be entitled to independently request correspondent nomination, while the other party shall accept the request automatically.³⁰ The refusal on the part of KIB, prevents insurance companies of both parties from establishing direct cooperation and protecting their interests. Despite the fact that this problem was brought to the attention of both European facilitators and representatives of the Council of Bureaux on several occasions, an appropriate solution has still not been reached.

Furthermore, no conditions have been provided yet for the establishment of the insurance policy electronic verification system at the administrative boundary line, as provided for under the Memorandum, so insurance policies are still only visually inspected.³¹

It is expected that we will focus on finding mutually acceptable solutions to all these issues in the upcoming period.

4. Free trade

Free trade between Belgrade and Priština is conducted in accordance with the Central European Free Trade Agreement (CEFTA). Also vital for this area is the Customs Stamp Agreement and the Technical Protocol on the Implementation of the IBM, as part of which the Customs Agreement was reached, as well.

When it comes to trading with the Republic of Serbia, the Provisional Institutions of Self-Government in Priština in the previous period continued to act in accordance with CEFTA provisions, except in certain cases of non-tariff barriers in the placement of our goods. Specifically, such an instance concerned inappropriate determination of the customs basis for the collection of duties for construction material (thermal blocks), and the refusal of the so-called Kosovo Customs to set the customs basis against the transaction value, which in the last 5 years lead to considerable increase of the product price and the drop of competitiveness of the Serbian goods. Instead, according to available information, an excise tax of 2 cents per building block was imposed on 7 July 2016, along with the customs duty rate of 10%.

²⁷ The Memorandum enables mutual recognition of insurance policies for all vehicles entering into Serbia Proper from Kosovo and Metohija, and vice versa. The Memorandum was signed on 23 June 2015, between the Association of Serbian Insurers (UOS) and the so-called Kosovo Insurance Bureau (KIB), and entered into force on 12 August 2015.

²⁸ The co-called Kosovo Insurance Bureau (KIB) accepted to refund the amounts paid to the members of the Association of Serbian Insurers on the basis of official bank statements. Also, KIB ceased to calculate a double fee for the same adverse case.

²⁹ Section V, Point 3

³⁰ The request of *UNIQA Insurance* to nominate its subsidiary *Sigal UNIQA* as its correspondent in Kosovo and Metohija was rejected first, and the request of *SAVA Insurance* to nominate its subsidiary *Illyria Life* as its correspondent in Kosovo and Metohija was rejected next.

³¹ The insurance policy electronic verification system would ensure a greater security in compensation of damage, and a reduced opportunity for vehicle smuggling.

When it comes to the issue of transporting non-hazardous waste (paper, glass, scrap metal) with an aim at finding appropriate solution, a Draft Procedures was prepared for the Movement of Waste from the territory of the Republic of Serbia outside the AP of Kosovo and Metohija to the AP of Kosovo and Metohija and vice versa, in accordance with the signed Agreement on preliminary control takeover of the movement of waste, hazardous material and substances that deplete the ozone layer, dated 28 March 2008, in Belgrade between the Ministry of Environmental Protection and the Ministry of Finance.

Data on mutual exchange, during the period of 2010-2016/7, indicate that our entrepreneurs use the possibilities of the placement of goods in the of AP Kosovo and Metohija to a significant extent.

5. Bridge and “Peace Park” in Kosovska Mitrovica

Seeking to unblock the implementation process of the Conclusions of the Working Group on Freedom of Movement/Bridge of 25 August 2015 (Conclusions), on 2 August 2016 in Brussels, both sides agreed to ensure implementation through resolving two separate matters: 1) delineation between Mitrovica North and South in the area of Suvi Do by signing the Memorandum of Understanding (MoU) between the mayors of the two cities on the delineation, and 2) movement in the area of the bridge on the Ibar River. In this way, the resolution of two related issues was separated, and according to the Conclusions of the Working Group on the Freedom of Movement/Bridge (Conclusions) of 25 August 2015, they were to be addressed by first resolving the issue of delineation, and only afterwards to start with activities on revitalizing and enabling traffic from the main bridge in Kosovska Mitrovica, as well as converting Kralja Petra Street into a pedestrian zone.

In this context, on 5 August 2016, the EU Declaration on the implementation of the Conclusions (Statement) was harmonized, which foresees the beginning of construction works on the bridge revitalization and enabling the movement on 14 August, and the issue of delineation to be resolved during separate negotiations in the period until 14 October 2016. In accordance with this agreement, work on the bridge began on 14 August 2016, accessed from the south side and they should be completed until 20 January 2017. Parallel with the bridge works, the process of reconstruction and transforming the Kralja Petra Street into a pedestrian zone in North Mitrovica began. The work on the street will, as agreed, be completed on the same day as the bridge works, on 20 January 2017.

The issue of delineation between North and South Mitrovica in the area of Suvi Do is blocked by Priština who meets with the understanding of EU mediators in doing so. In fact, Priština states this is its “internal” issue which should be resolved in the “triangle” between the mayors of North and South Mitrovica and the so-called Priština government. Priština refuses to discuss this topic in Brussels, although the agreement relating to the issue of delineation between North and South Mitrovica from 25 August 2015 was reached within the Brussels dialogue, at a high political level. Due to said circumstances, talks on this issue began in Priština, but without prospects for a solution, about which Priština and Belgrade were informed by the mayor of North Mitrovica after the meeting. At the same time, the Serbian side has repeatedly requested from EU mediators to respect the final deadline for resolving the issue of delineation between North and South Mitrovica, 14 October 2016, and to ensure full implementation of the Conclusions of the working group on freedom of movement/bridge of 25 August 2015. With this in mind, the Serbian side will continue to insist on organizing discussions on this issue in the upcoming period within the framework of the dialogue.

6. Civil Protection

During the reporting period, intense efforts were made on resolving all issues related to the implementation of the Agreement on Civil Protection.

Most important progress was made on 1 August 2016, when the last group of 50 members of the former CP, assigned to the so-called Special fund, signed employment contracts and were assigned to jobs in the PISG in Priština. This finally completes the integration of all 483 members of the former CP.

However, problems relating to non-payment of salaries to integrated members of the former CP persist. Although certain progress was made regarding this issue, 19 CP members have still not received their salary since January 2016. In addition, there is also the issue of workspace for the integrated members of the former CP. Specifically, out of 483 integrated members, only 134 of them have been provided with workspace³². Belgrade is constantly demanding from the EU mediators to exert pressure on Priština to resolve these issues.

In line with the Agreement, the Republic of Serbia, for its part, prepared a Draft Law on ceasing to pay salaries and provide any financial support to CP members in Kosovo and Metohija.³³ However, for the said law to be adopted, Priština needs to resolve all of the above stated issues.

7. Agreements and the dialogue between the Chambers of Commerce

In the previous period, the Chamber of Commerce and Industry of Serbia (CCIS) and the Kosovo* Chamber of Commerce (KCC) continued the practice of holding regular meetings to discuss and negotiate modalities for advancing economic cooperation. The cooperation between the two chambers is based on the Memorandum of Understanding between CCIS and KCC dated 24 July 2013, as well as on the Annexes on Arbitration in case of disputes and on institutional capacity building.

The dialogue between the chambers of commerce was particularly intensified during July, when the two chambers participated in the Chamber Investment Forum, under the auspice of EU and within the Western Balkans Summit held in Paris. On this occasion, the representatives of the two chambers signed a joint statement stressing their commitment to continue with the normalization of relations. At the same time, they committed to jointly organize a meeting of institutions from both sides responsible for the completion of implementation of the agreement regarding the recognition of customs stamps and harmonization of certificates for meat and dairy products. The two chambers also committed to establishing a Joint Committee to strengthen cooperation in the field of electric machine building, as well as to strengthening the engagement on removing all obstacles for the free flow of people, goods and capital.

A positive trend in relations between two chambers was confirmed also with organizing a visit to the Italian region, *Friuli Venezia Giulia*, during which representatives of the agricultural and food enterprises from both sides learnt more about the manner of operation of the agricultural cooperatives and associations in this EU region.

³² The Memorandum on the workspace takeover from former CP has still not been signed, for the workspace where the integrated CP members are to be accommodated.

³³ Law on Special Requirements for the Eligibility of Civil Protection Employees in the municipalities of Zvečan, Zubin Potok, Kosovska Mitrovica and Leposavić to Pension and Health Insurance.

Conclusion

Continuing to take part in the Dialogue in an open manner and in good faith during this reporting period, Belgrade has grown more firmly rooted in its belief that this is the optimal framework for discussing all outstanding issues related to Kosovo and Metohija. We believe that this impression of our side is all the more significant since it arose amid circumstances brimming with problems and difficulties which resulted from the process of negotiations and which have been described in detail in previous chapters. However, no matter how sizable the challenges involved in this process, the significance of the fact that representatives of Belgrade and Priština have continued to sit at the negotiating table and discuss extremely complex issues which in the past had often caused instability, uncertainty and even conflicts, cannot be downplayed.

Recognizing this fact, the Government of the Republic of Serbia has continued to approach negotiations with utmost constructiveness. By adopting such an attitude, the Serbian side was able to provide critical contributions in order to achieve arrangements which ensured continued implementation of the agreements on the bridge, on the freedom of movement, transportation of hazardous cargo and on official visits, as well as on harmonizing a maximum number of issues involved in implementing the Agreement on Telecommunications. Our determination to patiently and responsibly look for a compromise was most explicitly manifested when said arrangement was achieved to continue implementing the Agreement on the Bridge. Reached after extensive discussions, this Agreement meets the minimum required interests of both sides, an outcome which previously had been very hard to imagine for the sideline observers. It is precisely such an outcome that has become a reality. However, it also presents an obligation to fully implement the Agreement and resolve the issue of delineation between Mitrovica North and South, and thus reduce the risk of new tensions and conflicts in the area.

Such an outlook, a result of the agreements reached, lends itself to concluding that the Dialogue has in the meantime grown into a powerful leverage, one that stabilizes the overall situation in the region. Although this situation is otherwise loaded with numerous foreign policy, economic and security challenges, it is evident that intensive and regular communication between Belgrade and Priština has turned the Dialogue into precisely what the facilitator, it seems, had intended it to be - a key instrument of orienting the two sides towards both the EU values and achieving the relevant European standards.

This assessment should never be used to conclude that the Dialogue has no shortcoming. These are primarily related to the different political and historical discourses employed by the two sides, and this discrepancy often causes a delay or a impasse in the process of negotiations, as well as in the process of implementing the agreements reached. Consequently, during this reporting period, no progress continued to be made on formation of the Community of Serbian Municipalities, since Priština decided to implement the Agreement on this issue solely from the point of its interests, instead of basing it on the wording of this Agreement. Specifically, this means that Priština has still not passed the Decree to "introduce" the Community of Serbian Municipalities into Kosovo*'s legal system, which was an explicit obligation in accordance with Point 2 of the General Principles.

In addition to the failure to implement the agreed concerning the Community of Serbian Municipalities, which is an issue of pivotal importance for the Serbian side, the negotiation process was negatively affected by the adoption of the so-called Law on Kosovo Property Comparison and Verification Agency during this reporting period. Provisions laid down in this law are in full contradiction to the Agreement on Cadastre, and the law itself was passed even though numerous issues pertaining to the implementation of this Agreement have not been resolved within the technical framework of the Dialogue. Given that the Agreement mainly

concerns the interest of Serbs in Kosovo and Metohija, as well as other citizens of the Province, and protection of their immovable property, the Government of the Republic of Serbia invites the other side to start complying with the universal principle of the inviolability of private property and security of property in general. This is an essential precondition for putting a stop to the current practice of usurping Serbian property, one which the competent authorities in Kosovo and Metohija are still unwilling or unable to prevent and sanction. Belgrade believes that revoking the controversial law and bringing the talks on this topic back within the framework of the Dialogue is the only proper way forward and the one that best serves the interest of all citizens of Kosovo and Metohija.

Our party believes that it is extremely important to ensure full observation of the Agreement on the Official Visits of senior officials. In this context, the Government of the Republic of Serbia regrets that the other party has repeatedly acted contrary to the provisions of this Agreement and prevented the chief Serbian negotiator and the Director of the Office for Kosovo and Metohija Mr. Marko Đurić from visiting Kosovo and Metohija. This practice can hardly be conducive to normalizing and improving relations between Belgrade and Priština, which is why our party insists that this issue in the upcoming period must be applied strictly, and precisely in a manner prescribed under the Agreement on Official Visits.

Firmly guaranteeing its readiness to fulfill all the obligations it has assumed in the Dialogue, the Government of the Republic of Serbia expresses hope that Priština shall act in the same manner in the upcoming period, and, within a reasonable period of time, complete the process of integrating all former employees of the Ministry of Interior of the Republic of Serbia. Also, Belgrade expects the other side, which firmly insists on Belgrade's compliance with obligations arising from the Agreement on University Diplomas, finally act in accordance with this agreement and recognize at least one diploma acquired in the educational system of the Republic of Serbia³⁴.

Belgrade believes that the upcoming period will require significantly more decisive engagement of the intermediary, who has continued to invest a great deal of effort and significant resources in the negotiation process during this reporting period. Such involvement would be particularly welcome in light of the need for a stronger EU leadership on the ground, especially in the implementation phase of the agreements reached. Accordingly, we believe that the intermediary will recognize the need to start negotiations on the foremost economic, political and other issues, that the other party is currently refusing to discuss, and that it will continue have the same response towards Priština's attempts to "file" certain issues, which have not been addressed in the framework of the Dialogue, under the agreements which have already been achieved.

A constructive approach to all matters within the framework of the Dialogue remains an essential precondition for the success of the negotiation process and continuation of the process of normalizing relations between Belgrade and Priština, as well as for a more tangible confidence-building between the citizens of Kosovo and Metohija from the Albanian and Serbian communities. Such an approach is critical in order leave as little a space as possible to the extremists who might jeopardize the results achieved in the Dialogue. We believe that this threat is credible enough and that this claim has been corroborated to a sufficient extent by the data presented in this report, namely, that the number of the ethnically motivated assaults on Serbs almost doubled during this reporting period. Unless these and other crimes committed in Kosovo and Metohija after the war in 1999 are sanctioned, Priština will not have sufficient credibility to argue that it is fully committed to the process of reconciliation between the Serbian and Albanian communities in Kosovo and Metohija. In this regard, the Government of the Republic of Serbia

³⁴ Competent authorities of the Republic of Serbia have so far recognized 28 diplomas obtained within Priština's system of education.

reaffirms that the Provisional Institutions of Self-Government are fully responsible for the personal and property security of the Serbian community in the province, as well as for the safety of the cultural and spiritual heritage situated there.

Despite the described challenges and problems, the Government of the Republic of Serbia reaffirms its commitment to normalizing relations with the Provisional Institutions of Self-Government in Kosovo and Metohija within the framework of the Brussels Dialogue. It therefore intends to, in the upcoming period, continue to constructively contribute to looking for new, as well as implementing the already found, solutions which would be aimed at relaxing relations between the Albanian and Serbian peoples in Kosovo and Metohija, and creating conditions for their historic reconciliation. Accordingly, Belgrade will continue to, within its means and the objective limitations, contribute to achieving the strategic vision of integrating our region into the wider European body epitomized in the institutions of the European Union.

October 2016

DIRECTOR

Dragan Vladislavljević

DIRECTOR

Marko Đurić