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Republika Kosovo-Republic of Kosovo
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ANNUAL REPORT (January-December 2016)
FOR
PREVENTION OF INFORMAL ECONOMY, MONEY LAUNDERING,
TERRORIST FINANCING AND FINANCIAL CRIMES IN KOSOVO
(2014-2018)

March 2017, Prishtinë

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1. EXECUTIVE SUMMARY

Background

Informal economy, economic and financial crimes, including money laundering, financing of terrorism and corruption are factors that cause serious damage to the economy and negatively affect the welfare of society as a whole. These harmful phenomena differ in nature and extent, depending on economic developments, therefore, it is important to be provided accurate and comprehensive information to contributors and the public as order to raise their awareness and information about the undertaking of preventive policy by the highest institutional level.

The Government of the Republic of Kosovo, which by the approval of the National Strategy and Action Plan of the Republic of Kosovo for the prevention and combating the informal economy, money laundering, terrorist financing and financial crimes 2014-2018 (hereinafter referred to as the National Strategy and Action Plan 2014-2018), has undertaken actions for the implementation of the action plan which has had positive effects on the economy. The Strategy and Action Plan are based on the findings of the report on national risk assessment which identified six key objectives, such as:

1. Raising awareness of the impact on the informal economy and financial crimes
2. Strengthening the prevention and combating against the grey economy and financial crimes by enhancing transparency, accountability, good governance and social partnership
3. Promotion of intelligence procedures, investigation, prosecution, judicial, and enforcement of money laundering, terrorist financing and other financial crimes
4. Strengthen the capacities of relevant institutions
5. Developing and applying a pro-active approach towards international cooperation in the prevention of money laundering, terrorist financing and financial crimes
6. Development of national legislation in accordance with international standards and ensuring its effective implementation

In order to address these objectives, the action plan is drafted initially with 51 activities which are in the process of implementation. Among the 51 activities, activity 2.1.1 of the Action Plan of the National Strategy 2014-2018 requires to draft the situation reports, based on facts, focusing on the informal economy and financial crimes in Kosovo, on a regular 6 monthly basis, to support relevant institutions not only in strategic and operational planning, but also in raising awareness amongst society through communication.

The Annual Report 04/2015 on Prevention of Informal Economy and Financial Crimes in Kosovo covers the activities performed and results achieved during the period 01.01.-31.12.2016.

Methodologies

The Secretariat¹ has established the Situation Report, 3 monthly and 6 monthly 01/2014, 2/2014, annual report 03/2014 and annual report 04/2015 by utilising direct and indirect methods and paying attention to subjective and objective criteria. The Governmental Working Group² is responsible for reviewing and approving the annual reports provided by the Secretariat.

Direct methods have included interviews and meetings. The objective has been to acquire information concerning subjective criteria from both operational and management level of organizations representing public, private and third sectors.

Indirect methods have consisted of analyses of the previous assessment and analysis reports, statistics and the legal framework. The goal has been to acquire information concerning objective criteria.

In this Situation Report 5/2016 the Secretariat has collected information, carried out an analysis, prepared findings, drawn conclusions and established a set of recommendations.

Analysis and findings

The Government of Kosovo has established a mechanism for drafting, revision, adoption, implementation and monitoring of the National Strategy and Action Plan 2014-2018.

National Strategy 2014-2018 includes an instrument for monitoring and revision, as an annex, which requires from responsible institutions that the results of the implementation of the National Strategy and Action Plan 2014-2018 to be reported on a regular basis using the instrument "Monitoring and Revision of Activities" which is included in the Annual Situation Report no. 05/2016 Annex 2.

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

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

¹The Secretariat is established by the Ministry of Finance based on the National Strategy of the Republic of Kosovo for the Prevention of and Fight Against Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2014-2018. Its tasks are to support the Government through the Governmental Working Group in drafting, reviewing, amending and monitoring 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 information for the period January-December 2016 concerning the operative results of the administrative, law enforcement and judicial authorities where these data are analysed by the secretariat relative to the measurement indicators. Despite the registered progress there are still challenges that need to be addressed, these challenges relate to the efficiency and transparency process in terms of processing quality data. The most challenging stages of the process are the available data of the prosecution as regards to quality and their completion, as well as the use of temporary sequestration and confiscations judgments. This is due to the incomplete and inconsistent information on performance of institutions. Also, there is not a consistency of data in connection with the sequestration and confiscation along the administrative and the executive phase.

Conclusions and recommendations

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

1. In accordance with the Annex 1 of the activity 2.4.1 of the Action Plan of the National Strategy 2014-2018, the Secretariat shall continue to be provided with information on six monthly basis to the information concerning operative performance and results of the authorities responsible for the prevention of informal economy and criminal procedure on financial crimes;
2. In accordance with activity 2.4.11 of the National Strategy Action Plan 2014-2018, for making a needs assessment for the Joint Training, Strategy and Public , Private or third Sector Program, the prevention and detection of informal economy, and the creation of quality training program by KP requires the definition and allocation of the 30,000 EUR budget for implementation of the training program for the prevention of money laundering, terrorist financing and financial crimes; an activity that remains un-completed since 2014.
3. Ensure that administrative, law enforcement and judicial authorities responsible for the prevention of informal economy and for the criminal procedure on financial crimes prepare performance plans for the financial year 2017 and onwards including precise institutional level objectives, their implementation measures and key performance indicators concerning prevention of informal economy and the criminal procedure on financial crimes. In this context it will be set a greater accountability in meeting the objectives of the relevant institutions in combating the phenomena in question.
4. In order to enhance the performance of the institutions responsible, to ensure that the Governmental budget for the coming years includes the national level goals concerning prevention of informal economy and criminal procedures on financial crimes for the responsible administrative, law enforcement and judicial authorities

2. INTRODUCTION

Establishing the Annual Situation Report no. 05/2016 is based on the activity 2.1.1 of the National Strategy Action Plan of the Republic of Kosovo to prevent and combat the informal economy, money laundering, terrorist financing and financial crimes 2014-2018. These policy documents were approved by the Government of Kosovo on 28.1.2014.

The objectives of the Situation Report no.05/2016 are as follows:

- Support relevant public, private and third sector institutions in factual strategic and operational planning and decision making;
- Provide information about the focus areas of the specific risk assessments, surveys, researches and studies on prevention of informal economy and financial crimes;
- Enhance communication and awareness amongst society on prevention of informal economy and financial crimes;
- Provide fact based information for the international organizations and media as regards informal economy and financial crimes in Kosovo and the available prevention mechanisms.

The annual situation report, which is compiled annually, contains aggregated information of the semi-annual reports regarding the implementation status of the National Strategy and Action Plan 2014-2018. The report also contains information on the situation and the actual developments in terms of operating performance and results in the prevention of financial crime and the informal economy based on the objectives and key performance indicators set out in Annex 1 of the National Strategy Action Plan 2014-2018. The implementation results of the process are defined in the Instrument for Monitoring and Review, which is included in the Annual Report 05/2016 as Annex 1.

The findings report on the prevention of financial crime and informal economy in Kosovo was drafted by the Secretariat³ established by the Ministry of Finance, which report was approved by the Government Working Group⁴. The annual situation report 05/2016 covers the performed activities and results achieved during the period 1.1.-31.12.2016.

³The Secretariat is established by the Ministry of Finance based on the National Strategy of the Republic of Kosovo for the Prevention of and Fight Against Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2014-2018. Its tasks are to support the Government through the Governmental Working Group in drafting, reviewing, amending and monitoring the National Strategy and Action Plan 2014-2018.

⁴Government working group headed by the Minister of Finance and other members of the leadership level are: MJ, MIA, MTI, MLSW, KP, KC, TAK, Chief State Prosecutor, CBK, Supreme Court, Anti-Corruption Agency and FIU.

3. OBJECTIVE, METHODOLOGY AND DEFINITIONS

3.1. *Objective*

The Government of Kosovo approves the National Strategy and Action Plan of the Republic of Kosovo 2014-2018. The purpose of the annual situation report 05/2016 is to provide the Government, other contributors within the regime of prevention as well as society as a whole, the information on the status of implementation of the National Strategy and Action Plan 2014-2018.

The purpose of the annual situation report 05/2016 is to also provide an analysis of the informal economy and money laundering, terrorist financing and other financial crimes in Kosovo. On the other hand, the same includes information concerning the operating results of the administrative, law enforcement and judiciary authorities that are responsible for preventive measures in the fight against these harmful phenomena.

Moreover, through this report is intended the provision of information to the Government and other contributors in identifying new crime trends and phenomena, as well as best practices regarding the prevention of the informal economy and financial crime.

2.1. *Methodology*

2.1.1. Contributors

The Government of the Republic of Kosovo is responsible with the support of the Governmental Working Group for the adoption, revision, implementation and monitoring of the National Strategy and Action Plan 2014-2018. They are assisted by the Secretariat which has been established by the Ministry of Finance.

The Secretariat shall draft six monthly Situation Report for the approval of the Governmental Working Group.

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

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

2.1.2. Direct Methods

2.1.2.1. *Meetings and Interviews*

During 2016 were organized one conference with the private and third sector and 3 meetings including meetings of the workshop character of the Secretariat, where topics of these meetings dealt with the progress of Action Plan implementation and achievements in operative results in combating informal economy, money laundering, financing of terrorism, economic and financial crimes. In addition, action plans for the year 2017 have been discussed and further support of international mechanisms on the achievements of the goals and objectives of the Strategy.

2.1.3. Indirect Methods

Indirect methods have consisted of the collection and analysis of previously produced analyses and evaluation reports, risk assessments and statistics concerning strategic and operative performance. There are some shortcomings in the quality of the statistics because not all relevant authorities have submitted required information, and or have been deficiencies in their completion.

2.2. *Definitions*

Informal economy

Informal economy consists of informal grey economy and informal black economy.

Informal grey economy

Informal grey economy consists of activities that are productive and legitimate but are deliberately concealed from the public authorities to avoid payment of taxes and/or social security contributions or complying with regulations. The income from the informal grey economy should be taxed. This definition is consistent with that of the OECD.⁵

Informal black economy

Black economy consists of proceeds of crime. It includes those productive activities that generate goods and services prohibited by law or that are unlawful when carried out by unauthorized producers. This definition is consistent with that of the OECD.⁶

Money laundering

Money laundering means⁷ any conduct for the purpose of disguising the origin of money or other property obtained by an offence and includes:

⁵Measuring the Non-Observed Economy – A Handbook’, OECD, 2015.

⁶Ibid.

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

1. The conversion or any transfer of money or other property derived from criminal activity;
2. The concealment or disguise of the true nature, origin, location, movement, disposition, ownership or rights with respect to money or other property derived from criminal activity.

Terrorist Financing

Terrorist Financing means⁸ the provision or collection of funds, by any means, directly or indirectly, with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out any of the offences within the meaning of Article 138 of the Criminal Code of Kosovo and within the specific definitions provided in the FATF Recommendations..

Financial crimes

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

⁸ Ibid.

⁹ List of economic and financial crimes defined by the National Money Laundering and Terrorist Financing Risk Assessment Working Group, 2013.

3. ANALYSIS AND FINDINGS CONCERNING PREVENTION OF INFORMAL ECONOMY, MONEY LAUNDERING, TERRORIST FINANCING AND ECONOMIC AND FINANCIAL CRIMES

3.1. Development of regime for combating the grey economy and financial crimes in Kosovo

Government measures for prevention of informal economy have had a positive impact that resulted in a continuous increase in total revenues by the responsible agencies. On the other hand, FIU, KP and other enforcement authorities have played a key role in detecting and investigating the financial crimes which resulted in increased number of prosecutions and convictions. Moreover, criminal procedure provides information that can be used during the planning and implementation of prevention measures and awareness raising focusing on the informal economy and financial crimes.

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

- It is important to resume with further development of the doing business environment in the country which would prevent the informal economy, and would increase the competitiveness reflecting positively in attracting the foreign investments. In addition, beside the positive developments in fiscal policy towards domestic production incentives, action should be taken to ensure the continuous reduction of informality, and simultaneously increase the value of confiscated assets which are acquired by crime. The joint activities of the Kosovo Tax Administration, Customs, KP and Labour Inspectorate should be increased in order to prevent the non-declared employments and at the same time the extent of business fiscalisation. During, 2016 TAK has completed over 40 thousand visits that resulted in the identification of over 2,183 non-registered workers, which indicates a tendency of increasing illegal employment. Furthermore, should be stressed the continuing efforts of agencies to increase revenue collection.
- In the area of prevention of money laundering and terrorist financing, the Central Bank of Kosovo and Kosovo Financial Intelligence Unit have developed their monitoring functions which has resulted in conducting joint inspections in the financial sector with the purpose of preventing laundering the laundering and terrorist financing.
- During 2016, Central bank of Kosovo undertook 11 examinations, where 4 of them were complete and 7 other were focused examinations. Examinations covered banks, micro-financial institutions and other non-banking financial institutions. Also, Central bank of Kosovo has approved new regulation for prevention of money laundry and terrorist financing.

3.2. Implementation of the National Strategy and Action Plan 2014-2018 from 01.1.-31.12.2016

3.2.1. Creation of mechanisms for implementation and oversight

National Strategy 2014-2018 identifies the obliged institutions and their responsibilities with respect to drafting, reviewing, approval, implementation and monitoring of the Strategy and Action Plan. It also describes the processes that should be applied when performing these activities.

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

- The Secretariat continued with the organization of meetings and workshops for monitoring the implementation of the Strategy AP, and analysed data in order to prepare the annual report,
- Reporting the results of the implementation process of the National Strategy and Action Plan 2014-2018 has continued by utilizing the Instrument for monitoring and review of the National Strategy of the Republic of Kosovo for prevention and combating the informal economy, money laundering, terrorist financing and financial crimes 2014-2018 which is an annex of the National Strategy 2014-2018,
- During 2016, the responsible institutions have already completed (3) activities, and have initiated around (5) activities prescribed in the Action Plan of the National Strategy 2014-2018

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

3.2.2.1. General

National Strategy 2014-2018 consists of altogether six (6) strategic objectives which are considered essential when managing risks related to the informal economy and money laundering, terrorist financing and other financial crimes. The National Strategy Action Plan 2014-2018 includes 51 activities, the implementation of which ensures achieving the objectives and therefore also the management of risks.

The Implementation Status of National Plan and Action Plan 2014-2018 is described below. More specific information on the content of specific actions prescribed in the National Strategy Action Plan 2014-2018 and their implementation status can be found at Annex 1. Annex 1 consists of the monitoring and review instrument which is required to be used in the National Strategy 2014-2018.

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

Status of implementation

Implementation Status

Implementation of the National Strategy objective "Raising awareness on the impacts and prevention of informal economy and financial crime" shall be carried by applying all four (4) activities. It implies actions 2.1.1 - 2.1.4 which are contained in the Action Plan. Responsible institutions have fully implemented the objective in question.

3.2.2.3. *Strengthening the prevention and combating of informal economy and financial crime by enhancing transparency, accountability, good governance and social partnership.*

Status of implementation

Implementation of the National Strategy objective "Strengthening the prevention of and fight against informal economy and financial crimes by enhancing transparency, accountability, good governance and societal partnership" shall be carried out by implementing altogether eighteen (18) activities. It implies actions 2.2.1 - 2.2.18 which are contained in the Action Plan. During 2016, institutions have been completed (2.2.5 and 2.2.11), and ongoing are activities (2.2.6, 2.2.7 and 2.2.13). Activities (2.2.8, 2.2.9, 2.2.10, 2.2.12, 2.2.17 and 2.2.18) are not initiated.

Identified risks

Responsible institutions have not reported any risk to the Secretariat regarding the implementation process.

3.2.2.4. *Promoting intelligence, investigation, prosecution, court and enforcement proceedings on money laundering, terrorist financing and financial crimes*

Identified risks

Implementation of the National Strategy objective "Promoting intelligence, investigation, prosecution, court and enforcement proceedings on money laundering, terrorist financing and financial crimes " is fully implemented during 2014 and 2015.

3.2.2.5. *Strengthening of capacities of the relevant institutions*

Status of implementation

Implementation of the National Strategy objective "Strengthening of capacities of the relevant institutions" shall be carried out by implementing altogether seven (7) activities. It implies actions 2.4.1 - 2.4.7 which are contained in the Action Plan. During 2016, the responsible institutions have implemented three (4) activities (2.4.3, 2.4.6. and 2.4.7)

Identified risks

Identified risks

The Secretariat is collecting information on a monthly basis about the operative results of the administrative, law enforcement and judicial authorities responsible for the prevention of informal economy and financial crimes. This is based on activity 2.4.1 which aims to improve the performance management of the relevant institutions. The Secretariat and the National Coordinator for Economic Crimes Enforcement have noticed that the information about the operative results is incomplete and inconsistent. This especially concerns the prosecution stage and the use of temporary sequestration and confiscations judgments. This constitutes a risk for the implementation of the action 2.4.1.

The Economic Crimes Institute which is responsible for the activity 2.4.3 has reported to the Secretariat that the institute's status has not been defined yet. This constitutes a risk for the implementation of the action 2.4.2. On the other hand, the Economic Crimes Institute has reported to the Secretariat that the Government has not allocated the required 30 000 EUR for the implementation of the Training Program for the Financial Intelligence Unit of Kosovo and Other Institutions Engaged in the Prevention of Money Laundering, Terrorist Financing and Financial Crimes. These two issues constitute risks for the implementation of the actions 2.4.2 and 2.4.3. However, after numerous discussions with leaders of the Kosovo police it is decided that activity 2.4.2. to be undertaken by the Kosovo police which would also provide infrastructure support, and with this consent the role of the Institute for economic crimes is terminated. However, the condition is that the police need funding of 30,000 euros annually, these funds are not allocated for the achievement of this activity which is related to the compensation of trainers for the lecture hours. This action has been reworded and reflected with the revision of the Action Plan 2015-2018.

3.2.2.6. *Developing and applying a proactive approach to the international cooperation on prevention of money laundering, terrorist financing and financial crimes.*

Implementation Status

The implementation of the National Strategy's objective "Developing and applying a proactive approach to the international cooperation on prevention of money laundering, terrorist financing and financial

crimes” shall be carried out by implementing altogether four (4) activities. It implies actions 2.5.1 - 2.5.4 which are contained in the Action Plan. Responsible institutions during 2016 have started the implementation of activities (2.5.1 and 2.5.2).

Identified risks

The FIU-K which is responsible for the activity 2.5.2 reported to the Secretariat that an application for membership in Egmont Group was submitted since 2013¹⁰ by submitting a formal request with the Secretariat of this international institution. The process is initiated with the support of FIU Finland, FIU Senegal and FIU Slovenia that approved the sponsorship based on FIU-K 's request. Initially some FIUs have shown dissatisfaction about the membership of FIU Kosovo in the Egmont, dissatisfaction these of more political character. Likewise, in addition to the refusal of some members of the Egmont Group, the absence of a national law on prevention of money laundering and financing of terrorism, concerning the reporting of suspected terrorist financing constitutes a risk to the accession process and must be corrected.

In the meantime, following the recommendations provided from the visits to Kosovo by sponsoring countries such as Finland, Senegal and Slovenia, for the harmonization of legislation related to suspicious reports on financing of terrorism, with the aim that legal part to be in harmony with international standards and Kosovo to continue the path to membership in the Egmont. Following these recommendations, the authorities in Kosovo have made necessary legal amendments by adopting a new law on PML / CFT¹¹ which entered into force on 15.06.2016.

Institutions responsible for the activities 2.5.1, 2.5.3 and 2.5.4 of the Action Plan did not report to the Secretariat any additional risk regarding with the implementation process.

3.2.2.7. *Developing national legislation to comply with international standards and ensuring its efficient implementation*

Implementation status

The implementation of the National Strategy’s objective “Developing national legislation to comply with international standards and ensuring its efficient implementation” shall be carried out by implementing altogether fifteen (15) activities. They are actions 2.6.1 - 2.6.15 which are included in the Action Plan. The responsible institutions have initiated the implementation of one (1) action (2.6.1). The implementation process of altogether fourteen (14) activities (2.6.2 - 2.6.15) has not started.

Identified risks

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

¹⁰29.08.2013

¹¹Prevention of money laundering / Combating the financing of terrorism

3.2.3. Findings

The Secretariat analysed the implementation status of the National Strategy of the Republic of Kosovo for the Prevention of and Fight against Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2014-2018. The findings that have been made on the basis of the information collected from the relevant institution reflecting the achievements during the period 01.01-31.12.2016, and are as follows:

- Institutions responsible for implementation of the National Strategy Action Plan 2014-2018 during 2016 have finalized three (3) initiated activities and (5) activities of altogether of fifty-one (51) activities.
- The required information collected on a monthly basis about the operative results and performance of the administrative, law enforcement and judicial authorities responsible for the prevention of informal economy and financial crimes is incomplete and inconsistent. This concerns especially the prosecution stage and the use of temporary sequestration and confiscations judgments. This constitutes a risk for the implementation of the strategic objective "Strengthening the capacity of the relevant institutions" and activity 2.4.1 of the Action Plan;
- Non-accession of FIU-K in Egmont group is attributable to the existence of legal gaps in the law PML / CFT is considered to constitute a risk for achieving the strategic objective "Application of a pro-active approach towards international cooperation for prevention of money laundry, terrorist financing and financial crimes " and activity 2.5.2 of the action Plan
- Ensure effective implementation of international sanctions targeting terrorism and the terrorism financing and proliferation of weapons of mass destruction through the revision of the Law on the Implementation of international sanctions, by ensuring the freezing of funds and assets as required by international sanctions. Law on Implementation of International Sanctions does not describe in sufficient detail the enforcement practical measures related to freezing of funds and assets, which constitutes a risk to the implementation of activity 2.6.4.
- Shortcomings identified in the Code of Criminal Procedure (Article 90) on initiating of covert and technical measures for the acts of terrorist financing and money laundering, as well as ensuring compliance of the Criminal Code with recommendations TFAF by altering the sanctioning of financing of terrorism and by amending Article 97 of the Criminal Code in order to clearly describe the full use of value-based confiscation, constitutes a risk for the implementation of activity 2.6.5. and 2.6.6.
- Create and implement an action plan for measuring and involvement of non-observed economy as part of the national accounts in accordance with OECD, EUROSTAT recommendations in this area.
- Review the administrative instruction to see the options of implementing tax on capital profits.

3.3. Operating Results for the Prevention of informal economy, money laundering, financing of terrorism and economic and financial crimes 2008-2016

3.3.1. Operational objectives set out in the Action Plan of the National Strategy 2014-2018

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

- Enforced collection of due taxes and customs duty fees;
- Process of intelligence / intelligence related to money laundering, terrorist financing and other financial crimes;
- Investigation of money laundering, terrorist financing and other financial crimes;
- Criminal prosecution regarding money laundering, terrorist financing and other financial crimes;

3.3.2. Prevention of informal economy

The total amount of gross budget revenues of the Government of the Republic of Kosovo have increased during the years 2011-2016 from 1,309.9 to 1,634 billion euros. Customs revenues have represented 64% of total revenues and taxes revenues 22. The informal economy affects the revenues. It mainly has to do with the funds collected by the Tax Administration, which shows an upward trend in revenue collection

Table 1: Revenue types and their weights in the budget of the Government of Kosovo 2011-2015 (EUR billions)

Type of budget revenue	2011	2012	2013	2014	2015	2016
Customs	826,942	844,164	869,125	869,125	950,142	1,049,721
TAK	261,896	284,612	307,133	305,548	334,451	388,089
Other revenues	221,059	190,427	207,726	191,663	207,881	196,197
Total	1,309,898	1,319,203	1,383,984	1,366,335	1,492,474	1,634,006

Source: Ministry of Finance of the Republic of Kosovo

The total amount of gross incomes from taxes has systematically increased since 2011 recorded an average growth of 5% during 2011-2016. This is an encouraging trend where during 2015 and 2016 the budget revenues recorded an average growth of 9.4%, reflecting the positive trends of economic growth. On the other hand, the intensification of activities to broaden the tax base with the aim of reducing the tax gap, should continue.

Tax Administration has reported that the total stock of outstanding tax debt in early 2016 was in the amount of 323,092,453, Euros and the due debt of Kosovo Customs including excise taxes in the amount of 1,985,545.54 Euros. Ongoing efforts to intensify the activities of collecting due taxes will have a positive effect on reducing the informal economy level. The data indicate that the due debt value in 2016 decreased compared with 2015, as a result of debt forgiveness process and also increased activities by TAK in collecting the debt. The data on the due debt for the period 2013-2016 can be seen in the following table.

Table 2: The value of the due taxes, customs duties and excise (2013-2016)

Type of due debt Taxes	The total amount of due debt			
	2013	2014	2015	2016
Taxes	245,000,000 €	275,591,500 €	463,795,298.85 €	323,092,453.23 €
Customs and Excise fees	9,134,000.77 €	9,500,000.00 €	2,090,658.35 €	1,985,545.54 €

Source: Kosovo Tax Administration and Kosovo Customs, 2016

3.3.3. Criminal procedure on money laundering, terrorist financing and economic and financial crimes

3.3.3.1. *The process of collecting information (intelligence)*

One of the main functions of the FIU are receiving, research, collection, and analysis of financial information. The financial intelligence unit has continued to generate intelligence reports and disseminate them to the competent authorities with the aim of preventing money laundering and terrorist financing.

The total number of Suspicious Activity Reports (SARs) and the number of received transactions in cash and the number of intelligence reports disseminated by the FIU over the years are presented in the table below:

T Table 3: Operative results of the FIU-K 2016

FIU-K's results	2013	2014	2015	2016
Received STRs	174	294	398	484
Received CTRs	606,778	553,651	617,430	776,860
Disseminated reports	74	59	94	112
Compliance Inspections	-	35	26	17

Source: FIU--K, 2016

Number of received and disseminated intelligence reports have increased through 2013-2016 where only in 2016 FIU has received 484 STR or 22% more than in 2015. During this year, FIU received 776,860 CTR or 26% more than in 2015 which shows a growing trend of transactions in cash. This increase is as a result of the growing transactions below the approved ceiling. A significant development for 2016 represents the increase in the number of intelligence reports distributed (112) to the other institutions, marking the highest progress reports distributed in the past five years. Compared to the previous year in which distributed a total of 94 reports, 2016 has resulted in an increase of about 19% at the same time surpassing the targets set in the plan performance of the FIU-K and key performance indicators of the National Strategy 2014- in 2018, of which 80 have predetermined minimum number of intelligence reports distributed in the mandated authorities for calendar year 2016.

3.3.3.2. Preliminary investigations and court proceedings for financial crimes

During the time period of 2008-2016, the total number of initiated investigations concerning financial crimes was highest in 2013. On the other hand, the number of convictions for financial crimes was lowest in 2013. The results were as follows:

Results on the number of initiated investigations for the financial crimes were as follows:

Table 4: Financial crimes recorded by the Kosovo Police, Kosovo Customs and Kosovo Judicial Council 2008-2016

Initiated investigation on financial crimes	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police	3 043	2 123	2 774	2 914	2 135	3372	2784	2019	2033
Customs	90	57	64	69	49	165	104	95	99
TAK	-	-	-	-	-	-	25	56	22
Total	3 133	2 180	2 838	2 983	2 184	3 537	2 913	2170	2154
Convictions for financial crimes	2008	2009	2010	2011	2012	2013	2014	2015	2016
Basic courts	1 391	1 541	1 298	1 318	1 339	1 296	1 756	3,489	3,666

Source: Kosovo Police, Kosovo Customs, Kosovo Tax Administration and Kosovo Judicial Council, 2016

The statistical analysis indicates that in 2015 the most common financial crimes recognized during the pre-trial investigation¹² were:

- Fraud;
- Counterfeiting of currency;
- Purchase, receipt or concealment of goods obtained through the commission of a criminal offence; and
- Unlawful occupation of real estate.

As regards the court proceedings, the most common financial crimes of which the Basic Courts gave convictions¹³ in 2016 were:

- Counterfeiting of Currency;
- Fraud;
- Unlawful occupation of real estate
- Smuggling of goods.

¹²Financial crimes recorded by the Kosovo Police, Kosovo Customs, Kosovo Tax Administration and Kosovo Judicial Council, 2008-2014; Secretariat

¹³Financial crimes recorded by the Kosovo Police, Kosovo Customs, Kosovo Tax Administration and Kosovo Judicial Council, 2008-2015; and Secretariat.

3.3.3.3. *Sequestered and confiscated assets*

An effective prevention of financial crimes requires that proceeds of crime are sequestered and confiscated. The Agency for Managing of Sequestered and Confiscated Assets maintains statistics concerning the total number and value of temporary sequestration decisions and confiscation judgments on an annual basis. The agency does not have specified information concerning use of these measures during the criminal procedures on financial crimes. However, the total value of the assets subject to the temporary sequestration and confiscation are as follows.

Table 5: Amount of sequestered and confiscated funds managed by Agency for Managing of Sequestered and Confiscated Assets, 2010-2016

Legal measures concerning proceeds of crimes	2010	2011	2012	2013	2014	2015	2016
Temporary sequestration	0 €	41 852,31 €	2 482 903,54 €	1 555 258,43 €	21,256,142.7 €	813,309.40 €	2,994,342.50 €
Confiscation	1 720,00 €	26 765,35 €	103 647,57 €	6 700,00 €	26 350.90 €	169,312.70 €	128,090 €

Source: Agency for Managing of Sequestered and Confiscated Assets, 2016

The available information shows that the total value of the seized revenue increased compared to the same period the 2010 and 2011. However, in 2016 is seen that the value of sequestered assets is relatively low compared to 2014, but higher compared with 2014, but which higher compared 2016. The value of assets confiscated was 128,090 thousand Euros. Notwithstanding, the marked increase, the potential of increased confiscated assets should be higher given that the level of informal economy is relatively high.¹⁴

3.3.4. Findings

The Secretariat analysed operational results of the prevention of informal economy and criminal procedures on financial crimes during 2014. The findings that have been made on the basis of the information collected from the relevant institution are as follows:

- During 2011-2016, customs duties have represented 64% of total revenue and marked an annual average growth of about 5%;
- The total amount of tax revenue has systematically increased during 2011-2016 and represented 22% of the total budget revenues, recording average increase of about 8%
- The total value of overdue tax debt at 01.01.2015 was 323,092,453.23 EUR and the debt on customs duties and excise was 1,985,545.54 EUR. While the total value of the collected debt in 2016 was 42,013,017.1 EUR by TAK .
- The total number of reports on suspicious received transactions and disseminated intelligence reports from the FIU increased significantly reaching in 484 STR's received respectively 112 disseminated reports to authorities in 2016.
- Annual number of financial crimes recorded by the Kosovo Police, Kosovo Customs and TAK during 2015 are recorded to be 2,154, marking a decrease of 16 compared to 2015;

¹⁴Statistics 2010-2014, Agency for Managing of Sequestered and Confiscated Assets, 2016

- The annual number of convictions of the Basic Court regarding the financial crimes has remained steady, and increased from 3,489 (2015) to 3,666 cases in 2016;
 - The total value of sequester assets in 2016 was 2,994,342.50 EUR, the value of sequestered assets amounted to EUR 816,309.4 EUR;
 - The total value of confiscated assets in 2016 was EUR 128,090 EUR
- *Operational results of the prevention of informal economy, money laundry, financing of terrorism and financial crimes in Kosovo between January and March 2014*

3.3.5. Operational objectives set out in the Action Plan of the National Strategy 2014 - 2018

An appropriate performance management concerning prevention of informal economy and financial crimes requires concrete key performance indicators. Therefore, the process should be divided into different stages to ensure appropriate identification of indicators and measurement of results.

The Action Plan of the National Strategy 2014-2018 consists of key performance indicators for different stages of the operative process concerning prevention of informal economy and financial crimes. The specific indicators are defined for the following processes:

- Enforced collection of due taxes and customs fees;
- Intelligence process concerning money laundering, terrorist financing and other financial crimes;
- Investigation of money laundering, terrorist financing and other financial crimes;
- Prosecution concerning money laundering, terrorist financing and other financial crimes;
- Court proceedings concerning money laundering, terrorist financing and other financial crimes.

3.3.6. Prevention of informal economy

Medium Term Expenditure Framework (MTEF) 2017-2019 through the Declaration of Medium Term Priorities 2017-2019, sorts and describes the main funding priorities for Government for the period. The Government of the Republic of Kosovo in its program, adopted in January 2015, envisaged as the primary goal the building of effective governance, competent and accountable towards a sustainable and inclusive economic strengthening and social welfare.

The 2015-2018 Government Program, the National Strategy for 2016-2021 and Development and Reform Program in Economics in 2016 as well as the Stabilization and Association Agreement between Kosovo and the EU are the main documents that define the orientation and development of government policies and provide the basis for determining policy priorities in the Medium Term Expenditure Framework 2017-2019. The government continues to have as its main objective the fiscal strategy of further strengthening its fiscal position and accountable management of public finances.

Annex 1 of the National Action Plan 2014-2018 Strategy is not consisted of specific objectives for revenue collection. Nevertheless, the results achieved in this regard are an important indicator when measuring the efficiency of the fight against the informal economy. In addition, evaluation of the informal economy level

identifies additional measures that will affect on reducing the tax gap. The total amount of revenue collected during 2016 and 2015 in a monthly frequency is as follows:

Table 6: The amount of collected revenues from taxes, customs and other net income January-December 2016 and 2015, *in million euros*

Budget revenues	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Total
Customs revenues	52.2	74.2	83.5	83.5	92.3	86.4	94.2	114.8	91.1	90.8	85.1	101.5	1,050
TAK revenues	43.8	20.8	22.6	45.7	24.0	21.8	43.2	29.9	41.4	44.3	26.5	24.2	388
Other revenues	15.9	12.7	14.8	20.7	16.1	14.0	23.3	16.4	14.0	22.0	11.9	14.4	196
Total	112	108	121	150	132	122	161	161	147	157	124	140	1,634

Budget revenues	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Total
Customs revenues	47.2	52.1	67.5	74.9	76.1	84.0	95.5	95.5	86.4	90.3	81.0	99.7	950.1
TAK revenues	41.1	21.3	22.0	39.7	18.3	20.8	36.5	20.5	27.0	42.4	20.5	24.2	334.5
Other revenues	12.3	11.2	18.3	29.6	11.9	12.6	20.4	11.6	11.8	25.6	10.4	32.1	207.9
Total	100.6	84.6	107.8	144.2	106.3	117.5	152.3	127.6	125.2	158.4	111.9	156.0	1,492.5

Source: Ministry of Finance, 2016

The total amount of net revenue collected during the period January-December 2016 was 1,634.00 euro, which at the same time is an increase of about 9.5% or about 141.5 million Euros more compared to the year 2015. Revenues from TAK have marked an increase of about 16 % or about 53.6 million and more customs revenues increased 10.5% or around EUR 99.58 million more than in 2015. Measures taken by the tax authorities responsible have yielded positive results and this is reflected in the increasing trend in revenue collection by agencies responsible for revenue collection.

Annex 1 of the 2014-2018 Action Plan, requires that minimum annual results of enforced collection of due tax should be 90,000,000 Euros and 4,500,000 Euro for due customs and excise fees. Results for the period January-December 2015 were as follows:

Table 7: The amount of enforced collection of due taxes and customs and excise fees, January-December 2016

Type of due debt	2016												
	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Taxes	1,004	1,100	1,502	1,496	1,628	2,116	1,737	2,053	2,629	7,123	9,432	10,194	42,013.1
Customs fees	109.4	149.1	570.1	81.2	260.3	157.5	149.2	153.3	211.3	181.0	259.6	90.5	2,372.4

Type of due debt	2015												
	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Taxes	841	754	1,096	799	1,068	1,719	1,336	1,189	1,411	1,108	1,069	7,208	19,598.2
Customs fees	157.4	149.7	108.9	59.3	187.8	164.8	131.3	89.8	297.8	419.3	276.0	198.2	2,240

Source: Kosovo Customs and Tax Administration of Kosovo, 2016

Results of the Tax Administration of Kosovo and Kosovo Customs are encouraging but the efforts to collect deferred debts should be intensified. Measures undertaken during 2016 by the two institutions have not produced the expected results based on key performance indicators.

3.3.7. Criminal procedure on money laundering, terrorist financing and economic and financial crimes

3.3.7.1. *Intelligence process*

The FIU-K is collecting, analysing and disseminating financial intelligence. The Annex 1 of the Action Plan 2014-2018 requires that the agency should receive and disseminate a certain number of reports. It is also consisting of objectives concerning the number and value of transactions suspended by the FIU-K. The results of the agency have been as follows:

Table 8: Operative results of the FIU-K January -December 2016

FIU Results	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Received STR	22	22	66	37	20	33	32	39	42	41	54	44	452
Received CTR	55,953	51,292	68,070	64,960	67,062	69,508	64,231	84,630	62,551	62,476	65,782	60,345	776,860
Received reports on terrorism financing	1	1	5	3	0	2	5	0	4	1	8	2	32
Disseminated intelligence reports	5	12	5	16	8	12	6	6	6	13	12	11	112
Suspended transactions	-	-	84	1	-	-	-	-	-	-	-	-	85
Value of suspended transactions	-	-	466,146	570,000	-	-	-	-	-	-	-	-	1,036,146

Source: FIU-K, 2016

Results for 2016 indicate that FIU-K has met and exceeded the key performance indicators set out in Annex 1 of the action plan. During 2016, FIU has been able to receive 452 reports of suspicious transactions of money laundering, while 32 have been reports of suspicious transactions for terrorist financing and 112 STR reports are disseminated to the mandated authorities for further investigations. The number of suspended monetary transactions was 85 and the total monetary value of these transactions was 1,036,146 EUR, while the number of reports received for transactions in cash was 776,860.

It should be emphasized that beside the many difficulties in terms of number of staff and logistical support (workspaces), and also none acceptance in Egmont Group, the FIU has managed to demonstrate a very good performance during the year 2015 which is reflected also in the achievements listed in the table above.

3.3.7.2. Pre-trial investigations on financial crimes and temporary sequestrations

The Annex 1 of the Action Plan 2014-2018¹⁵ sets objectives for the pre-trial investigation of financial crimes. They include key performance indicators for the Kosovo Police, Kosovo Customs and Kosovo Tax Administration in respect of the minimum number of initiated investigations where the estimated value of proceeds of crime is 5 000 EUR or more, net value of the property which is the target of temporary sequestration measures, minimum number of financial crime investigations (value of proceeds of crime 5 000 EUR or more) which are closed and forwarded for the consideration of charges as well as the average investigation time for financial crimes.

The results concerning the number of initiated investigations on financial crimes have been as follows:

Table 9: Financial crimes recorded by the Kosovo Police, Kosovo Customs and Kosovo Tax Administration January -December 2016

Initiated investigation on	2016											
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Police	132	151	199	179	189	178	158	174	174	176	167	156
Customs	4	31	10	7	12	8	4	1	7	5	6	4
TAK	1	0	0	0	2	0	4	3	6	1	1	4
Total	137	182	209	186	203	186	166	178	187	182	174	164
Initiated investigation on financial crimes	2015											
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Police	151	166	168	168	166	149	181	129	166	218	182	175
Customs	3	9	12	13	9	20	5	3	4	6	5	6
TAK	1	0	7	4	3	0	18	5	3	4	1	10
Total	155	175	187	185	178	169	204	137	173	228	188	191

Source: Kosovo Police, Kosovo Customs and Tax Administration, 2016

The statistical analysis indicates that there are no substantial changes as regards the total number and types of the most common financial crimes recorder by the Kosovo Police, Kosovo Customs and Kosovo tax Administration between January and December 2016 compared to 2015. The typical financial crimes recognized during the pre-trial investigation¹⁶ were:

- Counterfeiting of Currency;
- Fraud;
- Unlawful occupation of real estate; and
- Smuggling of goods.

It can be concluded that law enforcement authorities have started to focus on more serious offenses when detecting financial crimes.

¹⁵National Strategy and Action Plan of the Republic of Kosovo for the Prevention of and Fight Against Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2014-2018.

¹⁶Financial Crimes recorded by the Kosovo Police, Kosovo Customs and Tax Administration, 2014; and Secretariat.

The available information regarding the number of financial crimes proceeded for consideration of charges are defined in the following table.

Table 10: Financial crimes forwarded for the consideration of charges by the Kosovo Police, Kosovo Customs and Kosovo Tax Administration, January-December 2015 and January-December 2016

Closed investigation of financial crimes forwarded for the consideration of charges	2016												Total
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
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
TAK	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

Closed investigation of financial crimes forwarded for the consideration of charges	2015												Total
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
police	44	71	60	55	56	82	92	84	105	100	78	66	893
Customs	1	1	10	7	9	4	2	10	1	2	9	7	63
TAK	0	0	3	0	1	2	0	2	1	0	2	0	11
Total	45	72	73	62	66	88	94	96	107	102	89	73	967

Source: Kosovo Police, Kosovo Customs and Kosovo Tax Administration, 2016

Asset tracing is an essential part of the criminal procedure concerning financial crimes. Therefore, the Action Plan 2014-2018¹⁷ sets objectives for the pre-trial investigation stage as regards temporary sequestration measures. The results for 2015 and 2016 have been as follows:

Table 11: Net value of assets sequestrated in investigations of the Kosovo Police, Kosovo Customs and Tax Administration, January-December 2016 and January-December 2015.

Net value of temporarily sequestrated property	2016												Total
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
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
TAK	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	301,200	380,391	385,619	916,688	1,313,845	1,206,960	5,429,511	8,197,834	330,598	18,863,421

Net value of temporarily sequestrated property	2015												Total
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
Police	25,960	205,326	97,383	772,076	50,704	2,585,247	1,296,867	1,390,523	1,099,644	5,700	397,120	253,011	8,179,561
Customs	261	14,130	5,380	23,774	349,811	91,432	31,389	22,389	-	15,145	16,178	-	569,888
TAK	-	-	-	-	13,779.7	-	-	-	-	-	-	-	13,780
Total	26,221	219,456	102,763	795,850	414,295	2,676,679	1,328,255	1,412,912	1,099,644	20,845	413,298	253,011	8,763,229

Source: Kosovo Police, Kosovo Customs and Tax Administration of Kosovo, 2016

In 2016, the total amount of temporary Sequestrated and Confiscated Assets according to the Agency for Management of Sequestrated and Confiscated Assets was EUR 3,122,432.50 and in 2015 the value of sequestered and confiscated assets was EUR 982,622.1.

¹⁷National Strategy and Action Plan of the Republic of Kosovo for the Prevention of and Fight Against Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2014-2018.

3.3.7.3. *Consideration of charges for financial crimes and temporary sequestrations*

The objectives for the prosecution stage as regards financial crimes have been identified in Annex 1 of the Action Plan 2014-2018. They include key performance indicators for the State Prosecutors in respect of the minimum number of indictments (value of proceeds of crime is 5 000 EUR or more per crime), average time used for the consideration of charges for financial crime, minimum net value of the property which is the target of the temporary sequestration measures and minimum gross value of the requests for confiscation included in the indictments.

Comprehensive and reliable information concerning the operative results of the State Prosecutors is not available. Statistics which have been submitted to the Ministry of Finance and National Coordinator for economic crimes related to the objectives of the prosecution phase in Annex 1 of the Action Plan 2014-2018 are not compatible, and in some cases is identified that there are no statistics at all.

4.4.3.4 *Convictions for financial crimes and confiscation judgements*

The Annex 1 of the Action Plan 2014-2018¹⁸ sets objectives for the court proceedings concerning financial crimes. They include key performance indicators for the Basic Courts in respect of the total minimum number of judgments concerning financial crimes in which the estimated value of proceeds of crime is 5 000 EUR or more, the average time used for court proceedings per calendar year concerning financial crimes and the total minimum gross value of confiscation judgments.

The Secretariat chaired by Ministry of Finance have been provided with the information concerning the total number of convictions concerning financial crimes and the results for 2016 are as follows:

Table 12: Convictions for financial crimes by the Basic Courts January-December 2016

Convictions for financial crimes	2014	2015	2016
Basic Courts	1 756	3 489	3 666

Source: Kosovo Judicial Council, 2016

In 2014, the total number of convictions for financial crimes was 1,756, and in 2015 this figure reached 3489 cases and in 2016 reached in 3,666. It can be concluded that the productivity of basic courts has continued to increase. The typical financial crimes recognized during court proceedings¹⁹ were:

- Abuse of official duty;
- Smuggling of goods;
- Tax offence;
- Unlawful occupation of real estate; and

¹⁸Strategjia kombëtare e Republikës së Kosovës për parandalimin dhe luftimin e ekonomisë joformale, pastrimit të parave, financimit të terrorizmit dhe krimeve financiare 2014-2018.

¹⁹Quarterly Statistics, Kosovo Judicial Council, 2016.

- Bribery.

For the prevention of financial crimes it is essential to be confiscated the proceeds of financial crime. However, the information concerning the use of this provision are not available as can be seen below.

Table 13: Gross value of confiscation judgements by the Basic Courts January-December 2016

Gross value of confiscation judgements	2014	2015	2016
Basic Courts	N/A	N/A	N/A

Source: Kosovo Judicial Council, 2016

Currently, it is not possible to evaluate the functionality of the confiscation mechanism. The only sources for the relevant statistic are the law enforcement authorities, prosecutors and Agency for Managing of Sequestered and Confiscated Assets. It would be important for the Government and operational authorities to get information about the gross value of confiscation judgements. This would assist them in evaluating the efficiency of the process chain as a whole starting from the asset tracking and ending with the enforcement of confiscation judgements.

3.3.7.4. Management of sequestered and confiscated assets

The Agency for Managing of Sequestered and Confiscated Assets maintains statistics concerning the net value of temporarily sequestered and confiscated assets. The results have been as follows:

Table 14: Value of sequestered and confiscated assets managed by Agency for Managing of Sequestered and Confiscated Assets January-December 2015

Legal measures concerning proceeds of crime	2016												Total
	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	
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
Legal measures concerning proceeds of crime	2015												Total
	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	
Sequestration	840	144,934	31,906	4,841	554	201,359	23,576	11,050	2,960	26,200	36,636	328,455	813,309
Confiscation	0	46,809	21,420	4,708	20,981	6,930	921	8,481	20	26,867	21,196	10,981	169,313

Source: Agency for Management of sequestered and confiscated assets, 2016

According to the Agency for Management of Sequestered and Confiscated Assets, the total amount of temporarily sequestered assets in 2016 was 2,994,343 EUR and the value of confiscated proceeds of crime was 128,091 EUR, marking a decrease in the amount of confiscation compared with 2015. On the other hand, the value of assets sequestered in 2016 was relatively high compared with 2015 (see table 14).

It can be concluded as well, that statistics of the Agency for Managing of Sequestered and Confiscated Assets for 2015 concerning the value of the temporarily sequestered assets are not in line with the information provided by the law enforcement authorities and prosecutors. The reasons for the difference in these statistics should be assessed and the application of the law by law enforcement and judicial authorities should be enhanced to ensure an effective management of sequestered assets in accordance with the existing legislation.

3.3.8. Findings

The Secretariat analysed operational results of the prevention of informal economy and criminal procedures on financial crimes during January-December 2016. The findings that have been made on the basis of the information collected from the relevant institution are as follows:

- The amount of revenue collected is 1,634,006 billion euros, marking an increase of 9% in total revenues collected during 2016 compared to 2015;
- The total amount of the enforced collection of due taxes and customs fees was 44,385.5 million Euros;
- FIU-K has received 776,860 cash transactions reports (CTR) and 484 suspicious transactions reports (STRs). The unit has disseminated a total of 112 intelligence reports to mandated authorities, which means that the total number has reached certain targets in key performance indicators
- The Kosovo Police, Kosovo Customs and Kosovo Tax Administration have recorded altogether 2,132 financial crimes marking an increase compared to 2015.
- The most common financial crimes recorded by the law enforcement authorities have been counterfeiting currency, frauds, unlawful occupation of real estate and smuggling of goods;
- The total value of temporarily sequestered assets by the Kosovo Police, Kosovo Customs and Tax Administration has been EUR 18,863,421;
- A complete and reliable information on operational results in terms of objectives concerning the prosecution stage set out in Annex 1 of the Action Plan 2014-2018 is not available
- The total number of Basic Court's convictions of the financial crimes has been 3,666, which marks an increase of 5% compared to 2015.
- The most common financial crimes defined in the convictions of the Basic Courts have been abuse of official duty, smuggling of goods, tax offence, unlawful occupation of real estate and bribery;
- The gross value of Basic Courts' confiscation judgments is not available;
- The total value of the temporarily sequestered assets managed by the Agency for Managing of Sequestered and Confiscated Assets has been 2,994,343.50 euros;
- The total value of the confiscated assets managed by the Agency for Managing of Sequestered and Confiscated Assets has been 128,091 euros;

4. CONCLUSIONS AND RECOMMENDATIONS CONCERNING PREVENTION OF INFORMAL ECONOMY, MONEY LAUNDERING, TERRORIST FINANCING AND ECONOMIC AND FINANCIAL CRIMES

4.1. Implementation of the National Strategy and Action Plan 2014-2018

4.1.1. Conclusions and recommendations

The Government of the Republic of Kosovo and the responsible public, private and third sector institutions have initiated the implementation of the National Strategy and Action Plan 2014-2018. The activities are mainly in line with the requirements and timetables defined in these policy documents. However, there are altogether three (3) risks which could be managed based on the national level measures. They are related to the implementation of the strategic objective “Strengthening the capacity of the relevant institutions”.

The Government of the Republic of Kosovo should enhance implementation of the National Strategy and Action Plan 2014-2018, efficiency and transparency of the prevention of informal economy and financial crimes and awareness, skills and capacities of the public, private and third sector institutions as regards the fight against these harmful phenomena. It is therefore recommended that the Government ensures that:

1. The responsible and defined authorities provide the Ministry of Finance, Secretariat and the National Coordinator for Economic Crimes Enforcement on a 3 monthly basis with the required information concerning their operative performance and results as specified in Annex 1 of the activity 2.4.1 of the Action Plan of the National Strategy 2014-2018. This measure is necessary to enhance efficiency and transparency of the prevention of informal economy and financial crimes and to ensure implementation of the National Strategy and Action Plan 2014-2018;
2. Allocation of budget for the Kosovo Police for implementation of the activity (2.4.3) in order to enable the creation, implementation and evaluation of a training program by the Kosovo Police in cooperation with FIU and other institutions engaged in the prevention of money laundering , terrorist financing and financial crimes. This measure is necessary to enhance awareness, skills and capacities of public, private and third sector in the prevention of the informal economy and financial crime and to ensure the implementation of the National Strategy and Action Plan 2014-2018.
3. Continuous improvement of the data by the reporting agencies, in particular those of prosecutors and courts in order to harmonize the data reported during the administrative phase up to the execution of court decisions. There is a significant difference in the data provided by Customs, TAK, KP concerning the measures taken for sequestration and confiscation and data reported by the Agency for the management of sequestered and confiscated assets.

4.2. Operative performance

4.2.1. Conclusions and recommendations

Annex 1 of the activity 2.4.1 of the Action Plan of the National Strategy 2014-2018 defines objectives and key performance indicators for the administrative, law enforcement and judicial authorities responsible for the prevention of informal economy and financial crimes. The implementation process of these measures has been started and the initial results are promising. However, there are certain vulnerable stages in the process chain due to the incomplete and inconsistent performance information. This especially concerns prosecution and the use of temporary sequestration and confiscations judgments. Therefore, the performance management mechanisms of the relevant institutions should be developed and production and dissemination of the information needed for the evaluation of their performance should be ensured and regularized to enhance efficiency and transparency of the processes.

It is recommended that the Government of the Republic of Kosovo enhances the efficiency and transparency of the prevention of informal economy and financial crimes by ensuring that:

1. The Governmental budget for the financial year 2017 and onwards includes the national level objectives concerning prevention of informal economy and criminal procedures on financial crimes for the responsible administrative, law enforcement and judicial authorities; and
2. The administrative, law enforcement and judicial authorities responsible for the prevention of informal economy and for the criminal procedure on financial crimes prepare for the financial year 2016 performance plans. These plans should include precise institutional level objectives, their implementation measures and key performance indicators concerning prevention of informal economy and the criminal procedure on financial crimes.
3. Objectives of performance plans at the institutional level should derive from the government budget objectives for a sustainable budget which should reflect, in addition to economic activity, continued broadening of the tax base and confiscation of assets acquired illegally and this practice should begin at the same time with the government budget for the financial year 2017 and onwards.