

# **MINING AND MINERALS SECTOR IN THE REPUBLIC OF KOSOVO**

**(2017, 2018 and 2019)**



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# INTRODUCTION

FOL Movement, as a member of the Pro Open coalition, with the support of Publish What You Pay, has analysed the number of licenses issued during 2017, 2018 and 2019 for mining companies, as well as the amount of revenues that have entered the Budget of the Republic of Kosovo from the activity of mining companies during these years.

Although small in area, Kosovo has large mineral resources which have played a key role in the economic development of the country, therefore the rational and managed use of these resources should be one of the primary priorities of the country. Designing a genuine national mining strategy, efficient planning of resource utilization by the mining industry, harmonization of positive mining sector laws with European Union legislation, strengthening the mining sector monitoring mechanism, investor attraction campaign and combating the operational non-formality, remain the main challenges of the relevant institutions of the Republic of Kosovo.

The obligation for transparency and accountability on public money is a key precondition for good governance. The purpose of this report is to create a clear picture for Kosovar taxpayers regarding the contribution of the mining and minerals sector to the Budget of the Republic of Kosovo, as one of the most important and most profitable sectors in Kosovo, as well as to reflect the number and type of licenses issued annually for the activity of mining companies. Also, part of this report is the main summary of the corpus of laws that regulate the legal aspect of the mining sector, as well as a summary of the general situation in the mining sector in the Republic of Kosovo.

The data presented in this summary are mainly based on the annual reports of the Independent Commission for Mines and Minerals (ICMM), on the data published on the official website of the Ministry of Economy and Environment (former Ministry of Economic Development), as and in response to the ICMM Request for Access to Public Documents. Meanwhile, the data regarding the budget revenues from this sector in the Budget of the Republic of Kosovo for the three-year period (2017, 2018 and 2019) are compared with the initial budgets of the respective years, respectively what percentage the mining sector contributes to the amounts total of these budgets, as well as from which payments these revenues were achieved.

# LEGAL FRAMEWORK

In terms of establishing the legal infrastructure for the mining sector, the Assembly of the Republic of Kosovo has adopted a series of laws and bylaws. The activities of the mining industry in Kosovo, therefore, are regulated by Law 03 / L-163 on Mines and Minerals (amended and supplemented by Law No. 04 / L-158 on Amending and Supplementing the Law on Mines and Minerals), as well as Law no. 05 / L-062 on Safety at Work in the Mining Activity.

Law 03 / L-163 on Mines and Minerals, as a basic law regulating these activities, entered into force in August 2010. The purpose of this law is research, extraction and enrichment of minerals through the regulation and supervision of persons engaged in the mining industry, as well as regulating the collection, management and archiving of geo-scientific data.

In accordance with the provisions of this law, for the regulation of mining activities in the Republic of Kosovo is competent the Independent Commission for Mines and Minerals (ICMM), which was originally established in 2005. So this institution is the authority responsible for providing research and regular use of mineral resources in Kosovo and their optimal use.

In addition, this institution has other competencies and responsibilities, which are provided in Article 56 of the Law on Mines and Minerals. These include the issuance, transfer, extension, suspension and revocation of licenses and permits, the establishment and maintenance of a mining cadastre and a GIS database containing geographical, geological and other relevant economic data, as well as all existing mineral titles and mineral rights, as well as the issuance of rules for the internal organization and activity of the ICMM.<sup>2</sup>

Pursuant to Article 5 of the Law on Mines and Minerals, after fulfilling the conditions for their issuance, the ICMM may issue permits and licenses, such as exploration licenses, licenses for the retention of rights, licenses for exploitation, and licenses for the exercise of special activities, craft licenses, licenses or permits in the public interest. According to this law, a permit is an official written authorization issued by the ICMM to exercise specific activities.

Whereas according to article 87 of the same law, all royalties, taxes and other payments paid or received by a public authority, are converted into "public money" according to the Law on Public Financial Management and Accountability, and are treated in accordance with the provisions of that law.

With Law no. 05 / L-062 on Safety at Work in the Mining Activity aims to systematically improve the safety and health of workers at work, prevention of injuries at work, occupational diseases and other diseases related to the work of the mining sector.

In accordance with the Law on Mines and Minerals and with the amendments made, the Commission for Mines and Minerals and the Ministry of Economic Development have issued a series of bylaws. Among

them can be mentioned the Administrative Instruction on Agreement, Postponement and Exemption of Royalties, Administrative Instruction on Administrative Taxes, Regulation on Mineral Safety, Regulation on Mineral Waste Management, Regulation on the Organization and Functioning of the Kosovo Institute of Geology and Geological Institute, as well as the Administrative Instruction for the Classification and Evaluation of Mineral Resources and Reserves and their Record Keeping. These bylaws regulate in a more specific way certain normative issues deriving from the provisions of the respective laws.

Ministry of Economic Development in 2012 had issued the Mining Strategy of the Republic of Kosovo for 2012-2025, which assessed the current situation, the challenges that institutions must cope with, as well as the measures planned for the rational use of mineral resources.

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<sup>1</sup> Law 03 / L-163 on Mines and Minerals, Official Gazette of the Republic of Kosovo, 2010.

<sup>2</sup> Ibid.

<sup>3</sup> Law no. 05 / L-062 on Safety at Work in the Mining Activity, Official Gazette of the Republic of Kosovo, 2016.

# GENERAL SITUATION IN THE MINING AND MINERALS SECTOR IN THE REPUBLIC OF KOSOVO

The mining and minerals sector in the Republic of Kosovo is one of the main pillars on which the country's economy can rely.

Republic of Kosovo in its territory has numerous mineral resources, from which can be distinguished coal (lignite), minerals of lead, zinc, silver and gold, silicate minerals of nickel and cobalt, iron - nickel, bauxite, manganese, magnesite and a considerable number of non-metallic minerals, industrial and geological building materials.

Coal (Lignite) is the most important energy resource of Kosovo. It contributes 97% of the total electricity production, while the rest of the production, about 3%, is based on hydropower plants. Kosovo ranks fifth in the world in terms of proven lignite reserves. The most important coal-bearing resource sites in the territory of the Republic of Kosovo are: Kosovo Basin, Dukagjini Basin and Drenica Basin.

Estimated coal resources throughout Kosovo are about 12.5 billion tons, which from an economic point of view are considered highly profitable to manage and exploit. Currently at the ICMM for the use of energy minerals only "Kosovo Energy Corporation - KEK" is licensed, which performs the surface use of lignite for the needs of electricity production in the country.<sup>5</sup>

From a geological point of view, Kosovo mining lignite is one of the most favourable sources of lignite in Europe. The average removal ratio of 1.7m<sup>3</sup> of cover per 1 ton of coal and the total estimated economically exploitable reserves represents one of the richest in Europe, which will ensure the production of electricity for the coming decades.<sup>6</sup>

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<sup>4</sup> Data obtained on the official website of the Independent Commission for Mines and Minerals, <https://www.kosovo-mining.org/resurset-minerale/vendburimet-minerale/>.

<sup>5</sup> Annual Report 2019 of the Independent Commission for Mines and Minerals.

<sup>6</sup> Ibid.

The territory of the Republic of Kosovo also possesses lead, zinc and silver (metal minerals). The most important sources of lead and zinc lie in the north-eastern part of the Republic of Kosovo (Trepça Metallogenic Belt), starting from the Municipality of Leposaviq to the Municipality of Gjilan.

Nickel and cobalt are mainly distributed in the central part of Kosovo (near Gllavica, north of Magura and in Çikatova), while chromium is found in the region of Gjakova, Brezovica. The most famous source of chromium ores in Kosovo has been the now exploited Deva chrome mine, which is located near the border with Albania.<sup>7</sup>

In Kosovo we distinguish a certain number of developed mines, as well as a number of previously estimated but undeveloped sources. Developed mines are "Trepça" mines in Stanterg, Hajvalia, Badofci, Kizhnica, Artana, Belloberda and Cernaci.<sup>8</sup>

It should be noted that of the many minerals that Kosovo possesses, in recent years in one form or another, the metal minerals are being used (Pb-Zn-Ag, Au), energy minerals (coal) and non-metallic minerals (andesite, limestone, basalt, dune, shale, sand and gravel, quartz sand, marl, clay, etc.)

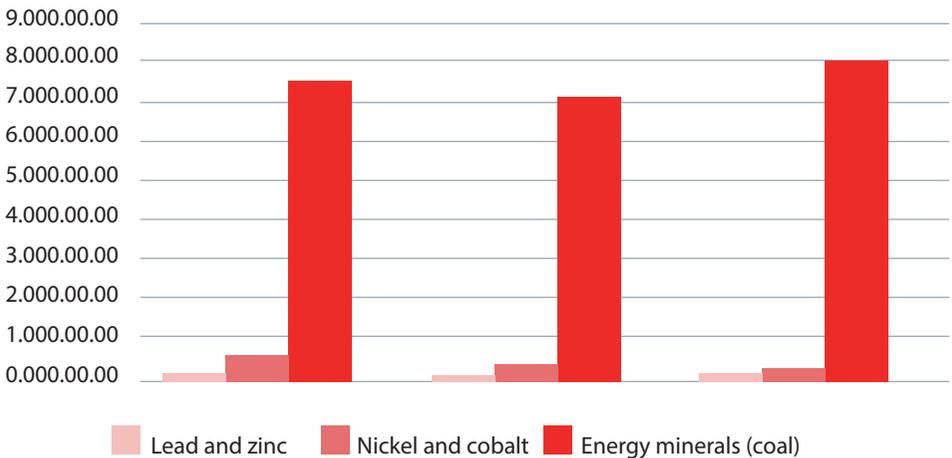


Figure 1. Trend of mineral utilization during 2017, 2018 and 2019 expressed in tons.

During 2017, 216,798.50 tons of lead and zinc (metallic minerals), 624,557.87 tons of nickel and cobalt and 7,574,697.00 tons of energy minerals (coal) were exploited.

Meanwhile, during 2018, the amount of utilization of these minerals has decreased. During this year, 173,243.96 tons of lead and zinc (metallic minerals), 431,630.06 tons of nickel and cobalt and 7,169,767.00 tons of energy minerals (coal) were used.

While during 2019 there was a significant decrease in the use of nickel and cobalt and an increase in the use of coal. During this year, 204,079.00 tons of lead and zinc (metallic minerals), 305,012.48 tons of nickel and cobalt, as well as 8,063,051.00 tons of energy minerals (coal) were exploited.

## **EXEMPTION FROM ROYALTY PAYMENT**

The Law (No. 07 / L-016) on Economic Recovery, the purpose of which is to enable the recovery of the economy after the negative effects caused by Covid-19, has surprisingly taken care of the mining companies as well.

The law proposed by the Government of the Republic of Kosovo and brought by the Assembly of the Republic of Kosovo in December 2020, has been commented by many actors, who see the payment exemption provided by this law as unnecessary. Article 14 of this law provides that "for the purpose of economic recovery are exempted from the payment of royalties from January 1, 2021 until May 31, 2021 all entities that are obliged to pay this royalty".<sup>11</sup>

So according to this provision, in the first 5 months of 2021, mining companies do not need to pay at all for the resources they use from the state.

Exemption from royalty payment for 229 companies will damage the budget of the Republic of Kosovo for next year by about 15 million euros.<sup>12</sup>

In this regard, the Director of the Independent Commission for Mines and Minerals (ICMM), Ramiz Krasniqi, has stated that companies that will be exempt from royalties are not restricted to work due to the pandemic. According to Krasniqi, in this case KEK benefits the most, which for this period would have paid 7-8 million.<sup>13</sup>

Meanwhile, the proposer of the abolition of this tax, the MP from the ranks of AAK, Gazmend Abrashi, has said that he personally has nothing to do with any quarry. This proposal was made to help the private sector due to the losses it suffered during the coronavirus pandemic.<sup>14</sup>

Regarding the abolition of this payment, there were comments from the Chairman of the Committee on Budget and Transfers in the Assembly of the Republic of Kosovo, MP Hekuran Murati. In a post on social media, he stated that "the amendment to exempt the royalty will cost the budget around 30 million euros, not counting the environmental damage from the wild exploitation that is expected to occur."

## AMOUNT OF REVENUES COLLECTED FROM MINING COMPANIES IN THE STATE BUDGET (2017, 2018 AND 2019)

During the three-year period (2017, 2018 and 2019) from the activities of mining companies in the Budget of the Republic of Kosovo were paid a total of 87,707,503.11 euros. The amount of revenues collected for each year and the share of these amounts in the state budget for the respective years is presented in the table below.

	Revenues collected in the Budget of the Republic of Kosovo by mining companies:	Share of these revenues in the Budget of the Republic of Kosovo for the respective years:
<b>In 2017:</b>	31,229,252.37 €.	1.56 %
<b>In 2018:</b>	26,024,451.05 €.	1.25%
<b>In 2019:</b>	30,453,799.69 €.	1.28%
<b>TOTAL:</b>	<b>87,707,503.11 €</b>	

Figure no.2. The amount of revenues collected from the activities of mining companies during 2017, 2018 and 2019.

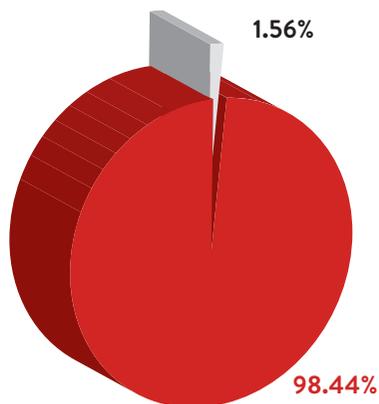
<sup>11</sup> Official Gazette of the Republic of Kosovo, Law no. 07 / L-016 on Economic Recovery - COVID-19, Article 14.

<sup>12</sup> For more, see: Mospagesa e rentës minerare dëmton buxhetin me afro 15 milionë euro - Buletini Ekonomik

<sup>13</sup> For more, see: Deputeti arsyeton propozimin e tij që gurthyesve t'u hiqet taksa (kallxo.com).

<sup>14</sup> Ibid.

**During 2017**, 31,229,252.37 euros were paid into the Budget of the Republic of Kosovo from the activities of mining companies. This amount of revenues collected is part of 1.56% of the initial budget for 2017.



■ Income from mining companies (2017)      ■ Budget of the Republic of Kosova (2017)

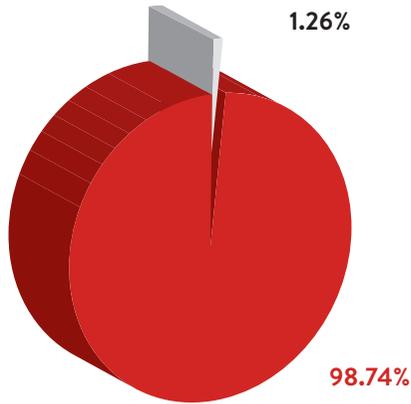
Figure no. 3. Share of the mining and minerals activity in the State Budget, for 2017.

The total amount of funds paid by mining companies in the Budget of the Republic of Kosovo for 2017 is achieved by: a) administrative taxes (454,371.00 euros), b) administrative fines (203,012.00 euros), c) mining royalties (30,570,476.00 euros), ç) deposits (10,000.00 euros) and d) return of funds (1,394.00 euros).<sup>15</sup>

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<sup>15</sup> Independent Commission for Mines and Minerals, Annual Report for 2017.

**During 2018** from the activities of mining companies, the Budget of the Republic of Kosovo has accumulated the amount of funds of 26,024,451.05 euros.<sup>16</sup> This amount of revenues collected is part of 1.25% of the initial budget for 2018.

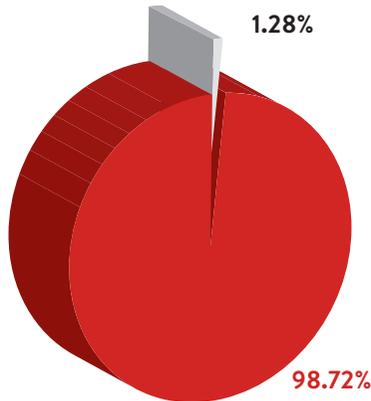


■ Income from mining companies (2017)      ■ Budget of the Republic of Kosova (2017)

Figure 4. Share of mining and minerals activity in the State Budget, for 2018.

The total amount of revenues from mining companies for 2018 is achieved by: a) administrative taxes (425,634.98 euros), b) administrative fines (344,204.88 euros), c) mining royalties (25,233,911.19 euros), ç) deposits (25,000.00) and d) return of funds (4,300.00 euros).<sup>17</sup>

In 2019, 30,453,799.69 euros were paid into the Budget of the Republic of Kosovo from the operation of mining companies. This amount of revenues collected is part of 1.28% of the initial budget for 2019.



■ Income from mining companies (2017)      ■ Budget of the Republic of Kosova (2017)

Figure 5. Share of mining and minerals activity in the State Budget, for 2019.

The total amount of revenues from mining companies for 2019 is achieved by: a) administrative taxes (552,142.07 euros), b) administrative fines (511,503.42 euros), c) mining royalties (29,385,154.20 euros) and d) deposits (5,000.00 euros).<sup>18</sup>

<sup>16</sup> Independent Commission for Mines and Minerals, Annual Report for 2018.

<sup>17</sup> Independent Commission for Mines and Minerals, Annual Report 2018.

<sup>18</sup> Data obtained from the response of the Independent Commission for Mines and Minerals by the Request for Access to Public Documents

# NUMBER OF LICENSES AND PERMITS ISSUED FOR MINING COMPANIES (2017, 2018 AND 2019)

During the three-year period (2017,2018 and 2019) the Independent Commission for Mines and Minerals had issued a total of 627 permits and licenses for the activities of mineral companies and had rejected a total of 200 applications for the issuance of these permits and licenses.

The number and type of licenses issued, as well as the number of rejected applications during this period is presented in the following table.

Total number of licenses issued for use during 2017, 2018 and 2019:	114 licenses
Total number of licenses issued for research during 2017,2018 and 2019	266 licenses
Total number of permits issued for special activities during 2017, 2018 and 2019:	184 permit
Total number of rejected applications during 2017, 2018 and 2019:	200 applications
Total number of licenses issued for the activity of mining companies during 2017, 2018 and 2019:	627 permits and licenses

Table 3. Number, type of licenses and permits issued or rejected during the three-year period (2017, 2018 and 2019).

**During 2017**, 186 permits and licenses were issued for the activity of mines and minerals. Of these, 31 were issued for exploitation, 89 for research and 66 for special activities. Meanwhile, for non-compliance with the conditions for licensing, during 2017 the ICMM has rejected 70 applications for licenses and permits (14 for use, 35 for research and 21 permits for special activities).

**During 2018**, 186 licenses and permits were issued for the activity of mining companies. Of these, 31 were issued for exploitation, 89 for research and 66 for special permits and activities. Meanwhile, due to non-compliance with the conditions for licensing, during 2018, 70 applications for licenses and permits were rejected (35 for research, 14 for exploitation, and 21 permits for special activities).

**During 2019**, 255 permits and licenses were issued for the activity of mining companies. Of these, 52 licenses were issued for exploitation, 85 licenses for research and 118 licenses for specific activities. Meanwhile, due to non-compliance with the conditions for licensing, during 2019 the ICMM has rejected 60 applications for licenses and permits (9 for use, 31 for research and 20 permits for special activities).

Number of permits and licenses issued during 2017:	<b>186 permits and licenses</b>
Number of permits and licenses issued during 2018:	<b>186 permits and licenses</b>
Number of permits and licenses issued during 2019:	<b>255 permits and licenses</b>

Table 4. Number of licenses and permits issued during 2017, 2018 and 2019.

## RECOMMENDATIONS

Taking into account the current situation and circumstances in the mining and minerals sector in the territory of the Republic of Kosovo, as well as the institutional commitment of the competent bodies, we can conclude that the road to a comprehensive development of this sector is in a constant challenge and requires special state attention. In this summary report we have tried to inclusively analyse and share some of the crucial issues that are important on the development of mining activities and the current challenges of state bodies.

Undoubtedly, the problems affecting the mining sector in the Republic of Kosovo are numerous. From the data presented in this report, we can recommend some issues, for which a number of mechanisms should be set in motion. The following recommendations derive from the findings of this summary:

- Taking concrete steps towards strengthening the monitoring mechanism of the mining sector, in order for the country's institutions to be as efficient as possible regarding the solution of problems and challenges that the mining sector has;
- Building a platform for efficient planning of resource utilization by the mining industry;
- In terms of updating the domestic legislation with modern legal issues in the mining sector, the harmonization of positive laws of the Republic of Kosovo with the legislation of the European Union is presented as a necessary pragmatic need;
- In order to develop the industrial sector of the mining sector, it is necessary for state institutions to launch a campaign to attract investors;
- Combating informal operation is one of the basic preconditions for the development of the mining sector to be as fast and safe as possible. Thus, increasing inter-institutional cooperation in preventing and stopping illegal

operations is a step that needs to be taken as soon as possible, given the fact that based on the ICMM annual reports, the issue of delays in the review of cases by the competent courts remains a concern for actions of unlicensed companies;

- Creating conditions and increasing safety at work for workers during the performance of mining activities. As a result of lack of safety at work they face unfavourable conditions and circumstances, which often end in serious bodily injury and fatality. Only during 2019 in this sector 3 workers lost their lives.
- Areas in which mineral resources are located should be protected and not hinder their use, by building infrastructure facilities and other facilities in their vicinity.

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<sup>12</sup> Të dhëna të marrura nga Agjencia për Informim dhe Privatësi, përmes kërkesës për qasje në dokumente publike.

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