

socio-economic stability

public and personal security

interethnic relations

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Early Warning Report

KOSOVO

Report #3

January-April 2003



RIINVEST
INSTITUTI PËR HULUMTIME ZHVILLIMORE
INSTITUTE FOR DEVELOPMENT RESEARCH

*Kosovo
Early
Warning
Report*

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***EARLY WARNING SYSTEM –
A systematic Approach to
Conflict Prevention***

The Kosovo Early Warning System Project is aimed at building the capacity of local analysts to foresee potential crises, and based on its findings to advise on crisis prevention policies. The Reports are intended as strategic planning, response, and policy tools for development and peace-building actors in Kosovo by deriving recommendations for preventative measures from trend analysis and monitoring of key sector indicators of fundamental conflict-causing factors.

The Early Warning System Project is a UNDP regional initiative; at present most SEE UNDP Programmes produce Early Warning Reports on a periodic basis. The Kosovo Reports are cofunded by USAID and UNDP, and implemented by the Institute for Development Research “Rinvest” and independent Kosovan analysts.

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Your comments and feedback are important for the further development of the Reports. Please forward these to: early.warning.ks@undp.org.

SELECTED INDICATORS

	2002	May-Aug 2002	Sep-Dec 2002	Jan-Apr 2003	Trend
GDP growth (annual), %	7.4	-	-	4-5*	↘
Inflation rate (annual), %	6.5	-	-	4-5*	↘
Bank deposits, million of Euros	-	-	419	436	↗
Term deposits, million of Euros	-	-	131.9	159.6	↗
Trade balance, million of Euros	-1,730	-	-	-1,418	↘
Registered job-seekers	-	248,254 (June)	257,505 (December)	268,440 (March)	↗
Consumer Price Index, % (Compared to May 2002)		100 (May)	102.1 (Dec)	102.1 (Feb)	↔
Basic pensions (per month), Euros	-	28	28	35	↗
Political pessimism, % ("Not quite satisfied" or "not satisfied at all" with current political trends)	-	70.0	30.0	40.0	↗
Economic pessimism, % ("Not quite satisfied" or "not satisfied at all" with current economic trends)	-	50.8	56.2	66.8	↗
Subjective welfare pessimism, % (Economic situation in the family equal or worse than last year)	-	72.6	72.3	80.0	↗
Subjective welfare optimism, % (Economic situation in the family will be better off next year)	-	57.4	66.0	48.5	↘
Satisfaction with UNMIK's performance**, %	-	27.2	57.8	51.9	↘
Satisfaction with SRSG's performance, %	-	43.8	67.3	64.4	↘
Satisfaction with Government's performance, %	-	60.2	69.1	74.9	↗
Satisfaction with Assembly's performance, %	-	49.6	73.1	71.9	↘
Satisfaction with KFOR's performance, %	-	69.8	80.2	85.3	↗
Return of refugees, number of returnees	2,741	874 (until June)	1,698 (until October)	182 (until February)	-
Personal security, % ("Somewhat safe" or "very safe" while outdoors)		54.3	59.0	52.6	↘

* - Projected rates

** - "Somewhat satisfied" or "very satisfied" with the performance of institutions

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LIST OF ACRONYMS AND ABBREVIATIONS

AAK	Aleanca për Ardhmërinë e Kosovës/ Alliance for the Future of Kosovo
AKSh	Armata Kombëtare Shqiptare/ Albanian National Army
CFA	Central Fiscal Authority
CIVPOL	Civil Police (UNMIK's Police)
LDK	Lidhja Demokratike e Kosovës/ Democratic League of Kosovo
LPK	Lëvizja Popullore e Kosovës/ People's Movement of Kosovo
PDK	Partia Demokratike e Kosovës/ Democratic Party of Kosovo
EU	European Union
EWS	Early Warning System
FYROM	Former Yugoslav Republic of Macedonia
GDP	Gross Domestic Product
ILO	International Labour Organization
ICG	International Crisis Group
KFOR	Kosovo Forces
KLA	Kosovo Liberation Army
KPS	Kosovo Police Service
MEF	Ministry of Economy and Finance
OSCE	Organization for Security and Cooperation in Europe
PISG	Provisional Institutions of Self-Government
SME	Small and Medium-size Enterprises
SRSB	Special Representative of the Secretary General
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissariat for Refugees
UNMIK	United Nations Interim Administration Mission in Kosovo
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

Economic and social stability:

Several factors will affect economic trends in 2003 including: (i) a dramatic reduction in donor assistance to 25% of that provided annually during the period 1999-2002 and (ii) a projected decrease in real GDP from 7.4% to approximately 4-5%. Opinion polls and surveys among people and the business community in Kosovo, indicate a worsening of the economic situation necessitating a deeper analysis by economic policy decision makers, as to whether an economic recession is imminent. Unemployment is a key social and economic problem for Kosovo; the rate is very high in comparison to other countries in the region with only one person in five generating an income. Unemployment in Kosovo is characterized by: (i) very high rates among young people (71.6% for the 16-24 age group), (ii) high rates among women (63%), (iii) a very high level of long-term unemployment (83.1%), (iv) high rates among people with secondary education (58.5%) and (v) higher unemployment in rural areas (58.5%). The announced return of quite a large number of Kosovan asylum seekers from western European countries, and the beginning of the process of privatization could further worsen this situation. Economic policies for reducing unemployment should be oriented toward overcoming impediments to business development, including: (i) unfair competition, (ii) lack of laws, (iii) high taxes, (iv) lack of access to finances and (v) administrative burdens. All future economic policies should be geared toward increasing employment and creating a business friendly environment, with the appropriate institutional framework.

Political and institutional stability:

At the beginning of 2003, political processes in Kosovo entered a dynamic and sensitive phase, often accompanied by disagreements and disputes. At the same time dissatisfaction amongst respondents from all ethnic communities has increased. This is reflected in a registered decline of satisfaction with the performance of some of the governing institutions in Kosovo, first of all in UNMIK, then in the SRSG and finally in the Assembly of Kosovo. Disagreements, and polarization of opinions are to be expected in future political and institutional developments considering: (i) the acceleration in the transfer of competencies, (ii) disputes between Assembly and the SRSG about the adoption of some laws, (iii) issues surrounding Kosovo status, (iv) future dialogue between Pristina and Belgrade, (v) the union of Serb municipalities in Kosovo, and (vi) decentralization and the criteria on which it should be based.

The existing administration mechanisms in Kosovo generate more dissonances and conflicts than they do governing efficiency. The current model of governing should be revised with regard to responsibilities and competencies. What is needed is a more accountable and efficient system that would give meaningful competency to the PISG, technically assisted by internationals, without affecting the supervising

role of the SRSG. The current strategy of establishing relations between Kosovo and Serbia was created exclusively by UNMIK. Future talks between Pristina and Belgrade will be productive only if they are oriented on issues of common interest, negotiated on an equal basis. This would certainly contribute to a relaxing of current tensions, reducing space for possible speculation.

Inter-ethnic relations:

Despite improvements achieved to date, the situation of the minorities is unsatisfactory regarding the fulfillment of democratic standards. Based on the opinion poll, Serb respondents see the issue of public and personal security as a significant, ongoing problem in Kosovo, while other minorities raise concerns with the socio-economic situation (unemployment and poverty). The opinion poll also indicates warning signs such as: (i) a less favorable public opinion regarding the situation of inter-ethnic relations (around 42% of Albanian respondents and 73% of Serb respondents think that relations between them are tense and will remain tense), and (ii) less willingness among Kosovo Albanians and Kosovo Serbs respondents' to agree to the return of refugees into their communities.

In order to achieve more encouraging progress in terms of coexistence and multi-ethnicity in Kosovo, this report recommends that: (i) the PISG and UNMIK make more efforts towards fulfilling democratic standards and creating policies that integrate Kosovo Serbs into Kosovan society, (ii) the international community assist in efforts to ensure Belgrade policies concerning Kosovo do not destabilize the local situation for them and (iii) Kosovo Albanian political forces refrain from political requests that can generate inter-ethnic tension.

Public and personal security:

Improvements in public and personal security deteriorated to a certain extent during April 2003, when the Albanian National Army (AKSh) claimed responsibility for the bombing of a railway bridge in Kosovo.

There is still a very high level of satisfaction with the performance of KFOR, CIVPOL and KPS. However, almost one in four Albanian respondents and almost one in five respondents belonging to non-Serb minorities are dissatisfied with the work of the CIVPOL.

Factors influencing public and personal security in Kosovo are numerous and complex and include: (i) the activities of AKSh, (ii) attacks on police stations, (iii) threatening statements by Serb officials and leaders, (iv) the alarming increase in the number of suicides, (v) prostitution, and (vi) corruption in public services. In addition, the opinion poll indicates that the ICTY process in the Hague will continue to have a negative impact on the political and security situation in Kosovo.

ECONOMIC AND SOCIAL STABILITY

Macroeconomic trends

1. Monitoring macroeconomic trends such as GDP, exports and imports over short periods of time, is still hampered by the lack of relevant data. However, it is expected that economic trends will be affected by: (i) a reduction in donor assistance to 25% of that provided annually during the period 1999-2002 and (ii) imbalances between some key macroeconomic aggregates, which were addressed in more detail in the last Early Warning Report¹.
2. Based on the projections for the year 2003, GDP growth will decrease considerably (Table 1.1). The projected nominal increase in GDP of 8.7% will be offset by a projected inflation rate of approximately 4-5%. Real GDP growth in 2003 is projected at around 4-5% in comparison to a real GDP growth rate of 7.4% in 2002.

Indicators	2001	2002	2003
GDP	1,747	1,990	2,163
Per capita GDP (in Euros)	941	1,051	1,122
Consumption	2,550	2,742	2,724
Investments	968	938	817
Total deposits	468	419	436*
Term deposits	126.4	131.3	159.6*
Loans outstanding	25.2	85.6	101.8*
Trade balance	- 1,819	- 1,730	- 1,418

Source: MEF/CFA, Quarterly Macroeconomic Report, August 2002.
* - These data relate to February 2003

Based on the available data on consumer prices, inflation in January of this year has continued the increasing trend started since August 2002 (Figure 1.1). In February 2003 the consumer price index had decreased by 0.6% since January 2003². This decrease is undoubtedly related to the decline in consumer demand, caused by a decrease in purchasing power³.

¹ Kosovo Early Warning Report, Report #2, September-December 2002.

² A decrease of prices was marked for the following items: food (0.9%), meat (1.3%), shoes and clothing (0.7%), transport (1.2%) and recreation and culture (0.4%). *Source: Statistical Office of Kosovo, Consumer Price Index, February 2003.*

³ This statement is based on the opinions of surveyed private entrepreneurs.

Public opinion on the economic situation

3. Opinions of respondents expressed in our opinion polls indicate a worsening in perceptions of the economic situation. The level of dissatisfaction (“very dissatisfied” and “dissatisfied”) with the current economic situation has shown a significant increase among Kosovo Albanian respondents from 56.1% in November 2002 to 66.1% in March 2003. Among Kosovo Serb respondents dissatisfaction has increased from 65.9% to 84.8% (see Table 1.2).

	November 2002			March 2003		
	Albanians	Serbs	Others	Albanians	Serbs	Others
Very dissatisfied	17.8	27.8	14.1	20.1	64.6	16.1
Dissatisfied	38.3	38.1	34.2	45.9	20.2	44.6
Neither satisfied nor dissatisfied	25.1	26.3	28.3	22.5	11.8	19.0
Satisfied	15.2	3.6	18.5	9.3	1.7	16.1
Very satisfied	0.7	0	2.2	1.0	0.6	1.2
DK/NA	2.9	4.1	2.7	1.3	1.1	3.0
Total	100	100	100	100	100	100

Source: Opinion poll, November 2002; Opinion poll, March 2003.

Albanian respondents consider that responsibility for the current economic situation rests with UNMIK (43.9%) and the Government of Kosovo 23.7% (see Table A.2 in the Annex). Here, the opinion of the Serb respondents differs greatly from the opinion of Albanian respondents; 80% of Serbs think that UNMIK is responsible for the current economic situation. The opinion of the respondents of other communities is similar to that of the Kosovo Albanians.

4. The opinions of the business community are similar to those of the population at large⁴: Around 50.7% of the respondents stated that their business was worse off than a year ago; 27.2% did not see any difference; and only 19.6% have performed better. The reasons for their thinking are the following:

- A decrease in the average monthly turnover for registered enterprises from €30,814 (2001) to €22,959 (2002), or a decrease of 25.5%.
- A decrease in the average number of employees per registered private business from 12.9 (2001) to 9.3 people (2002).
- Lowering of the average monthly salary from €281 to €272.

5. These opinions and trends deserve deeper analysis and attention by economic policy decision makers, as to whether an economic recession is imminent. This issue is of key importance, since a recession in Kosovo today would impede efforts to overcome existing social problems, especially those of unemployment and poverty, and in maintaining economic progress.

Unemployment and its dimension

6. Our opinion polls⁵ and the survey of the labor market and unemployment⁶ show that unemployment is the key social and economic problem for Kosovo. The

⁴ Survey of 600 private businesses, Riinvest, December 2002.

⁵ Opinion poll, November 2002; Opinion poll March 2003; the results of the opinion poll conducted in March 2003 are shown in Table A.1 in the Annex, while the corresponding results of the opinion poll conducted in November 2002 were presented in our previous Report (Kosovo Early Warning Report, Report #2, September-December 2002).

labor market and unemployment survey conducted in December 2002⁷ shows that the economic activity of the population is still very low. Out of an estimated 2 million inhabitants, 1.2 million are of working age. Only one in five Kosovans (around 430,000 people) generate an income. Around 58% of the working age population is active (employed or actively seeking a job), whereas 42% are not present in the formal labor market. The largest part of this passive group consist of housewives (around 37%), pupils and students (around 20%), as well as those that have withdrawn from the labor market, and are reluctant to go to the employment offices, due to the limited chances of finding employment⁸.

7. The unemployment rate is very high in comparison to other countries in the region⁹. Calculations made according to the ILO methodology have shown that unemployment is approximately 49%¹⁰. When land ownership and the informal sector are taken into account, the actual unemployment rate is estimated to be 38%.

Around 63% of the population is of working age and around the same percentage is younger than 30¹¹. Based on the age structure of the population and other factors that influence economic activity, it is estimated that the number of new entrants into the labor market will be around 21,000-25,000 people every year¹². Based on this, development strategies aimed at boosting employment would need to secure 25,000-30,000 new jobs annually. This undoubtedly will be a difficult challenge for all actors involved, especially for the Government, the Assembly and UNMIK.

8. The majority of those employed, around 67%, work in the private sector (private businesses and agriculture). However, employment in socially owned and public enterprises and in governmental institutions still accounts for a considerable number of total jobs (about 29%). Agriculture accounts for 22% of the total number of jobs¹³. Just like in other countries in transition, there have been considerable changes in the structure of the labour market in Kosovo since the late 1980s. Employment in the public/ socially owned sector has fallen from 245,400 (1988) to 126,000 (2002) or by 52%, whereas employment in the private sector has risen but not sufficiently to have an impact on the rate of unemployment.

	(%)
Unemployment rate	49.0
Unemployment rate, taking into account the informal market ownership of land	38.0
Unemployment rate among women	63.6
Unemployment rate among young people (16-24)	71.6
Long-term unemployment	83.1
Breakdown of unemployment according to the level of education:	
- Primary education	32.6
- Secondary education	58.5
- Higher education	7.0
Unemployment rate in urban areas	43.6
Unemployment rate in rural areas	54.5

Source: Labor market and Unemployment, International Roundtable Forum, Riinvest, January 2003.

⁶ Survey of the labor market and unemployment, Riinvest, December 2002.

⁷ Ibid.

⁸ This view is expressed by the Ministry of Labor and Social Welfare.

⁹ Unemployment rate for people aged up to 24 in Balkan countries is approximately two to three times higher than the overall unemployment rate. This rate amounts from 18% to 20.8% in Slovenia and Rumania, and up to 68.6% in FYROM. In Albania around 58% of the unemployed are of the age up to 31, whereas in Croatia around 53.9% of the unemployed are of this age. *Source: Labor market and unemployment in Kosovo, Research report, Riinvest, Pristina, January 2003.*

¹⁰ Calculations are based on a survey of the labor market and unemployment carried out by Riinvest with 1,252 families (8,552 individuals) in November 2002.

¹¹ Labor market and Unemployment, International Roundtable Forum, Riinvest, January 2003.

¹² Ibid.

¹³ Labor market and unemployment survey, Riinvest, December 2002.

9. As shown in Table 1.3 the characteristics of unemployment in Kosovo are extremely unfavorable especially in terms of age and gender. The main features are:

- 63 % unemployment among women,
- 71.6% of those aged 16-24 are unemployed representing 40.2% of the overall number of unemployed¹⁴,
- 83.1% of the unemployed are long-term unemployed (i.e., looking for a job for more than a year),
- 58.5% of the unemployed have secondary education,
- rural areas have significantly higher unemployment (54.5%) compared to (43.6%) in urban areas.

Creating adequate employment policies

10. According to the Ministry of Labor and Social Welfare data¹⁵, at the end of 2002 over 250,000 job-seekers were registered with employment offices. According to the labor market and unemployment survey, only 58% of the unemployed are registered in Employment Offices¹⁶. When asked why they were not registered, 54% of respondents said that they did not believe that they could find a job through these offices. However, it seems that the situation is improving. Around 3,730 people have found jobs through the employment offices and over 1,600 people have benefited from the training programs organized in 8 centers for vocational training.

An important and urgent issue is the creation of an information system regarding the labor market. The Ministry of Labor and Social Welfare issues monthly statistics on registered job-seekers and the activities of employment offices for provision of training and assistance in finding jobs. However, there is no statistical data on employment trends based on a periodic system resulting from surveys of families. These surveys should record the economic activity of the population and secure information for drafting appropriate employment policies.

11. Taking into account the age structure and developmental challenges, improving the quality of education is a key factor for sustainable and long-term economic development and job creation in Kosovo. In 2002 the Government spent around 3.9% of GDP on education¹⁷, a figure that is comparable with the funds used in countries with low or medium revenues. 16% of the Kosovo Consolidated Budget in 2001 and 2002 was spent on education¹⁸, and in 2003 it is foreseen to rise to 18.6%. However, surveys of SMEs carried out by Riinvest during the period 2000-2002¹⁹ show that education does not provide students with the necessary skills for employment. Therefore, the reforms in education should be market oriented. These reforms should be carried out in accordance with the EU employment strategy. Furthermore, future integration into the EU labor market should become the aim of labor market reforms in Kosovo. It is therefore necessary to establish school performance monitoring systems, as well as training for teachers and career guidance for students.

¹⁴ Ibid

¹⁵ Ministry of Labor and Welfare, Reports of the Department of Labor and Employment, 2002.

¹⁶ Labor market and unemployment survey, Riinvest, December 2002.

¹⁷ In 2001 this percentage was 3.8%, while for this year (2003) it is projected to account for about 3.7%.

¹⁸ This money was spent for teachers' salaries and rebuilding of schools.

¹⁹ SME surveys, Riinvest, 2000, 2001, 2002.

12. Several other trends that could place a further burden on employment should also be taken into account:

- (a) The announced return of a quite large number of Kosovan asylum seekers from western European countries, whose status in these countries is not resolved.
- (b) The beginning of the privatization process of socially-owned enterprises. It is expected that a considerable number of workers will be made redundant, especially in the enterprises that will be subject to liquidation. Since the Kosovo budget cannot provide social assistance to workers that remain jobless, social tension can be expected. In this regard, using some of the funds allocated for privatization to assist those who will lose their jobs could help ease potential social tensions.

13. Considering that unemployment in Kosovo is mainly a consequence of the inherited undeveloped economy, a key issue is to outline and implement a suitable macroeconomic strategy that is geared toward job creation. Such a strategy is still missing and this poses a huge problem for establishing a logical correlation between economic policies, employment policies and social policies. All future economic policies should be tested in view of their contribution to increasing employment and the creation of a friendly climate for businesses, together with the appropriate institutional environment.

Business barriers/obstacles²⁰

14. The analysis of the sectors that currently absorb the labor force in Kosovo indicates that economic policies for reducing unemployment should be oriented toward overcoming barriers in SME development especially in agriculture. For the time being there is no favorable climate for investments in this sector and this represents one of the main defects of current economic policies.

Barriers	2001	2002
Unfair competition	2	1
Lack of laws	1	2
High taxes	4	4
Access to credits	5	5
Administrative burdens	8	6

Source: Survey of private businesses, Riinvest, 2001/2002

15. Based on the SMEs surveys^{21,22}, the main barriers to business development in Kosovo and the main causes of economic instability are:

(i) **Unfair competition:** Insufficient rule of law is the main source of unfair competition. Negative impacts in this field also come from the not yet regulated trade relations with neighboring countries. Whereas imports from all the countries in the region, apart from those coming from Albania, are exempted from customs

²⁰ In world economy, barriers are ranked as follows: 1) taxes and regulations, 2) financing, 3) inflation, 4) political stability and 5) corruption. In countries in transition, the ranking is as follows: 1) taxes and regulations, 2) financing, 3) inflation, 4) political stability and 5) monetary regime. In OECD countries, the ranking is as follows: 1) taxes and regulations, 2) financing, 3) inflation, 4) political stability and 5) anti-competitive practices; *Source: Firm Size and the Business Environment, World Survey Results, IFC, 1999/2000.*

²¹ Survey of private businesses, Riinvest, 2002/2003.

²² Survey of 600 private businesses, Riinvest, December 2002.

duties, Kosovan exporters are faced with serious barriers when exporting their goods. Such asymmetrical fiscal and customs instruments are threatening domestic producers. This poses difficulties in mobilizing investments in manufacturing businesses. The lack of tax incentives on imports of equipment and raw-materials in circumstances where producers of other countries in the region enjoy these subventions, impacts negatively on domestic producers. Despite all of the progress made, the coverage/control of the borders is still not sufficient to prevent the illegal entry of goods. Another source of unfair competition is fiscal evasion. This problem needs to be addressed seriously, since 70% of the respondents see unfair competition as a “very large barrier” and “a large barrier”, whereas 14.2% see it as “a medium intensity barrier”, and only 10.7% do not see it as barrier²³.

(ii) **Lack of laws:** Despite the fact that some progress has been made in creating a basic legal framework for building a suitable market economy environment, implementation of new laws has been slow. Around 40% of surveyed businesses see the lack of laws as “a very large barrier” and “a large barrier”, 21.0% see it as “a medium intensity barrier”, and only 11.7% do not see it as barrier²⁴. In order to reduce further the effect of this barrier it is necessary to create more legislative capacities that would cause positive changes in the business environment.

(iii) **High taxes:** Currently, there is a modern fiscal system in place, which has shown good results in the reconstruction phase, especially in consolidating the budget. However, investors are not yet satisfied, especially regarding taxes and customs tariffs on imports of equipment and raw materials, particularly in agriculture.. About 46% of the surveyed businesses think that high taxes are “a very large barrier” and “a large barrier”, 27% see them as “a medium intensity barrier”, whereas 15.5% do not see them as a barrier²⁵. Even more critical is the opinion of manufacturers, since 52% of them see taxes as “a very large barrier” and “a large barrier” for their functioning.

(iv) **Access to financing:** Entrepreneurs see the lack of financial resources as the main limiting factor in the implementation of investments plans. Even though a well-regulated banking and financial system is in place, the volume of bank credits is insufficient and disproportionate to the needs and requirements of businesses. While development plans in the past were mainly based on own resources (family resources and remittances), current plans rely mainly on the existing loans system, which is mainly short-term and is usable only for cash flow and not for manufacturing businesses and investments. Based on the survey of 600 private businesses²⁶, it is necessary to transform the loans system so that it becomes “feasible” for doing business in the production sphere. It is expected that the situation will improve, because: (i) the real property rights registry is now signed by the SRSG and will further strengthen lender security and (ii) lenders are successfully pursuing claims in court that are secured by real property. The survey of businesses²⁷ shows that 44.5% of businesses see financial resources as a “very large barrier” and “a large barrier”, 20.0% see them as “a medium intensity barrier”, whereas 22.3% do not see them as a barrier. Considering sectoral structure, 50.0% of productive businesses see the lack of financial resources as “a very large barrier” and “a large barrier” to their business activity.

²³ Ibid.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

(v) **Administrative burdens:** New businesses, particularly in production sectors, are especially burdened by administrative procedures for various permits and licenses, imposed by both local and central authorities. A particular burden is the high expense in accessing public utilities (power supply, water, telecommunications, sanitation). Around 28% of the respondents consider administrative burdens as “a very large barrier” and “a large barrier”, 31.3% consider them as “a medium intensity barrier”, whereas 21.8% do not see them as a barrier²⁸. This shows that it is necessary to adopt new legislation that would simplify the administrative requirements for the registration of businesses and to lower charges for the connection of businesses to public utilities.

Ranking	Barriers
1	Political insecurity
2	Undeveloped infrastructure
3	Uncompleted legislation
4	Delay with privatization
5	Lack of information on Kosovo

Source: Survey of companies with a share of foreign capital, Riinvest, 2002.

16. All of the above mentioned issues have a negative impact on the business and institutional environment in Kosovo. They also present obstacles for new initiatives in manufacturing, increasing exports, creating new jobs, especially for young people, as well as for income generation in rural areas and the alleviation of poverty. As shown in Table 1.5 barriers to foreign investments also hamper business development.

²⁸ Ibid.

POLITICAL AND INSTITUTIONAL STABILITY

Opinions of respondents on the current political situation

17. At the beginning of 2003, political processes in Kosovo entered a dynamic and sensitive phase. Relations between the PISG and UNMIK have been at times polarized over certain issues including the transfer of competencies, the requests by the Serbian leadership to exercise some powers in Kosovo, the issue of the final status of Kosovo, the (non) participation of the Serb population in Kosovo institutions, and the enacting of some laws. These processes were often accompanied by misunderstandings and confrontations. In addition, overall progress is not perceived and assessed equally by the various political factions and the Kosovan population. International missions assess the continuous progress achieved in creating a more stable and secure environment in Kosovo²⁹ positively, emphasizing at the same time the unsatisfactory position of minorities³⁰. The assessments of the local political actors differ depending on party orientation or ethnic background. Our opinion poll shows that respondents are generally dissatisfied with the situation, as their expectations and needs have still not been fulfilled.

18. According to the opinion poll conducted in March 2003, dissatisfaction with current political developments is present amongst respondents of all ethnic communities, and shows an increase compared to the level of dissatisfaction in November 2002. Amongst Albanians the percentage of "very dissatisfied" respondents has grown from 9.3% in November 2002 to 10.4% in March 2003, and of the "dissatisfied" from 18.0% to 26.5%. Thus among Albanians, the general feeling of dissatisfaction has grown from 27.3 % to 36.9% (see Table A.7 in the Annex). Amongst Serbs the percentage of respondents dissatisfied is much higher, especially within the "very dissatisfied" category, in which the percentage has almost doubled - from 35.1% in November 2002 to 62.6% in March 2003. Cumulatively both categories of dissatisfaction of Serbs, showed an increase from 77.4% to 86.1%. The level of dissatisfaction has grown considerably amongst other communities too: the cumulative percentage of "very dissatisfied" and "dissatisfied" respondents grew from 22.8% to 39.7%. Respective percentages of "very satisfied" or "satisfied" respondents with the current political processes have decreased accordingly. Amongst Albanians these percentages decreased in total from 31.9% to 21.1%, amongst Serbs from 5.1% to 1.7% and amongst respondents of other communities from 45.6% to 25.5%. This higher level of dissatisfaction is still not as high as was recorded in July 2002.

²⁹ In the last report to the United Nations Security Council, the SRSG Mr. Michael Steiner stated "the progress achieved in Kosovo in the past three months".

³⁰ Report of the Secretary-General on the United Nations Interim Mission in Kosovo, S/2003/421, 14 April 2003.

19. The analysis of correlations between various opinions expressed in our opinion polls shows that the dissatisfaction with current political trends is closely correlated with the dissatisfaction of respondents with the current economic situation, irrespective of the ethnicity of the respondents. These results are shown in Table 2.1. It is possible, therefore, that dissatisfaction with the political process stems from the dissatisfaction with the current economic situation.

54.3% of Albanian respondents that were either “dissatisfied” or “very dissatisfied” attribute their dissatisfaction to UNMIK, 16.3% attribute their dissatisfaction to local political parties while 15.0% attribute their dissatisfaction to Kosovo institutions. Serb respondents mostly attribute their dissatisfaction to UNMIK (87.8%) and to a lesser extent other factors: 4.7% Kosovo institutions and 4.1% political parties. 53.2% of the “satisfied” and “very satisfied” Albanian respondents attribute their satisfaction to UNMIK, and also to local factors: Kosovo institutions (27.9%) and political parties (11.1%).

20. The increase in dissatisfaction with the current political and economic situation is reflected in the opinion poll. According to the poll results presented in Tables A.5 and A.6 in the Annex, the respondents surveyed in March 2003 are less satisfied with the work of UNMIK, the SRSG and the Assembly of Kosovo than they were in November 2002. This is particularly noticeable with regard to the performance of UNMIK and the SRSG, and to a lesser extent the Assembly of Kosovo³¹. Apart from the influence of high levels of unemployment and poverty, this decline of satisfaction should be seen in correlation with the problems encountered in the transfer of competencies, the dialogue between Pristina and Belgrade, decentralization and the adoption of laws. Of special concern is the increase in the dissatisfaction of Serb respondents with the work of all institutions that currently govern Kosovo (see Tables A.5 and A.6 in the Annex).

Substantial transfer of competencies

21. The proclamation of the transfer of more competencies from UNMIK to the PISG in Kosovo³² has been accompanied by various reactions both within and outside of Kosovo. While the international community (United Nations, European Union and the United States of America) supported and continues to support the substantial transfer of competencies to local actors, other actors have regarded it with concern or have even opposed it. Different stands towards this issue are as follows:

The stand of Kosovo Albanian political factors. Kosovo Albanian political factors have accepted the transfer of competencies, but with concerns and reservations. These concerns and reservations are based on the experience so far

Table 2.1. Correlations of perceptions on the political situation with perceptions on the economic situation

	Correlation coefficient	Statistical significance **
Albanians	0.360	0.000
Serbs	0.805	0.000
Others	0.526	0.000

* - Correlation coefficient represents the strength of the correlation between the dependent variable and the predictor; maximum value 1 means total correlation, and value 0 means no correlation at all; + sign shows a direct correlation, while – sign indicates an indirect correlation
 ** - Statistical significance 0.000 means that the probability that the correlation is wrong is less than 0.001

³¹ 46.2% of Albanian respondents stated that they were “dissatisfied” and “very dissatisfied” with UNMIK’s work in March 2003, compared to 34.0% in November 2002, whereas 32.0% of respondents felt the same about the work of the SRSG in March 2003, compared to 22.4 % in November 2002.

³² “UN envoy ready to hand more responsibilities to local institutions”, 20 January 2003, www.unmikonline.org/News Archives Index.

regarding the transfer dynamics, when competencies that were transferred to the Kosovo Government were not implemented in their entirety. The transfer of competencies from the Central Fiscal Authority (CFA) to the Ministry of Economy and Finance is a case in point. Three months after the transfer was announced, competencies were not yet fully transferred. The PISG did not then have full access to information about the budget surplus from 2002³³. Initially, the Albanian side was not satisfied with the package of competencies to be transferred, since it had determined that justice and security should also have been included. Nevertheless, it appears that Kosovo Albanian authorities were unprepared for the transfer of more competencies, even though this transfer was foreseen by Resolution 1244 and the Constitutional Framework. This is apparent from the fact that the Government welcomed the postponement of the initial meeting of the Transfer Council³⁴.

On the other hand, some Kosovo Albanian political parties consider that this transfer will prolong the issue of resolving the final status of Kosovo. In this regard, several alternatives have been proposed. In February 2003 the Alliance for the Future of Kosovo (Aleanca për Ardhmërinë e Kosovës – AAK) initiated the procedure for adoption of the Declaration of Independence within the Assembly of Kosovo. The initiator had secured the support of 41 members of the Assembly, however the issue was later blocked by the Presidency of the Assembly. In addition, the People's Movement of Kosovo (Lëvizja Popullore e Kosovës - LPK) has begun to be more actively engaged, in talks with similar thinkers in Kosovo and Albania, promoting the option of a union between Albania and Kosovo.

The stands of Belgrade and of Kosovo Serbs. The transfer of competencies was met with a great deal of dissent by the Serb side, both officially from Belgrade as well as from Serb leaders in Kosovo. The most vociferous reaction came from the then Serbian Prime Minister, Zoran Djindjic, who was assassinated on 12 March 2003. Prime minister Djindjic insisted on a speedy decision on the final status of Kosovo, stating that if it was not resolved soon, the transfer of competencies from UNMIK to the PISG would lead to Kosovo's independence³⁵. In numerous public appearances he asked for the provision of compensating measures for Serbia and Kosovo Serbs by requiring, on different occasions, that Serb security forces be allowed to return to Kosovo, the federalization or partition of Kosovo, or even an exchange of population. His requests were strongly supported by the Serb minority in Kosovo.

22. Regardless of the current resistance of Belgrade authorities and Kosovo Serb political actors, it can be expected that the transfer of competencies will take place, bearing in mind the determination of the UN Security Council to the issue. The Kosovo Albanian authorities will continue to have disagreements over the level and dynamics of the transfer³⁶. On the other hand, it is expected that Belgrade authorities and Kosovo Serb political actors will continue to insist on the strengthening of the unions of Serb municipalities in Kosovo as particular ethnic entities within Kosovo, whose foundation councils were established in February 2003 for Northern Kosovo and in March 2003 for some parts of Eastern Kosovo with a majority of the Serb population³⁷.

³³ According to the Economic and Fiscal Council of Kosovo, the budget surplus from 2002 accounted for about €110 millions, or approximately ¼ of Kosovo's budget.

³⁴ Daily newspaper "Zëri", 27 March 2003.

³⁵ A similar opinion was expressed by Milan Ivanovic, President of the Serb National Council in an interview given to Jagodina TV, parts of which were published in the Albanian daily newspaper "Epoka e Re", 27 March 2003.

³⁶ Foreign politics, security and minority issues remain reserved powers for the SRSG.

³⁷ VIP Report, Daily News, 24 March 2003.

Possible disagreements and polarizations

23. Disagreements, and polarization of opinions between relevant institutional and political parties are to be expected in future political and institutional developments in Kosovo:

(i) **Political parties and their mutual relations.** The opinion poll conducted in March 2003 shows that Kosovo Albanians and non-Serb minority members consider unemployment to be the top priority issue for Kosovo, while Kosovo Serbs see public and personal security to be the top priority issue. According to this opinion poll, Albanian respondents ranked unemployment (31.0%), undefined status (29.7%) and poverty (11.8%) as the biggest problems facing Kosovo. Serb respondents ranked public and personal security (40.8%), prostitution and drugs (22.3%) and inter-ethnic relations (9.5%) as the biggest problems, hardly mentioning the status of Kosovo (0.6%) – see Table A.1 in the Annex. The opinions of the non-Serb minorities are similar to those of Albanians. Despite this, and regardless of their ethnicity, all political organizations and political leaders concentrate their strategy almost exclusively on the issue of the final status of Kosovo. Kosovo Albanian political parties insist on the independence of Kosovo, whereas Serb political parties insist on the federalization and even partition of Kosovo.

Even though there is no direct confrontation between Albanian political parties, different political requests raised before the Assembly without previous negotiations between all the parties (forming the governing coalition) cause friction and pose a risk to the functioning of self-governing institutions. An example of this is the insistence of the Parliamentary groups of the PDK and the AAK to consider the issue of the Resolution on the Independence of Kosovo and the Resolution for the Recognition of the Values of the Liberation War in the Assembly sessions. The refusal of the Presidency of the Assembly to place these issues in the Assembly's agenda provoked a boycott of the Plenary Session of the Assembly held on 13 March 2003 by the two above-mentioned groups. Disagreements also appeared in April, when the President of the PDK, Hashim Thaçi, launched a proposal for a moratorium on the issue of the final status of Kosovo. This proposal is not being accepted by the LDK and the AAK. On the other hand, the Kosovo Albanian and Serb political parties represented in the Assembly have almost totally opposing opinions on many issues, there is no cooperation at all between these political forces, and in many cases the Serb Assembly members do not even take part in the sessions of the Assembly of Kosovo. In addition, the recently established "club of 10" non-Serb Assembly members announced the appearance of a "third parliamentary block"³⁸.

(ii) **Dialogue between Pristina and Belgrade.** The international community and UNMIK have insisted on initiating a dialogue to solve practical issues. Before the assassination of Mr. Djindjic, Belgrade authorities treated the issue of the dialogue as a priority. However, the assassination of Mr. Djindjic prevented the first meeting of the delegation of Ministers and postponed the issue for an indefinite period of time. It is to be expected that the reopening of this issue will be accompanied by disagreements and polarization of views between Albanians and Serbs. The opinion poll conducted in March 2003 indicates such an outcome,

³⁸ When justifying the establishment of this club, the Bosnian minority's member of the Assembly Mr. Dzezair Murati stated that this club would provide the non-Serb minorities with more chances to express their interests; *Magazine in Bosnian language "Alem", dated 22 March 2003.*

showing that the stands of Kosovan citizens on the dialogue differ. Albanians and Serbs agree to a certain extent that dialogue should be conducted with the participation of the international community (Albanians 82.2%, Serbs 70.4%, others 70.4%) – see table A.10 in the Annex. There is complete disagreement, however, on whether sufficient conditions to commence the dialogue have been created: 82.0% of Albanians think that there are no conditions for the dialogue, whereas 86.0% of Serbs think that conditions exist (Table A.11 in the Annex).

(iii) Decentralization. At beginning of 2003 the issue of decentralization has temporarily lost importance. Other political processes took priority, such as the substantial transfer of competencies from UNMIK to the PISG and the beginning of the dialogue between Pristina and Belgrade³⁹. However, given the importance of this process for further democratization in Kosovo, it will gain in relevance in the future. It is to be expected that the issue of decentralization will be a future source of tension between the PISG and the Serb community. Our opinion poll shows completely opposing views of Albanians and Serbs with regard to the necessity of decentralization and the criteria on which it should be based. The results of the opinion poll presented in Table A.8 in the Annex show that while only approximately 25% of Albanian and non-Serb minority respondents think that decentralization is not necessary, around 74% of Serb respondents believe that decentralization is needed. Opinions are also totally opposed as regards the criteria on which decentralization should be based. Out of those respondents who think that decentralization is necessary, around 88% of Albanian respondents think that it should take into account the interests of all citizens and around 72% of Serb respondents think that decentralization should be based on ethnic criterion⁴⁰ (see Table A.9 in the Annex).

(iv) The judicial system and adoption of laws. Despite progress achieved in the Kosovo judiciary, especially regarding the inclusion of minorities, the judicial system is still facing many problems⁴¹ including: an insufficient number of judges, the lack of working premises, low salaries, the issue of personal security and safety of judicial staff and the existence of a parallel Serb judicial system in Kosovo⁴². As a result, the number of unresolved cases in all judicial domains is growing. This state of affairs is reflected in the high level of dissatisfaction among respondents in our poll with the judiciary. In November 2002 around 55% of Albanians and 89% of Serbs stated that they are “very dissatisfied” or “dissatisfied” and in March 2003 about 54% of Albanians and 96% of Serbs stated the same (Tables A.5 and A.6 in the Annex). A continuation of this situation may endanger the work of the judiciary in Kosovo and may force experienced professionals to leave the judicial system.

³⁹ The project of decentralization of power, proclaimed by the SRSG Mr. Steiner before municipal elections in October 2002, is a compromise that was hoped to bring reconciliation between Albanians and Serbs. For other details on decentralization see Early Warning Report #2, September-December 2002.

⁴⁰ According to Mr. Carlo Civileti, Chief of European Council Missoin for Decentralization, territorial division on ethnic grounds is the total opposite of the plan of the Mission of Council of Europe (Daily newspaper “Koha Ditore”, 29 Mars 2003).

⁴¹ The report on the functioning of the courts in Kosovo, Assembly of Kosovo, 10 April 2003.

⁴² In the session of the Assembly of Kosovo held on 10 April 2003, it was recommended in this session that UNMIK require that the Serbs accused of war crimes be handed over from Serbia and to conclude the criminal proceedings against them in Kosovo courts, as well as to require that all Kosovo files that are currently held in courts in Serbia be sent to Kosovo.

Furthermore, the fact that the SRSG has not signed several laws⁴³ that have already been passed by the Assembly has caused tension between the SRSG and the Assembly, thus adding another problem to the judiciary in Kosovo. The non-signing of these laws is justified by stating that they are not in accordance with Resolution 1244 and the Constitutional Framework and that they should be reviewed in the Assembly of Kosovo as soon as possible. This kind of practice, of not fully harmonizing the contents of the laws before proceeding to approval by the Assembly, can bring about new confrontations between these two structures, compromising their work and increasing dissatisfaction amongst the Kosovan population.

24. The current model of administrating Kosovo, both politically and economically, needs to be analyzed critically in view of:

(i) Relations within Kosovo. Currently in Kosovo there is a marked ambiguity in terms of governance, and a confusion of responsibilities in many spheres of political, institutional and economic life. At the central level there are two decision-making centers – UNMIK and the PISG, and two lawmaking centers – the SRSG and the Assembly of Kosovo. The existing ruling mechanisms generate more dissonances and conflicts than efficiency. Furthermore, in most Serb enclaves there are still functioning parallel systems of Serbia, in which Kosovo officials have no access at all. These circumstances are hindering the proper identification of powers and responsibilities of respective institutions, which enables both UNMIK and Kosovo institutions to avoid taking responsibility for governing weaknesses. Consequently, the current model of governing Kosovo should be revised and transformed into a more accountable and more efficient one, which would give a meaningful competency to the PISG, technically assisted by internationals within these institutions, and which would not affect the supervising role of the SRSG.

(ii) Relations with Serbia. The current strategy of setting up relations between Kosovo and Serbia was established exclusively by UNMIK. Local actors were completely disregarded. Communication between UNMIK and Serbia is necessary for regional cooperation and cooperation between Kosovo and Serbia. The issues treated during the appropriate talks should not create grounds that allow Serbia to influence political and economic processes in Kosovo, or the political disposition of Albanians and Serbs in Kosovo. Talks for cooperation will be productive only if they are oriented on issues of common interest, and are negotiated on an equal basis. This would contribute to the relaxing of current tensions, and would reduce the space for possible speculation.

⁴³ On 15 April 2003, the SRSG informed the President of the Assembly that he had refused to sign the Law on Higher Education, the Law on External Trade, the Law on Telecommunications and the Law on Management of Public Finances and Liabilities.

INTER-ETHNIC RELATIONS

The situation of the minorities and inter-ethnic relations

25. A decrease in the rate of ethnically motivated crimes⁴⁴, improvements regarding freedom of movement, removal of many KFOR checkpoints around enclaves, and the increased participation of minorities in the Kosovo Police Service, in the judiciary and in the public administration, mark an improvement in the position of minorities in Kosovo⁴⁵. The number of Serbs and other minorities within the Kosovo Protection Corps and in positions of command is also increasing, albeit with great difficulty⁴⁶. Positive trends have also been noted with regard to the return of refugees and displaced minorities, not only in mono-ethnic areas but also in the areas with a mixed ethnic population⁴⁷.

Despite these improvements, the situation of the Serb minority, and to some extent the other minorities, is unsatisfactory concerning the fulfillment of democratic standards, such as respect for human rights, integration of minorities and return of refugees that want to live in Kosovo⁴⁸. Based on the opinion poll conducted during March 2003, Serb respondents see the issue of public and personal security as the biggest problem in Kosovo (Table A.1 in the Annex), showing thus that the relevant actors need to do more to improve this situation. Even though 2,741 displaced persons returned during 2002⁴⁹, which present an increase compared to 2001, the process of returns can still not be seen as satisfactory since it suffers from many shortcomings - dealt with in our previous report and also in the ICG report⁵⁰. In contrast to the Serb minority, other minorities raise concerns with the socio-economic situation. According to our latest opinion poll, respondents of these minorities consider that unemployment and poverty present the biggest problems for Kosovo (see Table A.1 in the Annex). Since it is expected that the economic situation will deteriorate further, there is a need to implement the already approved specific programs⁵¹ to ease the problems of unemployment and poverty of these minorities.

⁴⁴ UNMIK Police: Crime Statistics in Kosovo, Press Release, 17/01/2003

⁴⁵ OSCE and UNHCR report "The 10th Assessment of the Situation of Ethnic Minorities in Kosovo", March 2003.

⁴⁶ See newspaper article "Three more Serbs wear KPC uniforms", Daily newspaper "Zëri", 4 April 2003.

⁴⁷ OSCE and UNHCR report: report "The 10th Assessment of the Situation of Ethnic Minorities in Kosovo", March 2003.

⁴⁸ A similar statement is expressed in the Report of the Secretary-General on the United Nations Interim Mission in Kosovo, S/2003/421, 14 April 2003.

⁴⁹ Ibid.

⁵⁰ Early Warning Report, Report #2, September-December 2002. ICG Balkans Report No. 139, 13 December 2002.

⁵¹ See Regulation No. 2002/23 On the Approval of the KCB and Authorizing Expenditures for the Period 1 January to 31 December 2003.

	November 2002			March 2003		
	Albanians	Serbs	Others	Albanians	Serbs	Others
Relations are tense and will continue to remain so	34.1	68.8	34.7	41.6	73.1	14.1
Relations are tense, but there have been some improvements lately	36.3	17.7	37.1	36.6	18.3	62.0
Relations are tense, but there are substantial improvements	16.7	10.2	24.2	9.7	7.4	16.2
Relations are not all that tense	10.0	2.2	4.0	6.9	1.1	7.7
Relations are not tense	2.9	1.1	0.0	5.1	0.0	0.0
Total	100	100	100	100	100	100

Source: Opinion poll, November 2002; Opinion poll, March 2003.

26. Compared to the September-December 2002 period, our opinion poll conducted in March 2003 indicates a less favorable public opinion regarding the situation of inter-ethnic relations. As is visible in Table 3.1, around 42% of the Albanian respondents and 73% of Serbs think that relations between them are tense and will remain to be tense in the future, compared to around 34% of Albanians and 69% of Serbs that held this opinion in November 2002. There is also a decrease in the percentage of those who think that there are substantial improvements in these relations or that the relations are “not all that tense” – see Table 3.1.

27. The worsening of the relations between Albanians and Serbs can also be ascertained from opinions on the willingness to accept the return of the refugees. Based on the outcomes of our opinion polls conducted so far, some of which are presented in table A.12 in the Annex, it turns out that Albanians and Serbs are increasingly more unwilling to agree to the returns of refugees in their neighborhood and that there is an increase of those that do not agree with returns at all. These changes of opinions are particularly present among the Serbs; 24% of Serbs now agree to the return of refugees in their neighborhood, compared to around 76% in November 2002. Approximately 49% of Serbs do not agree with the returns at all, compared to around 3% that did not agree at all with the returns in November 2002. This data indicates very unfavorable trends in inter-ethnic relations necessitating increasing attention in the future to factors that influence relations between Albanians and Serbs. It is worth noting that Kosovo Albanian women agree less to returns than Albanian men, whereas within the Serb community women agree more with the returns than men – see Table 3.2. These aspects should be taken into account when working on the strategy for a more successful return process in the future.

	Men		Women	
	Albanians	Serbs	Albanians	Serbs
I agree with their return to their properties	38.5	19.7	34.0	38.1
I agree with the returns to new properties	1.8	7.6	1.2	19.0
I do not agree with the returns at all	36.0	56.1	41.4	28.6
Does not concern me (there are no refugees in my neighborhood)	23.7	16.7	23.5	14.3
Total	100	100	100	100

Source: Opinion poll, March 2003.

Factors threatening peaceful coexistence and integration

28. Worsening of inter-ethnic relations and less willingness to accept the returns process are related to many recent political developments both inside and outside of Kosovo including:

(i) The establishment of the union of Serb municipalities and localities in Kosovo. Based on a strategy set up in Belgrade⁵², on 25 February 2003 Serbs established the union of Serb municipalities and localities of Northern Kosovo. On 23 March 2003 the union of Serb localities of the Gjilan/Gnjilane region⁵³ was established. During this period Belgrade put forward requests for the partition of Kosovo along ethnic lines and its federalization⁵⁴. Representatives of the international community and of the PISG denounced these requests by declaring them as unacceptable⁵⁵. In addition, the establishment of the unions of Serb municipalities and localities was criticized and condemned by UNMIK⁵⁶, PISG⁵⁷ and by the US Office in Pristina⁵⁸. So far, the reactions of the local and international institutions have not shown any effect in preventing the implementation of the joint strategy of Belgrade and Kosovo Serbs toward Kosovo. The establishment of the unions of Serb municipalities, especially for the Gjilan/Gnjilane region, where encouraging results were achieved regarding the integration of Serbs into Kosovan society and where an important improvement in personal security and freedom of movement was marked⁵⁹, risks setting back the processes of establishing a multiethnic society. In addition to being contrary to the stand of UNMIK and the PISG and the decentralization concept of the Council of Europe⁶⁰, the establishment of these mono-ethnic unions and their direct support from Belgrade may cause great damage and long-term consequences to the already fragile inter-ethnic relations and the newly begun process of reforms of local authorities in Kosovo.

(ii) Belgrade requests for the return of Serb military and police to Kosovo. The requests for the return of Serb armed forces and Serb police to Kosovo⁶¹, as well as the statements of the General Headquarters of the Yugoslav Army on the readiness of the army to return its troops to Kosovo⁶² have caused continuous

⁵² "Unity achieved, and Djindjic's strategy accepted", RTS News, 28 January 2003, www.rts.co.yu; "The Government of Serbia supported the plan for the organization of Serbs in Kosovo" RTS News, 31 January 2003, www.rts.co.yu; "Representatives of 60 places in Kosovo support the strategy", 7 February 2003, B92 Vesti, www.b92.net.

⁵³ VIP Report, Daily News, 24 March 2003.

⁵⁴ Djindjic: The status of Kosovo, the status of Serbia, B92, News, 6 March 2003.

⁵⁵ Harnish: Djindjic's Ideas are humiliating; Bakalli accuses Djindjic for hating Albanians, VIP Report, Daily News, 12 March 2003.

⁵⁶ Steiner: "UNMIK will not partner with those propagating a division of Kosovo", VIP Report, Kosovo at Glance, 28 February 2003; UNMIK: "Serbs' municipalities illegal", VIP Report, Daily News, 27 March 2003.

⁵⁷ Kosovo Parliament adopts statement on ICTY and Association of Serbs in Northern Kosovo, VIP Report, Kosovo at Glance, 28 March 2003; Creation of parallel structures destabilizes Kosovo and the region, RTK News, www.rtklive.com/web/portal/html.

⁵⁸ Reno Harnish denounces the establishment of the "Union of Serb municipalities of the Gjilan/Gnjilane region", Dayly newspaper "Koha Ditore", 29 March 2003.

⁵⁹ OSCE and UNHCR report: report "The 10th Assessment of the Situation of Ethnic Minorities in Kosovo", March 2003.

⁶⁰ Civileti: Mono-ethnicity is contrary to our concept of decentralization, Daily newspaper "Koha Ditore", 29 March 2003.

⁶¹ Djindjic: "The date of the return of Serb forces in Kosovo is set", B92 news, 7 March 2003, www.b92.net.

⁶² Headquarters of the FRY Army: "Return is a political issue - the army is ready", RTS News, 2 January 2003, www.rts.co.yu.

worry among the Kosovo Albanian population. The announcement of the President of Serb National Council of Northern Kosovo, Mr. M. Ivanovic regarding the establishment of the Serb Army of Kosovo had the same effect.

(iii) Calls for Kosovo Serbs not to use Kosovan personal documents. Calls from Belgrade for Kosovo Serbs to continue to use Yugoslav personal documents and not to apply for such documents in Kosovo⁶³ have been hampering the integration of Serbs in the Kosovan society in addition to increasing interethnic tensions. Similar calls were also directed to Kosovan Serbs telling them to refuse to register their property in Kosovo. These calls are particularly critical, because the issue of interpreting land ownership is becoming similar to that in Bosnia; a working example is the statement of the Serb minister in the Government of Kosovo Mr. Bogdanovic claiming that Serbs own the largest percentage of the land in Kosovo⁶⁴. Bearing in mind the sensitivity of people towards their property, the continuation of these kinds of statements may cause continuous inter-ethnic tensions, especially due to the fact that a considerable number of Kosovan cadastral documents are currently held in Serbia.

(iv) Requests of some Kosovo Albanian political forces for the independence of Kosovo. Some Kosovo Albanian political forces – AAK and PDK – reacted to the Serb requests for the partition of Kosovo by calling on the Assembly of Kosovo to declare the independence of Kosovo. The Kosovo People's Movement (Lëvizja Popullore e Kosovës - LPK) has discussed the option of the Union of Albania and Kosovo with representatives of some relevant PISG institutions, marking thus a radical new approach. Even though, for the time being these requests have not found any institutional endorsement, they may discourage the Serb population to return and live in Kosovo. Besides this, the appearance of the AKSh (Armata Kombëtare Shqiptare/ Albanian National Army), only recently identified properly by the local and international authorities⁶⁵, makes the situation even more complex as regards peaceful coexistence, inter-ethnic relations and return of refugees.

(v) The resistance of the Serb population against the transfer of competencies from UNMIK to the PISG. The Serb government⁶⁶ and the Serb National Council⁶⁷ are opposing the transfer of competencies from UNMIK to the PISG. In addition to worsening the relations between UNMIK and PISG this interference has also affected relations between UNMIK and Serb political representatives and Belgrade. It has also created more inter-ethnic tension and makes the process of building multi-ethnic coexistence in Kosovo more difficult.

29. The above mentioned factors have also impacted on opinions concerning the final status of Kosovo. This is evident from our opinion polls conducted in November 2002 and in March 2003, presented in table A.13 in the Annex. Compared to opinions expressed in November 2002, Albanians are currently even more determined about independence for Kosovo within the borders (88.5%),

⁶³ "The Co-ordination Centre wants Serb not to abandon using Yugoslav personal documents", *Koha Ditore*, p.3. 31/03/2003.

⁶⁴ Bogdanovic: "62% of the lands in Kosovo are Serb properties", Daily newspaper "Koha Ditore", 6 March 2003.

⁶⁵ Only after the Albanian National Army claimed responsibility for the bombing of a railway bridge in the Zveçan/ Zvecane municipality, happened on 12 April 2003, the top UN envoy in Kosovo proclaimed this organization for a terrorist organization.

⁶⁶ Serbian Government: "Transfer of power unacceptable for Serbia", VIP Report, Daily News, 12 March 2003.

⁶⁷ "Serb National Council criticizes Steiner's decision", VIP Report, Daily News, 24 March 2003.

whereas Serbs are determined for Kosovo as an autonomous province of Serbia (81.3%).

30. Taking into account factors that threaten the coexistence and multi-ethnicity in Kosovo, it is necessary that

- The PISG and UNMIK make more efforts toward fulfilling the democratic standards and creating policies that integrate Kosovo Serbs in Kosovan society;
- Belgrade abandon the current destabilizing policies toward Kosovo and that the international community pressurizes Belgrade in this regard;
- The Kosovo Albanian political forces refrain from political requests that can generate inter-ethnic tension;
- Legal structures to enforce prosecution of those that violate constitutional and legal order in Kosovo are put in place;
- The public debate on decentralization and the reform of the local government in all Kosovan localities is intensified;
- KFOR and the police intensify measures in disabling the activities of illegal armed groups, regardless of the ethnicity of their members;
- UNMIK undertakes decisive measures in eliminating the parallel structures in the Serb enclaves (courts, insuring companies, banks).

PUBLIC AND PERSONAL SECURITY

The security situation and opinions on KFOR, CIVPOL and KPS

31. Despite the lack of detailed statistical data on serious crimes and criminality for the period January to March 2003⁶⁸, the public statements of KFOR and CIVPOL officials suggest that the first three months of 2003 continued the trend of improvements in public and personal security in Kosovo noted during 2002, especially with regard to serious crimes⁶⁹. The situation deteriorated to a certain extent during April 2003, when the AKSh claimed responsibility for the bombing of a railway bridge in the Zveçan/ Zvecane Municipality, on 12 April 2003, after which the SRSG Michael Steiner declared them to be a terrorist organization.

32. The opinion poll conducted in March 2003 shows that the very high level of satisfaction with the performance of KFOR, CIVPOL and KPS, as seen in November 2002, still prevails (see Table 4.1). Almost 90% of Albanian respondents are “satisfied” or “very satisfied” with the work of KFOR, and about 93% expressed the same opinion for the work of the KPS. Apart from Serb respondents, of which only around 19% are “satisfied” or “very satisfied” with the work of KFOR and 18% with that of the KPS, the respondents from other minorities shared the same view as the Albanians.

Table 4.1. The opinions of respondents on the work of KFOR, CIVPOL and the KPS (%)

Institution	Albanians		Serbs		Others	
	“Dissatisfied” or “very dissatisfied”	“Satisfied” or “very satisfied”	“Dissatisfied” or “very dissatisfied”	“Satisfied” or “very satisfied”	“Dissatisfied” or “very dissatisfied”	“Satisfied” or “very satisfied”
November 2002						
KFOR	8.3	91.7	72.6	27.4	12.6	87.4
CIVPOL	21.5	78.5	77.0	23.0	10.0	90.0
KPS	4.5	95.5	90.7	9.3	9.4	90.6
March 2003						
KFOR	10.5	89.5	80.8	19.2	10.1	89.9
CIVPOL	25.7	74.3	85.4	14.6	19.5	80.5
KPS-	7.4	92.6	82.1	17.9	10.3	89.7

** - The Table does not include the percentage of respondents who did not answer or could not evaluate the work of these organizations*

Despite the high level of trust in the security bodies, Table 4.1 shows that one in four Albanian respondent and almost one in five respondents belonging to non-Serb minorities are either “dissatisfied” or “very dissatisfied” with the work of the

⁶⁸ Starting from 2002 the statistical data of the police on different crimes on a monthly basis has become scarce. This lack of data makes it difficult to analyze public and personal security trends, especially in view of the relations between the intensity of crimes and political and social developments.

⁶⁹ Daily newspaper “Koha Ditore”, 31 March 2003.

CIVPOL. Serb respondents are much more dissatisfied with the work of the CIVPOL than the Albanian respondents.

So far no analysis has been undertaken that identifies the reasons for the less favorable opinion of respondents for the work of the CIVPOL compared to the level of trust in KFOR and the KPS. In the current circumstances prevailing in Kosovo, CIVPOL has the difficult task of maintaining law and order. While doing their duties, some of the CIVPOL members have abused powers. The Office of the Ombudsperson has dealt with these abuses, ranging from driving offences (speeding) to murders, while UNMIK Police officials have partially confirmed these allegations. Thus, according to Mr. Barry Fletcher - UNMIK's police spokesman, 950 cases of abuse of power have been investigated since June 1999. In 389 of these cases an abuse of power was proved. As a result, 126 policemen were dismissed because they failed to show respect for policing rules, while 263 have been suspended or given other forms of punishment⁷⁰.

33. Female respondents from all ethnic backgrounds are more satisfied (10 to 30%) with the work of the CIVPOL than male respondents – see Table 4.2. Reasons for this may be found in the relatively high participation of women in the policing authorities, as well as in the greater willingness of police authorities to protect women's rights compared to previous years.

Ethnicity	Opinions	Male	Female
Albanians	"Dissatisfied" and "very dissatisfied"	29.8	18.8
	"Satisfied" and "very satisfied"	70.2	81.3
	Total	100	100
Serbs	"Dissatisfied" and "very dissatisfied"	91.8	62.2
	"Satisfied" and "very satisfied"	8.2	37.8
	Total	100	100
Others	"Dissatisfied" and "very dissatisfied"	24.3	8.2
	"Satisfied" and "very satisfied"	75.7	91.8
	Total	100	100

Source: *Opinion poll, March 2003.*

34. Factors threatening public and personal security in Kosovo include:

(i) **The appearance of the AKSh.** Although this organization had previously claimed responsibility through its web site for several attacks⁷¹, it was only the bombing of a bridge in the Zveçan/ Zvecane Municipality on 12 April that mobilized the bodies responsible for security in Kosovo to declare this to be a terrorist organization and to begin decisive measures against it. Bearing in mind that this is an illegal organization, whose character and real strength are not yet known, fighting it will be a difficult task for the security bodies in Kosovo.

(ii) **Attacks on police stations.** These began last year in Peja and continued in March 2003 with attacks on the police station in the north of Mitrovica (2 March 2003) and on two police stations in Pristina (21 March 2003). The motives for these attacks are still not clear. Attacks of this nature, regardless of the motives, create the

⁷⁰ Daily newspaper "Koha Ditore", 28 March 2003.

⁷¹ Until recently, the police authorities in Kosovo have neither denied nor confirmed the existence of the AKSh. In March 2003 UNMIK Police spokesman Mr. Derek Chappell stated that the existence of AKSh cannot be denied.

feeling of insecurity amongst citizens, as they prove that certain individuals will not hesitate to attack the very institutions that provide security. The President of Kosovo, the Government and PDK have strongly condemned these attacks, by calling them acts of terrorism and by declaring that “aside from the fact that these attacks are directed against institutions of security in Kosovo, they are aimed at installing fear and insecurity amongst the citizens of Kosovo”⁷².

(iii) Threatening statements by Serb officials. Even though they have no direct impact, the latest threatening statements by some Serb leaders in Serbia and Kosovo have created a feeling of concern amongst the Albanian population. The statement of the deputy Prime minister of Serbia, Mr. Covic, that Serbia is ready to prevent the independence of Kosovo if necessary by armed conflict⁷³ is a case in point as is the statement of Kosovo Serb leader M. Ivanovic on the possibility of establishing a Serb army in Kosovo⁷⁴.

(iv) Suicides. The level of suicides in Kosovo before 1999 was the lowest in the whole territory of the former Yugoslavia. After the end of the conflict in 1999, the number of suicides has shown an alarming increase. According to the data of the Council for Protection of Human Rights and Freedoms in Pristina, since 1999 at least 150 people committed suicide – incomparably more than during the four year period prior to 1999⁷⁵. The situation is particularly disturbing in the Drenica region, where 36 cases of suicide were registered in the four years after the conflict. All the victims were Albanian and were mainly of young age. In the four years before the conflict there was only one case of suicide in this region. Such a high occurrence of suicides could be explained by the fact that this region suffered greatly during the conflict and that the consequences of the conflict, both human and material, were dire.

(v) Prostitution. The issue of prostitution has been dealt with in the media for a long time⁷⁶. However, the dimensions of this unsocial activity have become more worrying as it is suspected by police officials that prostitution is taking place in more than 200 night clubs throughout Kosovo⁷⁷. With such a young population and with high levels of unemployment and poverty, there is a real risk that Kosovan youths will easily become entangled in the prostitution net.

(vi) Corruption in public services. There is still insufficient action being taken against corruption in the public services, a fact that creates a lot of dissatisfaction amongst the population. The opinion poll conducted in March 2003 shows that the provision of different public services is conditional upon the receipt of money or favors of other sorts: 9.4% of Albanians, 11.7% of Serbs and 4.7% of others stated this (see Table A.15 in the Annex). On the other hand, around 66% of Albanian respondents, 65% of Serb respondents and 50% of the respondents of other minorities have had to give money as bribery for services - Table A.16 in the Annex. Bribery is most commonly demanded for the provision of health services (53.4%) and in municipal administration (22.4%) according to Albanian respondents, and according to Serb respondents (41.7%) in municipal administrative services - Table A.17 in the Annex.

⁷² Daily newspaper “Zëri”, 24 March 2003.

⁷³ Daily newspaper “Zëri”, 31 March 2003.

⁷⁴ Daily newspaper “Koha ditore”, 5 April 2003.

⁷⁵ Daily newspaper “Koha ditore”, 28 March 2003.

⁷⁶ In the UNESCO conference held in Thessalonica in May 2002 which dealt with trafficking of human beings Kosovo was mentioned as one of the regions with an occurrence of prostitution.

⁷⁷ Daily newspaper “Koha Ditore”, 17 March 2003.

Trials of Kosovo Albanians in the Hague Tribunal

35. In February 2003 the first Kosovo Albanians suspected of war crimes were sent to The Hague⁷⁸. These arrests caused huge protests by the Kosovo Albanian population. According to our opinion poll, the largest percentage of Albanian respondents think that Albanians should not be indicted for war crimes (around 37%) and that the trials depreciate the values of the KLA (around 28%) - see Table 4.3. The opinion of the Serb respondents is diametrically opposed - around 86% of

Opinion	Albanians	Serbs	Others
Trials should be held, regardless of the ethnicity of the accused	18.7	86.2	43.9
Kosovo Albanians should not be indicted of war crimes	36.8	1.2	30.3
Trials are balancing war crimes committed in Kosovo	7.9	4.8	8.3
Trials depreciate the KLA values	28.2	0.0	9.1
Trials are important for establishing law and order	8.4	7.8	8.3
Total	100	100	100

Source: Opinion poll, March 2003.

of them think that trials should take place regardless of the ethnic background of the accused and only 1.2% think that Kosovo Albanians should not be indicted for war crimes. The opinions of the other minorities are quite similar to those of the Albanians, but not as similar as they are on other issues dealt with in this report. Only around 12% of Albanian respondents think that the accused Kosovo Albanians should be tried in The Hague, 31.3% of them think that the accused should be tried

in Kosovo, whereas 56.7% think that they should defend themselves while free (Table A.18 in the Annex). Opinions of Serb respondents are totally opposite: 99.4% of them think that the accused should be tried in The Hague.

36. Following the delivery to The Hague of the first Kosovo Albanians indicted for war crimes, there were rumors of further possible arrests. Individuals in key party positions or in key positions in relevant Kosovo institutions were mentioned. As has been shown in the past, sending Kosovo Albanians to The Hague impacts on the security situation⁷⁹. This was also indicated in the opinion poll carried out in March 2003, according to which 58.3% of Albanian respondents think that sending more Albanians to The Hague will worsen the political and security situation. Serb respondents expressed a totally opposite opinion; 84.4% of them think that the political and security situation would improve.

Opinion	Albanians	Serbs	Others
The political and security situation will improve	22.6	84.4	41.1
The political and security situation will not change	19.2	5.0	30.0
The political and security situation will get worse	58.3	10.6	28.9
Total	100	100	100

Source: Opinion poll, March 2003.

⁷⁸ Four Albanians were sent to The Hague, amongst whom was Mr. Fatmir Limaj, member of the Assembly of Kosovo and former senior officer in the KLA. One of the accused, Mr. Agim Murtezi, was later freed as a person who was wrongly arrested.

⁷⁹ According to the Report of the Secretary-General on the United Nations Interim Mission in Kosovo, S/2003/421, there were 24 peaceful public demonstrations associated with the arrests made by the Tribunal.

ANNEX 1. Selected results of the opinion poll

Note. The opinion poll for this Report was conducted in March 2003, by the “Riinvest” polling team. The part of the opinion poll conducted in the Serb enclaves was carried out by a local Serb NGO.

The survey was based on face-to-face interviews, and included 1,271 respondents: 923 Albanians, 179 Serbs, and 169 respondents from other minorities (Turks, Goranis, and Romas – Ashkalis and Egyptians). In order to increase the reliability of opinions of the minority groups, the number of respondents belonging to minorities was chosen to be higher than their percentage participation in the entire population of Kosovo.

The sample was stratified on the basis of geographic regions (7 regions – about 30% living in the Pristina region; percentage distribution in the other Kosovo regions is made according to appropriate percentages before the conflict), and urban to rural population ratio (1:1). The target population was over 18 years of age.

	Albanians	Serbs	Others
Infrastructure (roads)	1.2		1.2
Power supply	11.7 (4)	3.4	12.4 (4)
Urban problems (wild building)	0.4		
Environment	0.2	0.6	0.6
Poverty	11.8 (3)	7.8 (4)	18.9 (2)
Prices	1.1		1.8
Healthcare services	0.1		0.6
Public and personal security	1.3	40.8 (1)	3.0 (5)
Education	0.7	0.6	
Interethnic relations	0.3	9.5 (3)	1.8
Unemployment	31.0 (1)	1.1	37.3 (1)
Uncertainty about the final status of Kosovo	29.7 (2)	0.6	17.8 (3)
Social problems	1.5	5.0 (5)	
The fate of the missing	4.0 (5)	4.5	0.6
Organized crime and corruption	2.7	3.4	2.4
Unsocial phenomena (prostitution, drugs)	1.2	22.3 (2)	1.8
Something else	1.1	0.6	
Total	100	100	100

* - Ranking of five biggest problems for each ethnic group is given in parenthesis

Table A.2. Opinion on factors influencing mostly the current economic situation in Kosovo (%)

	Albanians	Serbs	Others
UNMIK	43.9	79.3	46.7
Government	23.7	7.3	20.7
Local Governments	2.6	0.0	3.6
Business community	6.2	1.7	10.1
Current status of Kosovo	16.6	6.1	12.4
NA/ DK/ Something else	7.0	5.6	6.5
Total	100	100	100

Tabela A.3. Perceptions of respondents on the current economic situation of their families (%)

	November 2002			March 2003		
	Albanians	Serbs	Others	Albanians	Serbs	Others
Very dissatisfied	7.5	22.7	13.6	9.5	21.8	14.2
Dissatisfied	22.7	27.8	34.2	29.1	52.5	30.8
Neither satisfied nor dissatisfied	27.2	22.7	28.3	25.5	16.8	24.3
Satisfied	35.4	25.8	22.8	30.4	6.1	28.4
Very satisfied	5.9	0.0	1.1	4.3	0.6	1.8
DK/ NA	1.2	1.0	0.0	1.0	2.2	0.6
Total	100	100	100	100	100	100

Table A.4 Opinion of respondents to factors mostly influencing the current political situation in Kosovo disaggregated by satisfied and dissatisfied respondents (%)

	"Satisfied" and "very satisfied" respondents			"Dissatisfied" and "very dissatisfied" respondents		
	Albanians	Serbs	Others	Albanians	Serbs	Others
UNMIK and the international community	53.2		40.5	54.3	87.8	55.7
Government	27.9	100.0*	52.4	15.0	4.7	19.7
Political parties	11.1		2.4	16.3	4.1	8.2
Civil society	3.7		-	2.1	-	-
Current status of Kosovo	4.2		4.8	12.3	3.4	6.4
Total	100	100	100	100	100	100

Source: *Opinion poll November 2002; Opinion poll March 2003.*

* - This high percentage is not representative since only three Serb respondents stated that they are "satisfied" or "very satisfied" with the current political situation in Kosovo

Table A.5. Opinions of respondents on the performance of some Kosovo's institutions (%) – November 2002

Institution	Albanians		Serbs		Others	
	"Dissatisfied" or "very dissatisfied"	"Satisfied" or "very satisfied"	"Dissatisfied" or "very dissatisfied"	"Satisfied" or "very satisfied"	"Dissatisfied" or "very dissatisfied"	"Satisfied" or "very satisfied"
UNMIK	34.0	66.0	77.4	22.6	26.7	73.3
SRSG	22.4	77.6	94.4	5.6	25.9	74.1
Assembly	18.1	81.9	92.7	7.3	24.4	75.6
Government	21.3	78.7	97.9	2.1	26.6	73.4
Courts	55.5	44.5	89.8	10.2	38.1	61.9

* - The Table does not include the percentage of the respondents that did not answer or could not evaluate the work of these organizations

Table A.6. Opinions of respondents on the performance of some Kosovo's institutions (%) – March 2003

Institution	Albanians		Serbs		Others	
	"Dissatisfied" or "very dissatisfied"	"Satisfied" or "very satisfied"	"Dissatisfied" or "very dissatisfied"	"Satisfied" or "very satisfied"	"Dissatisfied" or "very dissatisfied"	"Satisfied" or "very satisfied"
UNMIK	46.2	53.8	92.8	7.2	31.9	68.1
SRSG	32.0	68.0	95.8	4.2	32.6	67.3
Assembly	23.1	76.9	98.8	1.2	30.4	69.5
Government	19.5	80.5	98.8	1.2	33.6	66.4
Courts	54.0	46.0	96.2	3.8	41.5	58.5

* - The Table does not include the percentage of the respondents that did not answer or could not evaluate the work of these organizations

Table A.7. Opinions on current political trends in Kosovo (%)

	Very dissatisfied	Dissatisfied	Neither satisfied nor dissatisfied	Satisfied	Very satisfied	DK/ NA	Total
July 2002							
Albanians	13,3	35,9	33,2	10,2	3,7	3,6	100
Serbs	61,5	20,0	11,8	4,6	0,5	1,5	100
Others	7,1	36,1	19,5	22,5	9,5	5,3	100
November 2002							
Albanians	9,3	18,0	35,4	28,7	3,2	5,3	100
Serbs	35,1	42,3	14,4	4,6	0,5	0,5	100
Others	9,2	13,6	20,1	38,0	7,6	11,4	100
March 2003							
Albanians	10.4	26.5	37.8	19.5	1.6	4.2	100
Serbs	62.6	23.5	11.2	1.1	0.6	1.2	100
Others	8.3	31.4	27.2	23.7	1.8	7.7	100

Table A.8. Opinions on the necessity of decentralization (%)

Opinion	Albanians	Serbs	Others
Decentralization is not necessary	26.9	2.2	20.7
Decentralization does not interest me	21.1	5.0	24.3
Decentralization is necessary	25.0	74.3	24.9
DN/ NA	27.0	18.4	30.2
Total	100	100	100

Table A.9. Opinions on the criteria on which decentralization should be based (%)

Opinion	Albanians	Serbs	Others
Decentralization based on the interests of all citizens	87.8	26.5	70.7
Decentralization based on ethnic criterion	6.1	72.0	29.3
Decentralization based on territorial criterion	3.3	1.5	0.0
Decentralization based on the local economic effects	2.8	0.0	0.0
Total	100	100	100

	Albanians	Serbs	Others
Direct dialogue	9.9	21.2	12.4
Dialogue with participation of the international community	82.2	70.4	70.4
DK/ NA	7.9	8.4	17.2
Total	100	100	100

	Albanians	Serbs	Others
Yes	10.8	86.0	46.2
No	82.0	8.4	33.1
DK/ NA	7.2	5.6	20.7
Total	100	100	100

	November 2002		March 2003	
	Albanians	Serbs	Albanians	Serbs
I agree that refugees should return to their properties	37.6	75.7	36.8	24.1
I agree that they should return to new settlements	3.1	13.8	1.6	10.3
I do not agree with their return at all	30.2	3.2	38.0	49.4
Does not concern me (there are no refugees in my neighborhood)	29.1	7.4	23.6	16.1
Total	100	100	100	100

	November 2002		March 2003	
	Albanians	Serbs	Albanians	Serbs
Independence of Kosovo within the current borders	84.3	0.0	88.5	1.1
Partition of Kosovo	0.5	34.4	0.3	4.0
Continuing of the current status (international protectorate)	5.2	2.2	0.9	1.1
Union with Albania	9.8	0.0	9.9	0.0
Confederation with Serbia and Montenegro	0.0	2.7	0.0	12.5
Kosovo as an autonomous province of Serbia	0.1	60.8	0.3	81.3
Total	100	100	100	100

Opinion	Albanians	Serbs	Others
Yes	5.0	10.9	10.1
No	94.9	89.1	89.9
No answer	0.1	0.0	0.0
Total	100	100	100

* - Question: Whether domestic violence is exercised in your family or in your social circles?

Table A.15. Pronouncements of respondents on whether money or favors of others sorts were demanded for provision of various public services (%)

	Albanians	Serbs	Others
Yes	9.4	11.7	4.7
No	85.5	86.0	87
No answer	5.1	2.2	8.3
Total	100	100	100

Table A.16. Pronouncements of respondents on whether they gave money or favors of others sorts for provision of various public services (%)

	Albanians	Serbs	Others
Yes	65.9	65.0	50.0
No	32.8	30.0	33.3
No answer	1.2	5.0	16.7
Total	100	100	100

Table A.17. Pronouncements of respondents on services where they had to give money or other favors (%)

Services	Albanians	Serbs
Customs	8.6	0.0
Health	53.4	8.3
Local administration	22.4	41.7
Central administration	1.7	8.3
Education	3.4	0.0
Police	1.7	0.0
Courts	3.4	8.3
For tenders	0.0	8.3
For getting a job	5.2	25.0
Total	100	100

Table A.18. Opinions on where the Kosovo Albanians suspected for war crimes should be tried (%)

	Albanians	Serbs	Others
The suspected should be tried in The Hague	12.1	99.4	29.8
The suspected should be tried in Kosovo	31.3	0.0	36.5
The suspected should defend themselves while free	56.7	0.6	33.7
Total	100	100	100

ANNEX 2. Events during the January-April 2003 period

January

- **20 January** – The top United Nations envoy for Kosovo, Michael Steiner declared he is ready to hand over all competencies that he legally can to the PISG.
- **20 January** – Serb representatives of the northern Kosovo proclaimed the establishment of the Union of Serb Municipalities of Kosovo. This act was condemned by international and local factors.
- **22 January** – UNMIK's Regional Police Station in Peja was attacked by grenade-missiles. No injuries occurred, and no one claimed responsibility for this attack.

February

- **15 February** – The Board of the Kosovo Trust Agency (KTA) approved the first six socially owned enterprises for privatization. The KTA Board adopted also its operational policies and procedures for privatization.
- **28 February** – Three Kosovo Albanians were transferred to the United Nations war crimes Tribunal in The Hague to face charges on the torture and murder of Kosovo Albanian and Serb civilians.

March

- **4 March** – Fatmir Limaj, a former commander in the KLA indicted for war crimes was transferred from Slovenis to the detention center of the United Nations International Criminal Tribunal for the former Yugoslavia.
- **13 March** – The Assembly of Kosovo passed the Law on Bankruptcy. While drafting this Law, particular attention has been given to compatibility with EU standards.
- **21 March** – Two police stations in Pristina were attacked by grenades. No responsibility was claimed for this attack.
- **23 March** – Following formation of the Union of Serb Municipalities of Kosovo, Serb representatives of the Gjilan/ Gnjilane region proclaimed the establishment of a union of Serb municipalities of this region.

April

- **3 April** – Several thousands of Kosovo Serbs took part in a meeting in the northern part of Mitrovica to protest against the current transfer of competencies from UNMIK to the PISG.
- **15 April** – SRSG Michael Steiner informed the President of the Assembly that he had refused to sign the Law on Higher Education, the Law on External Trade, the Law on Telecommunications and the Law on Management of Public Finances and Liabilities.
- **16 April** – Competition for privatization of the Kosovo Airways Company was brought to the end. The winner is the German company “Hamburg International”, supported by three Kosovo companies.
- **17 April** – After the AKSh claimed responsibility for the bombing of a railway bridge in the Zveçan/ Zvecane Municipality, on 12 April 2003, the SRSG Michael Steiner issued Administrative Direction no. 2003/9 declaring the AKSh a terrorist organization.
- **17 April** – Though a significant process of transferring further responsibilities from the United Nations to local authorities was launched in the last three months, Kosovo still has some way to go in establishing representative and functioning institutes said Secretary-General Kofi Annan.

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