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Qeveria – Vlada- Govenment

ANNUAL REPORT (January-December 2017)
FOR
PREVENTION OF INFORMAL ECONOMY, MONEY LAUNDERING,
TERRORIST FINANCING AND FINANCIAL CRIMES IN KOSOVO
(2014-2018)

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EXECUTIVE SUMMARY

Background

Informal economy, financial and economic crimes, including money laundering, terrorist financing and corruption, are factors that cause serious damage to the economy and adversely affect the well-being of society as a whole. These harmful phenomena vary in nature and extent, depending on economic developments, so it is important that the contributors and the public as a whole are provided with accurate and inclusive information in order to raise their awareness and information on undertaking preventive policies from the highest institutional level.

The Government of the Republic of Kosovo, upon the approval of the National Strategy and Action Plan of the Republic of Kosovo for the Prevention and Fighting of the Informal Economy, Money Laundering, Financing of Terrorism and Financial Crimes 2014-2018 (hereinafter referred to as National Strategy and Action Plan 2014-2018), has undertaken actions to implement the action plan which have had positive effects on the economy. The strategy and action plan are based on the findings of the National Risk Assessment Report where six main objectives have been identified, such as:

1. Raising awareness of the impacts on informal economy and financial crimes.
2. Strengthen prevention and the fight against informal economy and financial crimes by improving transparency, accountability, good governance and social partnership.
3. Promotion of intelligence, investigation, prosecution, judicial, and enforcement procedures for money laundering, terrorist financing and other financial crimes.
4. Strengthening the Capacities of Relevant Institutions.
5. Developing and applying pro-active approach to international co-operation in the prevention of money laundering, terrorist financing and financial crimes.
6. Developing national legislation in accordance with international standards and ensuring its effective implementation.

To address these objectives, the action plan was drafted with initially 51 activities that are in the process of being implemented. Among the 51 activities, Activity 2.1.1 of the Action Plan of the National Strategy 2014-2018 requires the drafting of fact-based reports focusing on the informal economy and financial crime in Kosovo on a regular 6 monthly basis, in order to support relevant institutions not only in strategic and operational planning, but also in raising awareness in society through communication.

The Annual Report on the Prevention of Informal Economy and Financial Crime in Kosovo covers the developed activities as well as the results achieved during the period 01.01.-31.12.2017.

Methodologies

The Secretariat¹ has drafted the Six Month Report and the Annual Status Report by using direct and indirect methods and paying attention to subjective and objective criteria. The Government Working Group² is responsible for reviewing and approving the annual reports provided by the Secretariat.

Direct methods included interviews and meetings aimed at obtaining information on the subjective criteria both from the operational and managerial level of organizations representing the public, private and third sectors.

Indirect methods have included the analysis of previous assessment reports and analysis, statistics and legal framework. The aim was to obtain information on objective criteria.

In this Annual Status Report, the Secretariat has: collected information, conducted an analysis, prepared the findings, issued conclusions and presented a series of recommendations.

Analysis and findings

The Government of the Republic of Kosovo has established a mechanism for drafting, reviewing, approving, implementing and overseeing the National Strategy and Action Plan 2014-2018.

The National Strategy 2014-2018 includes an Instrument for Monitoring and Reviewing, as an Annex, requiring the responsible institutions that the results of the implementation process of National Strategy and Action Plan 2014-2018 should be reported on a regular basis using the instrument "Monitoring and Reviewing Activities".

During the implementation of the activities, the Secretariat in cooperation with other relevant institutions has identified weaknesses that pose a risk to the implementation of the National Strategy and Action Plan 2014-2018. These weaknesses are mainly related to the strategic objectives of the Action Plan (2 and 4) as follows:

- Objective 2: Strengthen prevention and the fight against informal economy and financial crime by increasing transparency, accountability, good governance and social partnership; and
- Objective 4: Strengthen the capacities of the relevant institutions

¹The Secretariat is established and managed by the Ministry of Finance based on the National Strategy of the Republic of Kosovo for the Prevention and Fighting of Informal Economy, Money Laundering, Financing of Terrorism and Financial Crimes 2014-2018. Its duties are the Government's support through the Government Working Group in drafting, revising, amending and overseeing the National Strategy and Action Plan 2014-2018.

² Ibid.

Based on the National Strategy and Action Plan 2014-2018, during the reporting period, the Ministry of Finance through the Secretariat has continued to collect data for January-December 2017 on the operational outcomes of the bodies responsible for law enforcement, including the judiciary, where these data were analyzed by the secretariat versus measuring indicators. Despite the progress made, there are still challenges that need to be addressed, challenges related to the process of efficiency and transparency in terms of quality data processing.

Conclusions and recommendations

In order to prevent the implementation of strategic and operational risks, the Secretariat has issued conclusions and recommendations for the Government. They focus on following areas:

1. In accordance with Annex 1 of Activity 2.4.1 of the National Strategy Action Plan 2014-2018, the 6th months report information should continue to be provided to the Secretariat on the operational performance and results of the authorities responsible for preventing the informal and criminal proceedings for financial crimes;
2. In accordance with Activity 2.4.3 of the National Strategy Action Plan 2014-2018, on conducting the assessment of the needs for Joint Training, Strategy and Program for the Public, Private and Third Sector with regard to the prevention and detection of the informal economy and the creation of a quality training program by KP, the definition and allocation of a budget of 30,000 EUR is required for the implementation of the Training Program for the prevention of money laundering, financing of terrorism and financial crimes; which activity continues to be un-completed since 2014.
3. Ensure that the responsible administrative, law enforcement and judicial institutions for the prevention of informal economy and criminal procedure for financial crimes, prepare performance plans for the financial year 2017 onwards, including clear objectives at institutional level, their own implementation measures and key performance indicators related to the prevention of informal economy and criminal procedure for financial crimes. In this context, a greater accountability will be established in meeting the objectives of the relevant institutions in combating the respective phenomena.
4. In order to enhance the performance of the responsible institutions and ensure that the government budget for the coming years includes national level targets for preventing informal economy and criminal procedure for financial crimes for responsible administrative, law enforcement and judicial institutions.

2. INTRODUCTION

The drafting of the Annual Status Report for 2017 is based on Activity 2.1.1 of the Action Plan of the National Strategy of the Republic of Kosovo for the Prevention and Fighting of the Informal Economy, Money Laundering, Financing of Terrorism and Financial Crimes 2014-2018. These policy documents have been approved by the Government of Kosovo on 28.01.2014.

The objectives of the Annual Status Report are as follows:

- Supporting relevant public, private and third-party institutions in strategic and operational planning and decision-making;
- Provide information on focus areas of specific risk assessments, surveys, research and studies on the prevention of informal economy and financial crime.
- Increased communication and awareness among society for preventing informal economy and financial crime;
- Provision of factual information to international organizations and media about the informal economy and financial crimes in Kosovo, as well as available preventive mechanisms.

The annual status report, which is compiled annually, contains aggregated semi-annual reports on the status of implementation of the National Strategy and Action Plan 2014-2018. The report also contains information on the current situation and developments regarding operational performance and results in preventing the informal economy and financial crime based on the key performance targets and indicators set out in Annex 1 to the National Strategy Action Plan 2014-2018. The results of the process implementation are set out in the Monitoring and Review Instrument.

The findings report on the prevention of informal economy and financial crime in Kosovo was compiled by the Secretariat³, which was established by the Ministry of Finance, which has been approved by the Government Working Group⁴. The Annual Status Report for 2017 covers the activities carried out and the results achieved during the period 1.1.-31.12.2017.

³The Secretariat is established and managed by the Ministry of Finance based on the National Strategy of the Republic of Kosovo for the Prevention and Fighting of the Informal Economy, Money Laundering, Financing of Terrorism and Financial Crimes 2014-2018. His duties are the Government's support through the Government Working Group in drafting, revising, amending and overseeing the National Strategy and Action Plan 2014-2018.

⁴The government working group is led by the Minister of Finance and other members at the level of leaders are: MoJ, MoI, MTI, MLSW, KP, DK, TAK, Chief State Prosecutor, CBK, Supreme Court, and Anti-Corruption Agency

and FIU.

3. OBJECTIVE, METHODOLOGY AND DEFINITIONS

3.1. Objective

The Government of the Republic of Kosovo approves the National Strategy and Action Plan of the Republic of Kosovo 2014-2018. The purpose of the Annual Status Report is to provide to the Government and other contributors within the prevention regime as well as society as a whole, information about the status of implementation of the National Strategy and Action Plan 2014-2018.

The purpose of the Annual Status Report is also to provide an analysis of informal economy and money laundering, financing of terrorism and other financial crimes within Kosovo. On the other hand, the same report includes information on the operational outcomes of the administrative, law enforcement and judiciary bodies that are responsible for preventive measures in the fight against these harmful occurrences.

Moreover, this report aims to provide information to the Government and other contributors towards the identification of new trends in crime and phenomena, as well as good practices regarding the prevention of informal economy and financial crime.

3.2. Methodology

3.2.1. Contributors

The Government of the Republic of Kosovo is responsible for supporting the Government Working Group in adopting, revising, implementing and overseeing the National Strategy and Action Plan 2014-2018. They are assisted by the Secretariat, established by the Ministry of Finance.

The Secretariat will draft six-month factual reports for approval by the Government Working Group.

The Secretariat is headed by a representative of the Ministry of Finance. Other members are representatives from:

- Ministry for European Integration;
- Kosovo Police;
- Kosovo Customs;
- Tax Administration of Kosovo;
- Kosovo Financial Intelligence Unit;
- Office of the Prime Minister of Kosovo;
- National Coordinator for Economic Crimes;
- Ministry of Justice.

3.2.2. Direct methods

3.2.2.1. Meetings and interviews

During 2017, one (1) conference was organized with the private and third sector as well as three (3) meetings, including meetings of the Secretariat's workshop character, where the topics of these meetings were related to the implementation of the Action Plan and achievements in operating results in combating informal economy, money laundering, terrorist financing, economic and financial crimes. Likewise, action plans for 2018 onwards and the support of international mechanisms in achieving the goals and objectives of the Strategy were discussed.

3.2.3. Indirect methods

Indirect methods include collecting and analyzing data compared to previous risk assessment reports, as well as statistics related to strategic and operational performance.

3.3. Definitions

Informal Economy

The informal economy consists of the informal gray economy and the informal black economy.

Informal gray economy

Informal gray economy consists of activities that are productive and legitimate, but are deliberately concealed by public authorities in order to avoid paying taxes and / or social security contributions or comply with the rules. Income from the informal gray economy should be taxed. This definition is in line with that of the OECD.⁵

Informal black economy

The informal black economy consists from crime revenues. It includes manufacturing activities that generate goods and services prohibited by law or that are illegal when carried out by unauthorized manufacturers. This definition is in line with that of the OECD.⁶

Money Laundering

Money laundering implies any conduct with the purpose of masking the origin of money or other assets acquired by an act, and includes:

⁵Measurement of Un-Observed Economy- One Manual, OECD, 2015.

⁶Ibi

1. Conversion or any transfer of money or other property arising from criminal activity;
2. Hiding or disguising the true nature, origin, location, delivery, movement, ownership or rights in relation to money or other property arising from criminal activity.

Financing of terrorism

Funding terrorism means⁸ providing or collecting funds, in any way, directly or indirectly, in order to be used or knowing that they will be used, in whole or in part, for the commission of any of the offenses in the sense of Article 138 of the Criminal Code of Kosovo and within the specific definitions set forth in the FATF Recommendations.

Financial Crimes

Financial crimes include the economic and financial crimes set by the National Working Group on Risk Assessment.⁹

⁷Article 2 of Law no. 03 / L-196 on the Prevention of Money Laundering and Terrorist Financing, 2010. (Approval of the law re-drafted in 2015)

⁸ Ibid.

⁹ List of Economic and Financial Crimes Defined by the National Working Group on Risk Assessment, 2013.

4. ANALYSIS OF THE FINDINGS IN PREVENTING THE INFORMAL ECONOMY, MONEY LAUNDERING, FINANCING OF TERRORISM, ECONOMIC AND FINANCIAL CRIMES

4.1. Development of a regime for the fight against the informal economy and financial crime in Kosovo

Government measures to prevent informal economy have had a positive impact that has resulted in a steady increase in total revenues from the responsible agencies. On the other hand, the FIU, KP and other enforcement bodies have played a key role in detecting and investigating financial crimes that has resulted in an increase in the number of prosecutions and convictions. Moreover, criminal proceedings provide information that can be used in the planning and implementation of prevention and awareness-raising measures focusing on informal economy and financial crimes.

Responsible institutions have developed their mechanisms for preventing informal economy and financial crime. These activities include undertaking measures to achieve further developments in the following areas:

- It is important to continue with the further development of doing business environment by increasing the tax base that would prevent the informal economy and increase competitiveness which would positively reflect investment capital growth by both local and foreign investors. In addition to the positive developments regarding the development and facilitation of doing business on October 20, 2017, the Law on Government Trading Associations was approved. The new law foresees changes in the corporate governance part and will be approximated in accordance with EU legislation and directives. This law is fully compliant with Directive 2009/101 / EC, Eleventh Directive of the Council 89/666 / EEC, Directive 2011/35, EU , Sixth Directive of the Council 82/891 / EEC, Directive 2005/56 / EC, Directive 2012/17 / EU, and in part in accordance with Directive 2012/30 / EU. This law also sets the basics for the unique business ID number, meaning that businesses will have only one identifier, and this will bring the integration of the business registration system to the advanced level with the Tax Administration and Customs.
In addition to the positive developments in fiscal policy towards stimulating domestic production, actions need to be taken in order to ensure continuous reduction of informality, and at the same time to increase the value of confiscated assets that have been acquired from crime. There should be added joint activities of the Tax Administration of Kosovo, DK, KP and Labor Inspectorate in order to prevent undeclared employment and at the same time the expansion of business taxation. During 2017, TAK has carried out about 40 thousand visits, which resulted in the identification of about 1,400 unregistered workers, indicating a tendency of increasing illegal employment. Likewise, we should mention the ongoing efforts of agencies to increase revenue collection.
- In the area of money laundering prevention and terrorist financing, the Central Bank of Kosovo and Kosovo Financial Intelligence Unit have developed their supervisory functions that have resulted in conducting joint inspections in the financial sector towards preventing money laundering and financing of terrorism.

4.2. Implementation of the National Strategy and Action Plan 2014-2018 from 01.1.-31.12.2017

4.2.1. Establishment of mechanisms for implementation and oversight

The National Strategy 2014-2018 identifies the institutions in charge as well as their responsibilities in drafting, reviewing, approving, implementing and overseeing the Strategy and Action Plan. It also describes the processes that need to be applied when carrying out these activities.

Contributors defined in the National Strategy 2014-2018 are the Government of the Republic of Kosovo, the Ministry of Finance, the Government Working Group, the Secretariat, the Technical Working Group, public and private and third sector bodies responsible for the implementation of the National Strategy and Action Plan 2014-2018. All of these are activated through the following measures:

- The Secretariat has continued to organize meetings and workshops to monitor the implementation of the Strategy Action Plan , and has analyzed the data for the purpose of drafting the annual report;
- Reporting the results of the implementation process of the National Strategy and Action Plan 2014-2018 has continued using the Instrument for Monitoring and Reviewing the National Strategy of the Republic of Kosovo for Preventing and Combating Informal Economy, Money Laundering, Terrorist Financing and financial crimes 2014-2018.

4.2.2. The National Strategy and Action Plan 2014-2018 and the status of their implementation

4.2.2.1. *General issues*

The National Strategy 2014-2018 consists of six (6) strategic objectives that are considered essential in managing the risks associated with informal economy and money laundering, terrorism financing and other financial crimes. The Action Plan of the National Strategy 2014-2018 includes 51 activities whose implementation ensures achievement of objectives and consequently risk management.

The status of implementation of the National Plan and Action Plan 2014-2018 is described below.

4.2.2.2. Raising awareness on the impacts and the prevention of informal economy and financial crime

The status of implementation

The implementation of the National Strategy objective "Raising awareness on the impacts and prevention of informal economy and financial crime" will be done by implementing all four (4) activities. It is about actions 2.1.1 - 2.1.4 which are included in the Action Plan. Responsible institutions have fully implemented the respective objective.

Identified Risks

Provision of accurate and timely information on the level of implementation of the activities envisaged by the responsible institutions, whilst as a corrective measure would be to improve the technological infrastructure towards generating real-time quality data.

4.2.2.3. Strengthening the prevention and fight against informal economy and financial crime by increasing transparency, accountability, good governance and social partnership.

The status of implementation

The implementation of the National Strategy objective "Strengthening prevention and the fight against informal economy and financial crime by increasing transparency, accountability, good governance and social partnership" will be done by implementing all thirteen (13) activities. These are actions 2.2.1 - 2.2.13 which are included in the Action Plan. During 2017, the institutions have completed four (4) activities (2.2.4, 2.2.5, 2.2.12 and 2.2.13), while in the process are six (6) activities, (2.2.6, 2.2.7, 2.2.8, 2.2.9, 2.2.10, 2.2.11).

Identified Risks

Responsible institutions have not reported to the Secretariat for any risks related to the implementation process.

4.2.2.4. Promoting detection, investigation, prosecution, courts and enforcement procedures for money laundering, terrorist financing and financial crimes

The status of implementation

Implementation of the National Strategy Objective "Promoting Detection, Investigation, Prosecution, Courts and Implementation Procedures for Money Laundering, Financing Terrorism and Financial Crimes" *was fully implemented during 2014 and 2015.*

4.2.2.5. Strengthening capacities of respective institutions

The status of implementation

The implementation of the National Strategy Objective "Strengthening the Capacities of Relevant Institutions" will be done by implementing all seven (7) activities. It is about actions 2.4.1 - 2.4.7 which are included in the Action Plan. During 2017, the institutions have completed two (2) activities (2.4.2 and 2.4.7), in the process we have an activity 2.4.1, whilst activity 2.4.3, has not started yet.

Identified Risks

The Secretariat is collecting information on a monthly basis for the operational results of the responsible administrative, law enforcement and judicial bodies for the prevention of informal economy and financial crime. This is based on activity 2.4.1 which aims to improve the performance management of the respective institutions. The Secretariat has noted that information on operational results is incomplete and consistent. This particularly relates to the prosecution phase and the use of judgments for temporary sequestration and confiscation. This poses a risk to the implementation of the action 2.4.1.

The Institute for Economic Crimes, which is responsible for activity 2.4.3 has reported to the Secretariat that the status of the institute has not yet been determined.

4.2.2.6. The development and application of a proactive approach towards international co-operation in prevention of money laundering, financing of terrorism and financial crimes.

Status of implementation

The implementation of the National Strategy objective "The development and application of a proactive approach towards international co-operation in preventing money laundering, financing of terrorism and financial crimes" will be done by implementing all four (4) activities. These are actions 2.5.1 - 2.5.4 which are included in the Action Plan. Responsible institutions during 2017 have implemented activity 2.5.3, and activity 2.5.2 which was fully implemented with the membership of FIUs in the Egmont Group, while two other activities (2.5.1 and 2.5.4) have started to be implemented.

Identified Risks

The FIU, which is responsible for Activity 2.5.1, has reported to the Secretariat that is making efforts to be part of the Regional FIU Regional Working Group in the region in order to increase international financial intelligence exchange and to develop prevention and detection of money laundering and confiscation of proceeds acquired from crime. The FIU participated in the Regional Conference of the FIU leaders of the countries of the region, which was held in Brdo, Kranj, Slovenia on 6th to 8th of November 2017.

In this meeting it was discussed also about the expansion of the FIU Regional Working Group including also countries that are not signatories of the joint agreement. Institutions responsible for Action 2.5.4 of the Action Plan have not reported to the Secretariat for any additional risks related to the implementation process.

4.2.2.7. Development of national legislation in accordance with international standards by ensuring its effective implementation

Status of implementation

The implementation of the National Strategy objective "Development of national legislation in accordance with international standards by ensuring its effective implementation" will be done by implementing all fifteen (15) activities. It is about actions 2.6.1 - 2.6.15 which are included in the Action Plan. The responsible institutions during 2017 have implemented activity 2.6.1 and have commenced to implement seven (7) activities (2.6.2, 2.6.3, 2.6.4, 2.6.5, 2.6.6, 2.6.7, 2.6.11). There are still seven (7) activities which have not commenced yet, and these are; (2.6.8, 2.6.9, 2.6.10, 2.6.12, 2.6.13, 2.6.14, 2.6.15).

Identified Risks

The responsible institutions for the activities 2.6.1-2.6.15 of the Action Plan have not reported to the Secretariat for any risks related to the implementation process.

4.2.3. Findings

The Secretariat has analyzed the status of implementation of the National Strategy of the Republic of Kosovo for the Prevention and Fighting of the Informal Economy, Money Laundering, Financing of Terrorism and Financial Crimes 2014-2018. Findings were done on the basis of information gathered by relevant institutions which reflect the achievements during the period 01.01 - 31.12.2017, which are as follows:

- The required information, collected on a monthly basis, on the operational outcomes and the work of the responsible administrative, law enforcement and judiciary institutions for the prevention of informal economy and financial crimes are incomplete and consistent. This is related to the prosecution phase and the use of judgments for temporary sequestration and confiscation. This poses a risk to the realization of the strategic objective "Strengthening the capacities of the respective institutions" and Action 2.4.1 of the Action Plan;
- Ensuring of the effective implementation of international sanctions targeted at terrorism and financing of terrorism as well as the proliferation of weapons of mass destruction by reviewing the Law on the Implementation of International Sanctions, by providing the freezing of funds and assets as required by international sanctions. The Law on Implementation of International Sanctions does not describe in sufficient detail the practical implementation measures regarding the freezing of funds and assets, which poses a risk to the implementation of the activity. 2.6.4.

- Shortcomings identified in the Criminal Procedure Code (Article 90) regarding the undertaking of covert and technical measures regarding terrorist financing and money laundering, as well as ensuring compliance with the Criminal Code with the TFAF Recommendations by changing sanctioning financing of terrorism and amending article 97 of the Criminal Code in order to clearly describe the full use of confiscation based on value, poses a risk to the implementation of the activity 2.6.5. and 2.6.6.
- Establish and implement an action plan for measuring and involving the non-observed economy as a part of the national accounts in accordance with the OECD, EUROSTAT recommendations in this domain.

4.3. Operational Results on Preventing Informal Economy, Money Laundering, Terrorist Financing and Economic and Financial Crime 2013-2017

4.3.1. The operational objectives set out in the National Strategy Action Plan 2014-2018

Annex 1 of the National Strategy Action Plan 2014-2018 consists of key performance indicators for the various phases of the operational process on preventing the informal economy and financial crime. Specific indicators are defined for the following processes:

- Compulsory collection of the overdue tax and customs duties;
- Intelligence / detection process related to money laundering, terrorist financing and other financial crimes;
- Investigation of money laundering, financing of terrorism and other financial crimes;
- Prosecution regarding money laundering, terrorist financing and other financial crimes.

4.3.2. Prevention of informal economy

The total amount of gross budget revenues in the budget of the Government of the Republic of Kosovo has increased during 2011-2017 from 1,298 to 1,745 billion euros. Customs revenues during the reporting period represented 64.2% of total amount, tax revenues 23.8% and other revenues 12%. Informal economy affects revenue. This mainly relates to the assets collected by the Tax Administration, which shows an upward trend in the collection of revenues.

Table 1: Types of revenues in the Kosovo Government Budget 2011-2017 (EUR, millions)

Types of budgetary revenues	2011	2012	2013	2014	2015	2016	2017
Customs	826,592	842,787	834,080	868,570	944,930	1,051,420	1,121,100
TAK	231,360	251,151	270,763	272,587	304,007	386,380	414,360
Others	240,300	277,026	240,026	193,965	274,692	200,470	209,600
Total	1,298,252	1,370,964	1,344,869	1,335,122	1,523,629	1,638,270	1,745,060

Source: Ministry of Finance of Republic of Kosovo

Based on the data presented in Table 1, we see that budget revenues for 2017 have increased by 6.5% compared to the previous period of 2016. On the other hand, we should continue to intensify the activities on the extension of the base taxation in order to reduce the tax gap.

Revenues from TAK have increased year-on-year in 2017 compared to 2016, there is an increase of about 7.2%, Customs revenues have also been increasing steadily, and in 2017 they have increased by 6.6% compared with 2016.

The Kosovo Tax Administration reported that the total stock of unpaid tax debt at the beginning of 2018 was in the amount of EUR 319,520,052, while the Kosovo Customs debt stock created from 2002 to 2018 was EUR 40,249,898 (the major part of the debt was forwarded for further treatment in the courts), whereas only in 2017 the debt was EUR 1,191,960. Continued efforts towards intensifying activities for collecting unpaid taxes will also have a positive effect on lowering the level of informal economy. The data show that the value of debt stock in 2017 has decreased compared to 2016 as a result of the debt forgiveness process and at the same time increasing of TAK activities in debt collection. The data on stock debt for the period 2013-2017 are illustrated in the following table.

Table 2: The value of the stock of tax debt, customs and excise duties, 2013-2017.

Type of accumulated debt	The total amount of mandatory debt				
	2013	2014	2015	2016	2017
Taxes	245,000,000	275,591,500	463,795,298	323,092,453	319,520,052
Custom Taxes and Excise ¹⁰	9,134,000	9,500,000	2,090,658	2,372,393	40,249,898

¹⁰The amount of debt reported by Customs for 2017 represents the value of the stock created from 2002 to 2018, whereas the data for the previous years 2013-2016 presented in this table reflect the debt created within the respective year, but not the total accumulated debt.

4.3.3. Criminal procedure for money laundering, financing of terrorism , economic and financial crimes

4.3.3.1. The process of gathering information (intelligence)

One of the main functions of the FIU is the admission, searching, collection, and analysis of financial information. The Financial Intelligence Unit has continued to establish intelligence reports and distribute them to the competent authorities with a view towards preventing money laundering and terrorist financing.

The total number of Suspicious Activity Reports (SAR) and Number of Cash Transactions (CT) received and the number of intelligence reports distributed by FIUs over the years are presented in the table below:

Table 3: Operational Activities of FIU-K 2013-2017

FIU-K Outputs	2013	2014	2015	2016	2017
Received SAR	174	294	398	484	728
Received CT	606,778	553,651	617,430	776,860	838,003
Distributed Reports	74	59	94	112	117
Compliance Inspections	-	35	26	17	17

Source: FIU-K, 2017

The membership of FIU-K in Egmont Group during 2017 is a great achievement for the country on our way towards the membership in international organizations. This membership will contribute towards combating and preventing money laundering and terrorist financing.

4.3.3.2. Preliminary Investigations and Court Proceedings for Financial Crimes

During 2010-2017 period, the total number of investigations initiated in relation to financial crimes was higher in 2013. On the other hand, the number of convictions for financial crimes was lower in 2013. The results were as follows:

The findings regarding the number of investigations initiated in financial crimes were as follows:

Table 4: Financial crimes registered by Kosovo Police, Kosovo Customs and Kosovo Judicial Council 2010-2017

Initiated investigations on financial crimes	2010	2011	2012	2013	2014	2015	2016	2017
Police	2,774	2,914	2,135	3,372	2,784	2,019	2,033	2,510
Customs	64	69	49	165	104	95	99	50
Tax Administration	-	-	-	-	25	56	22	34
Total:	2,838	2,983	2,184	3,537	2,913	2,170	2,154	2,594

Convictions for Financial Crimes	2010	2011	2012	2013	2014	2015	2016	2017
Basic Court	1,298	1,318	1,339	1,296	1,756	3,489	3,666	1,721

Source: Kosovo Police, Kosovo Customs, Kosovo Tax Administration and Kosovo Judicial Council, 2017.

The statistical analysis shows that in 2017 the most common financial crimes received during the pre-trial investigation¹¹ were:

- Falsification of money;
- Frauds;
- Tax evasion, payment of mandatory customs duties, money laundering; and
- Illegal occupation of real estate.

Regarding court proceedings, the most common financial crimes for which the Basic Courts rendered sentences¹² in 2017 were:

- Falsification of currencies;
- Frauds;
- Illegal seizure of immovable property; and
- Smuggling of goods.

4.3.3.3. Sequestrated and Confiscated Assets

An effective prevention of financial crimes requires sequestration and confiscation of proceeds acquired from crime. The Agency for the Administration of Sequestered and Confiscated Property maintains statistics regarding the total number and value of the decisions on Provisional Seizure and judgments on Confiscation. The Agency does not have specific information regarding the use of these measures during criminal proceedings for financial crimes. However, the total value of assets, subject to temporary sequestration and confiscation, is as follows;

¹¹ Financial Crimes registered by Kosovo Police, Kosovo Customs, Kosovo Tax Administration and Kosovo Judicial Council, 2010-2017; Secretariat

¹² Financial Crimes registered by Kosovo Police, Kosovo Customs, Tax Administration e Kosovo and the Kosovo Judicial Council, 2010-2017; and the Secretariat.

Table 5 : The value of funds sequestered and confiscated under the management of the Agency for Administration of Sequestered and Confiscated Assets, 2010-2017.

Legal measures with regards to proceeds acquired from crime	2010	2011	2012	2013	2014	2015	2016	2017
Temporary sequestration	-	41,852	2,482,903	1,555,258	21,256,142	813,309	2,994,342	959,614
Confiscation	1,720	26,765	103,647	6,700	26,350	169,312	128,090	507,424

Source: Agency for Administration of Sequestered and Confiscated Assets, 2010-2017

From the data of the Agency for the Administration of Sequestered and Confiscated Assets results that the total amount of revenues sequestered for 2017 is lower than that of the previous 2016, or expressed in value, from about EUR 3 million was the sequestration value in 2016, now in 2017 we have about EUR 1 million. While the amount confiscated in 2017 is higher than the values of previous years or expressed in value, from EUR 128,090 in the amount of confiscation in 2016, now in 2017 we have EUR 507,424. Despite the marked increase, the potentials for increasing the value of confiscated assets should be higher given that the level of informal economy is relatively high.¹³ Regarding the return of temporarily sequestered assets, returns for 2016 were EUR 76,598, while in 2017, were EUR 93,728.

4.3.4. Findings

The Secretariat has analyzed the operational results for the prevention of informal economy and criminal proceedings for financial crimes during 2017. The findings that were made on the basis of information collected by the respective institution are as follows;

- Budget Revenues for 2017 increased by 6.5%, compared to the previous period of 2016;
- Revenues from TAK increased year-on-year in 2017, compared to 2016, with an increase of about 7.2%, revenues from Customs have also increased steadily, and in 2017 compared with 2016 have increased by 6.6%;
- The total value of the tax debt as of 31.12.2017 is EUR 319,520,052 and the debt for customs and excise tax was EUR 40,249,898. Whereas the total amount of debt collected during 2017 by TAK was EUR 66,857,200;
- The overall number of received reports and distributed intelligence reports by FIU-K has increased considerably, reaching 728 RTDs received and 117 distributed to the authorities in 2017;
- The annual number of financial crimes registered by Kosovo Police, Kosovo Customs and TAK during 2017, was 2,594, marking an increase of 440 cases compared to 2016;
- The total value of assets sequestered in 2017 was about EUR 1 million, while in 2016 the value of sequestered assets was EUR 2.9 million;

¹³Statistics 2010-2017, Agency for Administration of Sequestered and Confiscated Assets, 2017

- The total value of the confiscated assets in 2017 was EUR 507,424, while in 2016 the value of confiscated assets was EUR 128,090.

4.4. Operational Outcomes of Preventing Informal Economy, Money Laundering, Terrorist Financing, Financial and Economic Crime

4.4.1. The operational objectives set out in the National Strategy Action Plan 2014 -2018

A proper performance management with regard to the prevention of informal economy and financial crimes requires concrete key performance indicators. Consequently, the process should be divided into different phases in order to ensure the proper identification of indicators and the measurement of results.

The National Strategy Action Plan 2014-2018 consists of key performance indicators for various phases of the operational process related to the prevention of informal economy and financial crime. Specific indicators are defined for the following processes:

- Compulsory collection of taxes and overdue customs duties;
- The process of gathering information on money laundering, terrorist financing and other financial crimes;
- Investigation of money laundering, financing of terrorism and other financial crimes;
- Prosecution related to money laundering, terrorist financing and other financial crimes;
- Judicial procedures related to money laundering, terrorist financing and other financial crimes.

4.4.2. Prevention of informal economy

One of the priorities of Kosovo Government in order to ensure transparent market functioning and reduce non-loyal competition is that the Government will strengthen efforts to reduce the informal economy. The overall reform of inspections will improve their coordination and effectiveness, establish a risk-based approach to inspections and enable sharing of information and joint inspections, while at the same time will reduce the burden of unnecessary inspections for businesses working in compliance with the regulation. In addition, efforts to reduce the informal economy will be intensified through a revised strategy and action plan, based on risk assessments of sectors most prone to informality.

The Mid-Term Expenditure Framework 2019-2021 in the fiscal framework foresees that despite a slight decrease in revenue as a result of the continued implementation of the Stabilization and Association Agreement, tax incentives for production, and highly conservative revenue planning, will be compensated from fiscal benefits as a result of measures towards reducing economic informality.

The project "Further Support to Kosovo Institutions in Combating Violent Crime, Corruption and Extreme Violence" funded by the EU, estimates that, despite improvements, there is still a significant gap in direct tax collection, whilst the compliance measures will aim at reducing this gap by at least 50% in the medium

term.

Annex 1 of the National Strategy Action Plan 2014-2018 does not consist of specific objective revenue collection. However, the results achieved in this regard are an important indicator when measuring the effectiveness of the fight against the informal economy. Also, upon the assessment of the level of informal economy (evaluation carried out in 2017 by the Project "Further Support to Kosovo Institutions in Combating Violent Crime, Corruption and Extreme Violence " financed by EU), additional measures have been identified which will affect towards the reduction of the tax gap. The total amount of revenues collected during 2017 and 2016 at monthly frequencies are as follows:

Table 6: The value of collected revenues from taxes, customs and other gross income January-December 2017 and 2016, in millions of euro

Type of budgetary incomes	January	February	March	April	May	June	July	August	Septmeber	October	November	December	Total
2017													
Customs	55.19	68.65	87.64	82.92	103.35	93.	105.	121.71	96.37	101.12	94.94	109.87	1,121.1
TAK	45.34	22.91	26.73	47.56	24.87	25.	45.	30.57	34.59	47.05	31.07	32.46	414.3
Other incomes	17.48	12.97	19.01	22.04	16.28	13.	23.	17.1	13.82	22.39	13.64	17.48	209.6
Total:	118.01	104.52	133.39	152.52	144.5	133.	174.	169.39	144.79	170.56	139.65	159.81	1,745.0
2016													
Customs	52.3	74.4	84.18	83.59	92.5	86.	94.	114.95	90.93	90.95	85.32	101.55	1,051.4
TAK	43.82	20.61	21.89	45.76	23.9	21.	43.	29.8	41.56	44.21	26.31	24.08	386.3
Other incomes	15.89	12.67	14.78	20.67	16.1	13.	23.	16.44	14.04	22.04	11.89	18.69	200.4
Total:	112.01	107.68	120.85	150.02	132.5	121.	160	161.2	146.53	157.2	123.51	144.33	1,638.2

Source: Ministry of Finance, 2017

The total amount of net income collected during January-December 2017 was €1,745.06 million, an increase of 6.5% or around 106.79 million euros more compared to the same period of 2016.

Revenues from TAK increased by about 7.2% or about 28 million euros more than in the previous year 2016, while Customs revenues increased by 6.6% or 69.6 million euros more compared to 2016. Measures taken by the responsible tax authorities have yielded positive results and this has reflected a growing trend in revenue collection from the responsible institutions such as Customs and TAK for revenue collection.

Annex 1 of the Action Plan 2014-2018 requires that the minimum annual compulsory collection of overdue taxes should be €90,000,000 and €4,500,000 for overdue customs and excise duties. Results during January-December 2016-2017 were as follows:

Table 7: Value of compulsory collection of overdue taxes, customs duties and excise tax, January-December 2016 and 2017 (values in thousands of €).

Type of accumulated debt	January	February	March	May	June	July	August	September	October	November	Director	Total
2017												
Taxes	3,073	3,730	4,245	6,409	4,592	5,130	9,743	9,144	5,978	5,712	5,356	66,857.
Customs taxes	94	104	139	55	21	110	53	53	7	48	13	744.
2016												
Taxes	1,004	1,100	1,502	1,628	2,116	1,737	2,053	2,629	7,123	9,432	10,194	42,013.
Custom taxes	109.4	149.1	570.1	260.3	157.5	149.2	153.3	211.3	181	259.6	90.5	2,372.

Source: Kosovo Customs and Tax Administration of Kosovo, 2017

The results of the Kosovo Tax Administration and Kosovo Customs are encouraging but the efforts to accumulate overdue debts need to be intensified. The measures taken during 2017 by both institutions did not produce expected results on the basis of key performance indicators.

4.4.3. Criminal procedure for money laundering, terrorist financing, economic and financial crimes

4.4.3.1. The process of information collection (intelligence)

FIU-K is collecting, analyzing and disseminating financial information. Annex 1 to the Action Plan 2014-2018 requires the agency to receive and distribute a certain number of reports. It is also comprised of objectives regarding the number and value of transactions suspended by FIU-K. The results of the unit have been;

Table 8: FIU-K operational results, January-December 2017

FIU-K results	January	February	March	April	May	June	July	August	September	October	November	December	Total
Received SAR	38	5	72	8	61	75	64	47	44	77	63	36	71
Received CT	56,189	52,01	68,395	59,26	84,621	65,584	66,002	94,891	69,198	73,117	79,980	68,748	838,00
Received reports for terrorism financing	2	1	2	3	4	-	1	1	-	-	2	1	17
Disseminated intelligence reports to the mandated authorities	6	9	15	1	16	7	8	10	7	12	8	6	11
Suspended Transactions	2	-	-	-	-	-	1	-	-	-	-	-	3
The value of suspended transactions	61,112	-	-	-	-	-	946,821	-	-	-	-	-	1,007,93

Source: FIU-K, 2017

Results for 2017 show that FIU-K has met and exceeded the key performance indicators set out in Annex 1 of the Action Plan. During 2017, the FIU has managed to receive a total of 711 reports of suspicious transactions for money laundering, while 17 have been reports of suspicious transactions for terrorist financing and 117 RTD-based reports have been distributed to the competent authorities for further investigations. The number of suspended monetary transactions was 3 and the total monetary value of these transactions was €1,007,933, while the number of received reports for cash transactions was 838,003.

It should be noted that despite the difficulties in terms of number of staff and logistic support (working spaces), the FIU-K has managed to show a remarkably good performance during 2017, which is reflected in the achievements illustrated in the table above.

4.4.3.2. Preliminary Investigations on Financial Crimes and Temporary Sequestrations

Annex 1 to the Action Plan 2014-2018¹⁴ sets out the objectives of the preliminary investigation of financial crimes. They include key performance indicators for the Kosovo Police, Kosovo Customs and Kosovo Tax Administration regarding the minimum number of initiated investigations, where the estimated crime revenue value is €5,000 or more, the net property value of which is the subject of temporary sequestration measures, the minimum number of financial crimes investigations (crime value of €5,000 or more), which have been finalized and processed for the examination of charges, as well as the average time for investigation of financial crimes.

The results regarding the number of investigations initiated in financial crimes were as follows:

Table 9: Financial crimes registered by Kosovo Police, Kosovo Customs and Tax Administration of Kosovo, January-December 2016 and 2017

Initiated investigations on financial crimes	January	February	March	April	May	June	July	August	September	October	November	December	Total
2017													
Police	205	192	290	180	198	195	221	187	193	196	235	218	2,510
Customs	4	4	7	4	8	5	5	1	4	1	4	3	50
Tax Administration	7	4	1	0	3	2	4	0	4	5	4	0	34
Total:	216	200	298	184	209	202	230	188	201	202	243	221	2,594
2016													
Police	132	151	199	179	189	178	158	174	174	176	167	156	2,033
Customs	4	31	10	7	12	8	4	1	7	5	6	4	99
Tax Administration	1	0	0	0	2	0	4	3	6	1	1	4	22
Total:	137	182	209	186	203	186	166	178	187	182	174	164	2,154

Source: Kosovo Police, Kosovo Customs and Tax Administration of Kosovo 2017

¹⁴The National Strategy of the Republic of Kosovo for the Prevention and Fighting of the Informal Economy, Money Laundering, Financing of Terrorism and Financial Crimes 2014-2018

The statistical analysis indicate that there are no substantial changes in the overall number and in most common types of financial crimes evidenced by Kosovo Police, Kosovo Customs and Kosovo Tax Administration in January-December 2017 compared to 2016. The typical financial crimes received during the preliminary investigation¹⁵ were as follows:

- falsification of money;
- Frauds;
- Tax evasion, payment of mandatory customs duties, money laundering; and
- Illegal occupation of real estate.

It can be concluded that law enforcement authorities have begun to focus on the most serious offenses during detection of financial crimes.

The available information regarding the number of financial crimes processed towards dealing with the charges is set out in the table below:

Table 10: Financial Crimes Processed for initiation of lawsuits by Kosovo Police, Kosovo Customs and Tax Administration, January-December 2016, and January-December 2017

Concluded Investigations for Financial Crimes Processed for raising of lawsuits	January	February	March	April	May	June	July	August	September	October	November	December	Total
2017													
Police	86	72	89	78	116	152	119	98	97	126	97	121	1,251
Customs	2	5	6	10	4	6	5	6	1	3	0	7	55
Tax Administration	2	0	2	3	2	3	1	2	0	2	1	3	21
Total:	90	77	97	91	122	161	125	106	98	131	98	131	1,327
2016													
Police	57	62	84	71	69	117	45	71	48	75	75	95	869
Customs	3	2	2	3	4	11	6	11	6	12	8	12	80
Tax Administration	1	0	2	7	1	0	0	0	1	0	1	1	14
Total:	61	64	88	81	74	128	51	82	55	87	84	108	963

Source: Kosovo Police, Kosovo Customs and Kosovo Tax Administration, 2017

Asset tracking is an essential part of criminal proceedings related to financial crimes. Consequently, Action Plan 2014-2018¹⁶ sets objectives for the preliminary investigation phase with regard to temporary sequestration measures. Results for 2017 and 2016 are as follows:

¹⁵ Financial crimes registered by Kosovo Police, Kosovo Customs and Tax Administration of Kosovo, 2014; and the Secretariat.

¹⁶The National Strategy of the Republic of Kosovo for the Prevention and Fighting of the Informal Economy, Money Laundering, Financing of Terrorism and Financial Crimes 2014-2018.

Table 11: The net value of sequestered property under investigation by Kosovo Police, Kosovo Customs and Tax Administration, January-December 2017 and January-December 2016.

The net value of sequestered property	January	February	March	April	May	June	July	August	September	October	November	December	Total
2017													
Police	-	-	21,310	-	-	-	-	500,000	-	-	-	-	521,310
Customs							314,600						314,600
Tax Administration			44,371								820		45,191
Total:	-	-	65,681	-	-	-	314,600	500,000	-	-	820	-	881,101
2016													
Police	12,800	143,000	41,668	-	96,500	180,962	817,000	721,930	1,145,028	5,391,255	8,095,695	317,199	16,963,036
Customs	20,160	18,703	26,404	171,054	-	75,958	75,762	149,759	61,932	38,257	37,572	-	675,560
Tax Administration	131,880	-	6,160	130,147	283,891	128,699	23,926	442,156	-	-	64,567	13,399	1,224,825
Total:	164,840	161,703	74,232	301,201	380,391	385,619	916,688	1,313,845	1,206,960	5,429,512	8,197,834	330,598	18,863,421

Source: Kosovo Police, Kosovo Customs and Kosovo Tax Administration, 2017

4.4.3.3. Consideration of indictments for financial crimes and temporary sequestrations

The objectives for the prosecution phase in conjunction with financial crimes are identified in Annex 1 of the Action Plan 2014-2018. They include key performance indicators for state prosecutors with regard to the minimum number of indictments (the value of incomes acquired from crime is €5,000 or more for the crime), the average time used to deal with financial crime indictments, the net minimum value of the indictments, property subject to temporary sequestration measures and the minimum total amount of sequestration claims included in the indictment.

There is no complete and reliable information available on the operational results of state prosecutors regarding the number of indictments (the value of the incomes acquired from crime is €5,000 or more for the crime), the average time used to review the indictments for financial crime while regarding the net property value of the temporary sequestration measures used for financial crimes during the prosecution phase of the Office of the National Coordinator for Economic Crimes, was provided with the information for the years 2014-2017.

Table 12: The value of sequestered and confiscated funds, information from the Office of the National Coordinator on Economic Crime 2014-2017.

Legal measures related to incomes acquired from crime	2014	2015	2016	2017
Temporary Sequestration	31,000,000	20,568,934	60,411,328	15,237,208
Confiscation	525,855	70,487	1,555,541	1,330,134

Source: Office of the National Coordinator for Economic Crimes 2017

4.4.3.4. Convictions for Financial Crimes and Verdicts for confiscation

Annex 1 of the Action Plan 2014-2018¹⁷ sets out the objectives for judicial proceedings related to financial crimes. They include key performance indicators for the Basic Courts in relation to the minimum total number of decisions concerning financial crimes in which the estimated valued of incomes acquired from crime is EUR 5,000 or more, the average time spent on court proceedings per calendar year regarding financial crimes and the minimum total number of decisions issued for confiscation.

The Governmental Secretariat for Fighting Informal Economy headed by the Ministry of Finance has provided information on the total number of convictions pertaining to financial crimes, and the results for 2017 are as follows:

Table 13: Convictions for Financial Crimes Issued by Basic Courts, January-December 2017

Convictions for Financial Crimes	2014	2015	2016	2017
Basic Courts	1,756	3,489	3,666	1,721

Source: Kosovo Judicial Council, 2017

In 2014, the total number of convictions for financial crimes was 1,756, while in 2015 this figure reached 3,489 cases, then in 2016 with 3,666 cases and in 2017 with 1,721 convicted for financial crimes. The most common financial crimes received during court proceedings¹⁸ were:

- Abuse with official position;
- Smuggling of goods;
- Tax misconduct;
- Illegal seizure of immovable property; and
- Bribery.

For the prevention of financial crimes it is essential to confiscate the proceeds that result from financial crime. However, information regarding the use of this legal measure are not available, as they are shown in the table below.

Table 14: Total Value of Decisions for Confiscation by Basic Courts, January-December 2017

The value of decisions for confiscations	2014	2015	2016	2017
Basic Courts	N/A	N/A	N/A	N/A

¹⁷The National Strategy of the Republic of Kosovo for the Prevention and Fighting of the Informal Economy, Money Laundering, Financing of Terrorism and Financial Crime 2014-2018.

¹⁸ Annual Statements, Kosovo Judicial Council, 2017.

Currently, the functioning of the confiscation mechanism is difficult to be assessed, where the only sources for relevant statistics are law enforcement authorities, prosecutors and the Agency for the Management of Sequestered and Confiscated Assets. It would be important for the Government and the operational authorities to obtain information on the total value of confiscation decisions. This will help them towards evaluating the efficiency of the entire process commencing from asset tracking to execution of confiscation decisions.

4.4.3.4. Management of sequestered and confiscated property

The Agency for the Administration of Sequestered and Confiscated Property maintains statistics regarding the net value of sequestered and temporarily confiscated assets. The results were as follows:

Table 15: Value of sequestered and confiscated assets under the management of the Agency for Administration of Sequestered and Confiscated Assets, January-December 2017 and January-December 2016.

2017													
Legal measures undertaken on incomes acquired from crime	January	February	March	April	May	June	July	August	September	October	November	December	Total
Sequestration	630	158,787	666,100	71,732	5,125	11,166	14,100	11,953	1,970	138	12,300	5,613	959,614
Confiscation	83,071	38,373	5,151	21,410	6,658	17,803	317,243	1,073	10,217	4,314	1,329	781	507,424
2016													
Legal measures undertaken on incomes acquired from crime	January	February	March	April	May	June	July	August	September	October	November	December	Total;
Sequestration	42,749	22,139	11,304	55,132	2,564,759	118,488	85,626	4,736	5,505	38,421	31,438	14,046	2,994,343
Confiscation	73	-	604	74,266	10,693	-	11,105	575	-	20,582	4,083	6,110	128,091

Source: Agency for the Administration of Sequestered and Confiscated Assets, 2017.

According to the Agency for the Administration of Sequestered and Confiscated Assets, the total amount of assets temporarily seized in 2017 amounts to €959,614 and the amount of confiscated proceeds of crime was €507,424 million, recording an increase in value in confiscation and sequestration part, as well as confiscation compared to 2016 (see table 14).

It can also be noted that the statistics of the Agency for the Management of Sequestered and Confiscated Assets for the years 2016 and 2017 regarding the value of temporarily sequestered assets are not in accordance with the information provided by law enforcement and prosecutors. Reasons for differences in these statistics should be assessed and law application by law enforcement and judicial authorities should be increased in order to ensure effective management of sequestered property in accordance with the legislation in force.

4.4.4. Findings

The Secretariat has analyzed operational results in the prevention of informal economy and criminal proceedings for financial crimes during January-December 2017. Below are presented the findings found on the basis of information collected from relevant institutions:

- Total amount of net income collected during January-December 2017 was €1,745.06 million, an increase of 6.5% or €106.79 million more compared to the same period of the previous year 2016;
 - The total amount of compulsory collection of taxes and overdue customs duties was €67,601.4 million;
 - FIU has received 838,003 Cash Transaction Reports (CTR) and 728 Suspicious Transaction Reports (STR). The Unit has distributed a total of 117 intelligence reports of mandated authorities, which means that the total number has achieved certain objectives in key performance indicators;
 - Kosovo Police, Kosovo Customs and Tax Administration of Kosovo have recorded a total of 2,594 financial crimes, marking an increase of 440 cases compared to 2016;
 - The most common financial crimes evidenced by law enforcement authorities were related to counterfeiting of money, fraud, tax evasion, payment of mandatory customs fees, money laundering and unlawful occupation of real estate;
 - The total value of assets temporarily sequestrated by Kosovo Police, Kosovo Customs and Tax Administration of Kosovo was €881,101;
 - A complete and reliable information on operational outcomes regarding the objectives for the prosecution phase set out in Annex 1 to the Action Plan 2014-2018 is not available;
 - The total number of convictions imposed by the Basic Courts for Financial Crimes in 2017 was 1,721 cases, compared to the previous year 2016 that was 3,666 cases;
 - The most common financial crimes defined in the convictions imposed by the Basic Courts have been misuse of official position, smuggling of goods, tax offenses, illegal occupation of real estate and bribery;
 - The total value of Basic Court decisions for confiscation is not available;
 - The total value of assets sequestered in 2017 was about €1 million, while in 2016 the value of sequestered assets was €2.9 million;
 - The total value of the confiscated property in 2017 was €507,424, while in 2016 the value of confiscated property was €128,090.

5. CONCLUSIONS AND RECOMMENDATIONS CONCERNING THE PREVENTION OF INFORMAL ECONOMY, MONEY LAUNDERING, TERRORISM FINANCING AND ECONOMIC AND FINANCIAL CRIMES

5.1. Implementation of the National Strategy Action Plan 2014-2018

5.1.1. Conclusions and recommendations

The Government of the Republic of Kosovo and the responsible public and private sector institutions have started implementing the National Strategy Action Plan 2014-2018. Activities are mainly in line with the requirements and deadlines set out in these policy documents. However, there are three (3) risks which can be managed based on national level measures. They are related to the implementation of the strategic objective "Strengthening the capacities of the respective institutions".

The Government of the Republic of Kosovo should enhance the implementation of the National Strategy and Action Plan 2014-2018, the efficiency and transparency of the prevention of informal economy and financial and awareness-raising crimes, the capabilities and capacities of public, private and third sector institutions in relation to in the fight against these harmful occurrences. Therefore, it is recommended that the Government ensure that:

1. The responsible and designated Authorities shall continue to provide the required information to the Secretariat on a quarterly basis in respect of their operational work and the results set out in Annex 1 to Activity 2.4.1, of the National Strategy Action Plan 2014- 2018. This measure is necessary to increase the efficiency and transparency of the prevention of informal economy and financial crime and to ensure the implementation of the National Strategy and Action Plan 2014-2018;
2. Budget allocation for Kosovo Police to implement the activity (2.4.3) to enable the establishment, implementation and evaluation of training program by Kosovo Police in cooperation with FIU-K and other institutions engaged in prevention of money laundering, financing of terrorism and financial crimes. This measure is necessary to raise the awareness, skills and capacities of public, private and third sector institutions in relation to the prevention of informal economy and financial crime and to ensure the implementation of the National Strategy Action Plan 2014-2018.
3. Continuous improvement of data from reporting agencies, in particular those of the prosecution and courts, in order to harmonize the reported data during the administrative phase up to the execution of court decisions. There is a marked difference in the data provided by KC, TAK, and KP regarding the measures taken for sequestration and confiscation and the data reported by the Agency for the Management of Sequestered and Confiscated Assets.

5.2. Operative performance

5.2.1. Conclusions and recommendations

Annex 1 of Activity 2.4.1 of the National Strategy Action Plan 2014-2018 defines key performance objectives and indicators for responsible administrative, law enforcement and judiciary institutions for the prevention of informal economy and financial crime. The process of implementing these measures has started and the first results are promising. However, there are certain vulnerable stages in the process due to incomplete and non-consistent information on performance. This particularly relates to the prosecution and use of judgments for temporary sequestration and confiscation. Consequently, the performance management mechanisms of relevant institutions need to be developed and the generation and dissemination of information needed to evaluate their performance should be ensured and adjusted in order to enhance the efficiency and transparency of processes.

It is recommended that the Government of the Republic of Kosovo increase the effectiveness and transparency of preventing the informal economy and financial crime by ensuring that:

- 1 The Government's budget for the financial year 2018 and onwards includes national-level objectives regarding the prevention of informal economy and criminal proceedings for financial crimes for the responsible administrative, law enforcement and judicial institutions; and
- 2 The responsible administrative, law enforcement and judicial institutions for the prevention of informal economy and criminal procedure for financial crimes to prepare performance plans for the financial year 2018 and onwards. These plans should include precise institutional objectives with clear implemented activities, measures for their implementation, and key performance indicators related to the prevention of informal economy, money laundering, terrorist financing and financial crimes.
- 3 Objectives of performance plans at institution level should derive from the Government's budget objectives for a sustainable budget that should reflect, in addition to economic activity, the continued expansion of the tax base and the confiscation of illegally acquired assets, and this practice should begin at the same time with the government budget for the financial year 2018 onwards.

