

ANNEX III DECENTRALIZATION

To address the legitimate concerns of the Kosovo Serb and other Communities that are not in the majority in Kosovo and their members, encourage and ensure their active participation in public life, and strengthen good governance and the effectiveness and efficiency of public services throughout Kosovo, an enhanced and sustainable system of local self-government in Kosovo shall be established in accordance with the following principles and provisions:

Article 1 Basic Provisions

1.1 Local self-government in Kosovo shall be based upon the principles of the European Charter of Local Self-Government and, in particular, the principle of subsidiarity.

1.2 Local self-government in Kosovo shall protect and promote internationally recognized human rights standards, having particular regard for the needs of the non-majority Communities and their members in Kosovo.

1.3 The main principles of decentralization shall be enshrined in the Constitution, as set forth in Article 8 of Annex I of this Settlement.

Article 2 Kosovo Legislation on Local Self-Government

2.1 Kosovo shall enact a new Law on Local-Self Government within 120 days of the entry into force of this Settlement that reinforces the powers and organization of municipalities, as set forth in this Annex and Annex XII.

2.2 Kosovo shall enact a new Law on Municipal Boundaries within 120 days of the entry into force of this Settlement, which shall delineate the new municipalities, as set forth in this Annex and Annex XII.

2.3 Kosovo shall enact basic legislation, in accordance with the principles set forth in this Annex, in order to ensure equitable treatment and minimum standards for all municipalities with regard to the regulation and management of the public affairs under their own responsibilities, respecting, in particular, the principle of subsidiarity.

Article 3 Municipal Competencies

3.1 Municipalities in Kosovo shall have full and exclusive powers, insofar as they concern the local interest, while respecting the standards set forth in the applicable legislation in the following areas (hereinafter referred to as their own competencies):

- a. Local economic development;
- b. Urban and rural planning;
- c. Land use and development;

- d. Implementation of building regulations and building control standards;
- e. Local environmental protection;
- f. Provision and maintenance of public services and utilities, including water supply, sewers and drains, sewage treatment, waste management, local roads, local transport, and local heating schemes;
- g. Local emergency response;
- h. Provision of public pre-primary, primary and secondary education, including registration and licensing of educational institutions, recruitment, payment of salaries and training of education instructors and administrators;
- i. Provision of public primary health care;
- j. Family and other services;
- k. Public housing;
- l. Public health;
- m. Licensing of local services and facilities, including those related to entertainment, cultural and leisure activities, food, lodging, markets, street vendors, local public transportation and taxis;
- n. Naming of roads, streets and other public places;
- o. Provision and maintenance of public parks and spaces;
- p. Tourism;
- q. Cultural and leisure activities;
- r. Any matter which is not explicitly excluded from their competence nor assigned to any other authority.

Article 4 Extended Own Municipal Competencies

4.1 Certain municipalities in Kosovo shall have their own competencies extended as follows:

- 4.1.1 The municipality of Mitrovicë/Mitrovica North shall have competence for higher education, including registration and licensing of educational institutions, recruitment, payment of salaries and training of education instructors and administrators;
- 4.1.2 The municipalities of Mitrovicë/Mitrovica North, Graçanicë/Gracanica, Shtërpcë/Štrpce shall have competence for provision of secondary health care, including registration and licensing of health care institutions, recruitment, payment of salaries and training of health care personnel and administrators;
- 4.1.3 All municipalities in which the Kosovo Serb Community is in the majority shall have:
 - a. Authority to exercise responsibility for cultural affairs, including, in accordance with the provisions of Annex V of this Settlement, protection and promotion of Serbian and other religious and cultural heritage within the municipal territory as well as support for local religious communities;

- b. Enhanced participatory rights in the selection and dismissal of police Station Commanders, as set forth in Article 2.6 of Annex VIII of this Settlement.

4.2 With respect to these extended own competencies, Kosovo shall enact framework legislation to provide for equal access to public services; minimum quality and quantity standards in the provision of public services; minimum qualifications of personnel and training facilities; general principles on licensing and accreditation of public service providers.

4.3 Municipalities exercising extended own municipal competencies may cooperate with any other municipality in providing such services.

Article 5 Delegated Municipal Competencies

5.1 Central authorities in Kosovo shall delegate responsibility over the following competencies to municipalities, in accordance with the law:

- a. Cadastral records;
- b. Civil registries;
- c. Voter registration;
- d. Business registration and licensing;
- e. Distribution of social assistance payments (excluding pensions); and
- f. Forestry protection;

5.2 Central authorities may delegate additional competences to municipalities, as appropriate, in accordance with the law.

Article 6 Administrative Review of Municipal Activities

6.1 Administrative review by central authorities of municipal activities in the areas of their own competencies shall be limited to ensuring compliance with the Constitution of Kosovo and applicable law.

6.1.1 The supervising administrative authority may request that the municipality re-examine a decision or other act considered to be inconsistent with the Constitution or laws adopted in accordance with this Settlement. Such a request shall state the alleged violations of the Constitution or law. The request shall not suspend the execution of the municipal decision or other act at issue.

6.1.2 If, pursuant to a request made under Article 6.1.1 of this Annex, the municipality accepts the request, it may decide to suspend the execution of the decision or other act pending deliberation by the municipal authorities.

6.1.3 If the municipality rejects the request or upholds its decision or act on review, the supervising administrative authority may challenge the decision or other act in the District Court competent for the territory of the municipality. The District Court

may order, by interim measure, that application of the contested decision or other act be suspended.

6.2 With respect to delegated municipal competencies, central authorities may review the expediency of a given municipal decision or other act, in addition to its compliance with the Constitution of Kosovo and with legislation adopted in accordance with this Settlement, and may subsequently suspend, modify, or replace, as appropriate, the execution of a municipal decision or other act.

Article 7 Education

7.1 With respect to educational curricula in Kosovo schools taught in Serbian language:

7.1.1 Schools that teach in the Serbian language may apply curricula or text books developed by the Ministry of Education of Republic of Serbia upon notification to the Kosovo Ministry of Education, Science and Technology.

7.1.2 In the event of an objection by the Kosovo Ministry of Education, Science and Technology to the application of a particular curriculum or text book, the matter shall be referred to an independent commission to review the said curriculum or text book to ensure conformity with the Constitution of Kosovo and legislation adopted in accordance with this Settlement.

7.1.3 The independent commission shall be comprised of three (3) representatives selected by Members of the Assembly of Kosovo holding seats reserved or guaranteed for the Kosovo Serb Community, three (3) representatives selected by the Kosovo Ministry of Education, Science and Technology, and one (1) international member selected by and representing the International Civilian Representative.

7.1.4 The commission shall take all decisions by a majority vote, and its Chairmanship shall rotate between a representative selected by Members of the Assembly of Kosovo holding seats reserved or guaranteed for the Kosovo Serb Community and a representative selected by the Kosovo Ministry of Education, Science and Technology every year.

7.2 With respect to the public Serbian language university:

7.2.1 The university of Mitrovicë/Mitrovica North shall be an autonomous institution of higher learning. The university shall enact a statute to specify its internal organization and governance, and procedures and interaction with public authorities, in accordance with central framework legislation, which shall be examined by an independent commission as set forth in Article 7.2.2 of this Annex.

7.2.2 Decisions on the conformity of the statute with central framework legislation, European standards and best practices and on matters concerning the accreditation of the university within the Kosovo university system shall be taken by an independent commission comprised of three (3) representatives selected by the university, three (3) representatives selected by the Kosovo Ministry of Education,

Science and Technology, and one (1) international member selected by and representing the International Civilian Representative. The commission shall take all decisions by majority vote, and its Chairmanship shall rotate between a representative selected by the university and a representative selected by the Kosovo Ministry of Education, Science, and Technology every year.

7.2.3 The municipality of Mitrovicë/Mitrovica North shall have authority to exercise responsibility for this public Serbian language university, in accordance with Article 4.1.1 of this Annex. The municipality shall have the right to appoint two members to the University Board, which shall consist of a total of nine members. The municipality shall also ensure that the university receive adequate premises and funding for its operation.

7.2.4 The municipality of Mitrovicë/Mitrovica North may cooperate with any other municipality in operating the university.

Article 8 Local Finance

8.1 Municipalities shall establish their own budgets covering tasks falling within their competencies. Central legislation shall set forth the basic public financial management and accountability requirements applicable to all municipalities, in accordance with international standards.

8.2 Municipalities shall be entitled to financial resources of their own, which shall include the authority to levy and collect local taxes, charges and fees. The municipalities shall not levy or collect customs duties, taxes on revenues of natural and legal persons, VAT and excise duties, taxes on capital other than tax on immovable property situated within the municipality, or any charges having an equivalent effect as such duties and taxes.

8.3 The existing system of primarily earmarked central grants shall be revised to include a fair and transparent block grant system, ensuring greater municipal autonomy in the allocation and expenditure of central funds. The distribution formula for block grants, which shall take into account the need for an adequate allocation of resources for the non-majority communities in the respective municipalities, the need for a fair equalization system, and which shall provide for a reasonable degree of stability in municipal income, shall be set by law in accordance with international standards.

8.4 Notwithstanding the provisions of Article 8.3 of this Annex, municipalities with responsibilities for extended own competencies, as set forth in Article 4 of this Annex, shall be entitled to additional central funds within limits determined by the minimum quality and quantity standards for the provision of public services related to the exercise of these responsibilities, in accordance with central framework legislation.

8.5 Municipalities shall ensure independent and objective internal audits at least once a year, and shall be subject to random, independent, external audits performed by an autonomous authority to ensure effective management of public resources, the results of which should be made public.

Article 9 Inter-Municipal Cooperation

9.1 Based upon the principles of the European Charter of Local Self-Government, municipalities shall be entitled to cooperate and form partnerships with other Kosovar municipalities to carry out functions of mutual interest, in accordance with the law.

9.1.1 Municipal responsibilities in the areas of their own and extended own competencies may be exercised through municipal partnerships, with the exception of the exercise of fundamental municipal authorities, such as election of municipal organs and appointment of municipal officials, municipal budgeting, and the adoption of regulatory acts enforceable on citizens in general.

9.1.2 Municipal partnerships may take all actions necessary to implement and exercise their functional cooperation through, *inter alia*, the establishment of a decision making body comprised of representatives appointed by the assemblies of the participating municipalities, the hiring and dismissal of administrative and advisory personnel, and decisions on funding and other operational needs of the partnership;

9.1.3 Partnership decisions and activities shall be subject to reporting requirements to the competent central authority and administrative review for compliance with legislation, in accordance with the provisions of Article 6.1 of this Annex.

9.2 Based upon the principles of the European Charter of Local Self-Government, municipalities shall be entitled to form and participate in an association of Kosovo municipalities for the protection and promotion of their common interests, in accordance with the law.

9.2.1 Membership in such associations shall be limited to Kosovo municipalities. Such associations may cooperate with their international counterparts.

9.2.2 Such associations may offer to its members a number of services, including training, capacity building, technical assistance, research related to municipal competencies and policy recommendations.

9.3 Municipalities engaged in a partnership or association pursuant to the provisions of Articles 9.1 and 9.2 of this Annex shall make public all information concerning the activities and budget of the partnership/association, in accordance with the law.

Article 10 Cooperation with Institutions in the Republic of Serbia

10.1 Municipalities shall be entitled to cooperate, within the areas of their own competencies, with municipalities and institutions, including government agencies, in the Republic of Serbia. Such cooperation may take the form of the provision by Serbian institutions of financial and technical assistance in the implementation of municipal competencies.

10.2 Municipalities shall notify the Kosovo Ministry of Local Government Administration in advance of any intention to engage in such cooperation. The notification shall include the draft agreement between the municipality and its proposed Serbian partner institution.

10.3 The draft cooperation agreement shall define the areas of the envisaged cooperation, the provision of staff and equipment, the level of funding and its processing mechanisms, and other relevant procedural arrangements, in accordance with public financial management requirements applicable to all municipalities.

10.4 Such intention to cooperate and attendant draft agreement may be subject to review by the Kosovo Ministry of Local Government Administration of its compliance with central framework legislation. Notwithstanding the provisions of Articles 6.1 of this Annex, the Ministry, pursuant to such review, may enjoin amendments to the draft cooperation agreement, or, if a serious breach of the law cannot be remedied otherwise, the Ministry may suspend the intended cooperation. The municipality may challenge such Ministry action in the District Court competent for the territory of the municipality.

10.5 Partnerships between Kosovo municipalities shall be entitled to direct relations with institutions in the Republic of Serbia only to the extent necessary to implement practical activities of the partnership.

10.6 A joint Republic of Serbia/Kosovo commission shall be established to foster such cooperation with institutions in the Republic of Serbia and address particularly sensitive issues between Pristina and Belgrade related to this cooperation.

Article 11 Funding of Municipal Activities by the Republic of Serbia

11.1 Municipalities shall be entitled to receive financial donations from the Republic of Serbia, subject to the following provisions:

11.1.1 Any financial donations to Kosovo municipalities from the Republic of Serbia shall be limited in their purpose to the exercise of a municipality's responsibilities in the areas of its own competencies, and shall be transparent and made public.

11.1.2 Municipalities may receive financial donations from the Republic of Serbia through accounts in commercial banks, certified by the Central Banking Authority of Kosovo. Any such receipts shall be notified to the Central Treasury.

11.1.3 Municipalities receiving financial donations from the Republic of Serbia shall report these donations, together with the corresponding expenditures, in their municipal budgets.

11.1.4 Financial donations from the Republic of Serbia to Kosovo municipalities shall not offset the allocation of grants and other resources provided to municipalities pursuant to Articles 8.3 and 8.4 of this Annex, and shall not be subject to taxes, fees or surcharges of any kind imposed by any central authority.

11.2 Individualized transfers, including pensions, to individual Kosovo citizens may be effected with funding from the Republic of Serbia.

Article 12 Establishment of New Municipalities

12.1 New municipalities shall be established, as delineated in the attachment to this Annex, and shall be set forth in a new Law on Municipal Boundaries.

12.2 Upon the entry into force of the Law on Municipal Boundaries, the Kosovo authorities and the International Civilian Representative (ICR) shall take all necessary preparations to ensure that, by the time of local elections, resources, properties, and administrative structures required for the establishment and functioning of these new municipalities have been allocated and established. Such preparations shall include the following:

12.2.1 The ICR shall appoint, in consultation with the local Communities in the new municipalities, or, in the case of Novo Brdo, in the new cadastral zones, and the Ministry of Local Government Administration, Municipal Preparation Teams (MPTs) to prepare for the establishment of their respective new municipalities and other related tasks as requested by the ICR.

12.2.2 During such preparations, executive functions with respect to the new municipalities and the provision of public services to them shall remain with the former municipalities, in consultation with the MPTs.

12.2.3 With respect to the current municipality of Mitrovicë/Mitrovica, arrangements for the establishment of Mitrovicë/Mitrovica North shall consist of those as set forth in Article 13 of this Annex.

12.2.4 These and other transitional arrangements between former and new municipalities shall be set forth in the Law on Municipal Boundaries.

12.3 Immediately upon the completion of local elections, all executive functions and competencies shall be transferred from the former municipalities to the newly-elected governments of the new municipalities, in accordance with this Settlement. The Kosovo central authorities shall ensure that all funding for the new municipalities is allocated to and received by them, and shall take all necessary measures to ensure that the new municipalities may begin to operate as effective territorial units of local self-government.

12.4 Notwithstanding the provisions of Article 12.1 of this Annex, Kosovo shall engage in consultations with a non-majority Community where that Community makes up at least 75% of the population of a concentrated settlement with a minimum total population of 5000 inhabitants, with a view to establishing other new municipalities.

Article 13 Mitrovicë/Mitrovica

13.1 In the territory of the current municipality of Mitrovicë/Mitrovica, two new municipalities, Mitrovicë/Mitrovica North and Mitrovicë/Mitrovica South, shall be

established, with the respective municipal boundaries as delineated in the attachment to this Annex III.

13.2 A Joint Board of the municipalities of Mitrovicë/Mitrovica North and Mitrovicë/Mitrovica South shall be established to carry out functional cooperation in the areas of their own competencies as agreed by the municipalities.

13.3 The Joint Board shall consist of eleven (11) members, with five (5) representatives selected by each municipality, and one (1) international representative selected by the ICR. The Joint Board shall be chaired by the international representative.

13.4 The ICR shall establish a field office in Mitrovicë/Mitrovica, which shall focus, in particular, on the areas of security/rule of law, freedom of movement/returns, property rights/housing, and economic development, as set forth in Annex IX of this Settlement.

13.5 During the 120 day transition period, the SRSG shall create provisional municipal structures, in coordination with the ICR, for the new municipality of Mitrovicë/Mitrovica North, with its boundaries as delineated in the attachment to this Annex. Upon the conclusion of the transition period, such provisional municipal structures shall be under the authority of the ICR, until the time of the first local elections in that municipality.

Article 14 Population Census and Review of Decentralization Provisions

14.1 One year after the entry into force of this Settlement, Kosovo, in consultation with the ICR, shall call a population census, which shall be carried out in accordance with international standards and subject to international observation. In this context, the Republic of Serbia and other neighboring countries should authorize the registration by an international agency of refugees and internally displaced persons (IDPs) wishing to return to Kosovo.

14.2 The provisions of this Annex related to the establishment of new municipalities, including their boundaries, may be reviewed, and revised as necessary, by the ICR, in close coordination with the Government of Kosovo and the Community Consultative Council, within six months of the submission of final results of the Kosovo census. The review shall consider demographic developments in, and, in particular, refugee and IDP returns to municipalities, as well as the functionality and sustainability of municipal authorities and their activities.

**ATTACHMENT TO ANNEX III
DELINEATION OF NEW MUNICIPALITIES**

The cadastral zones (CZ) forming each municipality are set out hereinafter:

Gračanicë/Gracanica (16)

- CZ Badoc/Badovac
- CZ Batushë/Batuse
- CZ Çagllavicë/Caglavica (as delineated in the attached map III A),
- CZ Dobratin/Dobrotin
- CZ Graçanicë/Gracanica
- CZ Gushtericë e Ulë/Donja Gušterica
- CZ Gushtericë e Epërme/Gornje Gušterica
- CZ Llapllasellë/Lapjle Selo
- CZ Lepi/Lepina
- CZ Livagjë/Livade
- CZ Preoc/Preoce
- CZ Skullan/Skulanevo
- CZ Sushicë/Sušica
- CZ Suhadoll/Suvi Do
- CZ Radevë/Radevo
- CZ Uglar/Ugljare

Novobërdë/Novo Brdo (24)

- CZ Bostan/Bostane
- CZ Bolec/Boljevce
- CZ Bushincë/Bušince
- CZ Carevc/Carevce
- CZ Dragancë/Draganac
- CZ Izvor/Izvor
- CZ Jasenovik/Jasenoivik
- CZ Kllobukar/Klobukar
- CZ Koretishtë/Koretište
- CZ Kufcë e Epërm/Gornje Kusce.
- CZ Llabjan/Labljane
- CZ Makresh i Ultë/Donji Makreš
- CZ Makresh i Epërm/Gornj Makreš
- CZ Manishincë/Manišince
- CZ Miganoc/Miganovce
- CZ Mozgovë/Mozgovo
- CZ Novobërdë/Novo Brdo
- CZ Parallovë/Paralovo
- CZ Prekoc/Prekovce
- CZ Stanishor/Stanišor
- CZ Strazhë/Straža
- CZ Tërniqec/Trnicevce
- CZ Tirincë/Tirince
- CZ Zebincë/Zebince

Ranillug/Ranilug (13)

CZ Bozhec/Boževce
CZ Domoroc/Domorovce
CZ Drenoc/Drenovce
CZ Glllogoc/Glogovce
CZ Hodec/Odevce
CZ Kormnjan i Epërm/Gornje Korminjane
CZ Kormnjan i Poshtëm/Donje Korminjane
CZ Pançellë/Pancelo
CZ Rajanoc/Rajanovce
CZ Ranillug/Ranilug
CZ Ropotovë e Madhe/Veliko Ropotovo
CZ Ropotovë e Vogël/Malo Ropotovo,
CZ Tomanc/Tomance

Partes/Parteš (3)

CZ Budrikë e Poshtme/Donja Budriga
CZ Pasjan/Pasjane
CZ Parties/Parteš

Kllokot/Vërboc – Klokot/Vrbovac (8)

CZ Gërncar/Grncar
CZ Kllokot/Klokot
CZ Letnica/Letnica
CZ Mogillë/Mogila
CZ Shashar/Šašare
CZ Vërboc/Vrbovac
CZ Vërnakollë/Vrnavokolo
CZ Vërnez/Vrnez

Mitrovicë/Mitrovica North

CZ Mitrovicë/Mitrovica (as delineated in the attached maps III B, C)
CZ Suhodoli I Epërm/Gornji Suvi Do (as delineated in the attached maps III B,C)
CZ Suhodoli I Poshtëm/Donji Suvi Do (as delineated in the attached maps III B,C)