

# *Early Warning Report Kosovo*

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

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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 “Riinvest” 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](mailto:early.warning.ks@undp.org).

## SELECTED INDICATORS

|  | Jan-Apr<br>2003            | May-Aug<br>2003                     | Sep-Dec<br>2003                      | Jan-Apr<br>2004       | Trend |
|--|----------------------------|-------------------------------------|--------------------------------------|-----------------------|-------|
| GDP growth rate (annual), %  | 3.8 <sup>1</sup>           |                                     |                                      | 3.9 <sup>1</sup>      | ↗     |
| Inflation rate (annual), %   | 4-5                        |                                     |                                      | 1.8 (Feb)             | ↘     |
| Bank deposits, million of Euros  | 436.2<br>(Jan-March)       | 457.5<br>(Apr-June)                 | 515.8<br>(Sep-Dec)                   | 541.4<br>(Feb)        | ↗     |
| Commercial bank loans, million of Euros  | 115.8<br>(Jan-March)       | 162.7<br>(Apr-June)                 | 232.8<br>(Sep-Dec)                   | 252.8<br>(Feb)        | ↗     |
| Trade balance, million of Euros  | -247.15                    | -177.79                             | -95.15                               | -176.11<br>(March)    | ↔     |
| Registered job-seekers   | 268,440<br>(March)         | 276,781<br>(July)                   | 280,923<br>(November)                | 287,265<br>(February) | ↗     |
| Consumer Price Index, %<br>(Compared to May 2002)  | 102.5<br>(March)           | 99.6<br>(June)                      | 103.4<br>(November)                  | 103.5<br>(March)      | ↗     |
| Basic pensions (per month), Euros  | 35                         | 35                                  | 35                                   | 40                    | ↗     |
| Political pessimism, %<br>("Not satisfied" or "not satisfied at all" with current<br>political trends) | 41.7                       | 37.3                                | 47.9                                 | 45.4                  | ↘     |
| Economic pessimism, %<br>("Not satisfied" or "not satisfied at all" with current<br>economic trends)   | 67.7                       | 65.0                                | 71.8                                 | 75.3                  | ↗     |
| Subjective welfare pessimism, %<br>(Economic situation in the family equal or worse<br>than last year) | 80.9                       | 87.9                                | 86.5                                 | 91.8                  | ↗     |
| Satisfaction with UNMIK's performance*, %  | 51.9                       | 43.1                                | 28.4                                 | 24.7                  | ↘     |
| Satisfaction with SRSG's performance, %  | 64.1                       | 71.4                                | 43.1                                 | 32.4                  | ↘     |
| Satisfaction with Government's performance, %  | 74.9                       | 78.1                                | 68.5                                 | 73.4                  | ↗     |
| Satisfaction with Assembly's performance, %  | 71.9                       | 74.7                                | 65.3                                 | 64.3                  | ↘     |
| Satisfaction with KFOR's performance, %  | 85.4                       | 81.4                                | 77.6                                 | 83.0                  | ↗     |
| Return of refugees, number of returnees  | 182<br>(Until<br>February) | 1,416<br>(Until the<br>end of June) | 3,370**<br>(Until the<br>end of Nov) | na                    |       |
| Personal security, %<br>("Somewhat safe" or "very safe" while outdoors)                                | 52.9                       | 59.6                                | 51.5                                 | 56.6                  | ↗     |

<sup>1</sup> - IMF latest assessments

\* - "Satisfied" or "very satisfied" with the performance of institutions

\*\* - According to UNHCR data, the total number of returnees during the period 2000-2003 is 9,485

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

|       |  |
|-------|--|
| AKSh  | Armata Kombëtare Shqiptare/ Albanian National Army         |
| BPK   | Bank and Payment of Kosovo                                 |
| CPI   | Consumer Price Index                                       |
| EU    | European Union   |
| EWB   | Early Warning Report                                       |
| EWS   | Early Warning System                                       |
| FDI   | Foreign Direct Investment                                  |
| GDP   | Gross Domestic Product                                     |
| ICG   | International Crisis Group                                 |
| IMF   | International Monetary Fund                                |
| KEK   | Korporata Energjetike e Kosovës/ Kosovo Energy Corporation |
| KFOR  | Kosovo Forces  |
| KPS   | Kosovo Police Service                                      |
| KTA   | Kosovo Trust Agency  |
| LPK   | Lëvizja Popullore e Kosovës/ Kosovo Popular Movement       |
| MEF   | Ministry of Economy and Finances                           |
| MLSW  | Ministry of Labor and Social Welfare                       |
| NATO  | North Atlantic Treaty Organization                         |
| NGO   | Non Governmental Organization                              |
| PISG  | Provisional Institution of Self-Government                 |
| POE   | Publicly Owned Enterprises                                 |
| PTK   | Post and Telecommunication of Kosovo                       |
| SME   | Small and Medium-size Enterprises                          |
| SOE   | Socially Owned Enterprises                                 |
| SOK   | Statistical Office of Kosovo                               |
| SRSG  | Special Representative of Secretary General                |
| TMK   | Trupat e Mbrojtjes së Kosovës/ Kosovo Protection Corps     |
| UNDP  | United Nations Development Programme                       |
| UNMIK | United Nations Interim Administration Mission in Kosovo    |
| UNO   | United Nations Organization                                |
| USAID | United States Agency for International Development         |

## *Executive Summary*

1. The period January-April 2004, specifically the violent protests on March 17-18, represents the most critical period in post-conflict Kosovo. Although protests started peacefully in Mitrovica, they soon spread to other parts of Kosovo, where demonstrators, mainly young people, attacked members of the Serbian population and Ashkalis, their property and the Serb orthodox religious objects. On several occasions the violence was directed towards international security forces as well. In the two critical days almost the entire security and political system in Kosovo was proven inoperative, with severe consequences to the political and institutional life, inter-ethnic relations and public and personal security.

2. With hindsight, the March 2004 protests revealed a number of weaknesses and lapses in the current security system, which were manifested by: i) the apparent absence of an effective intelligence capability; ii) the deficiency of special forces for crowd control and for the preservation of public law and order; iii) the absence of action plans and coordination; iv) the slow establishment of the OPMs liaison office of public safety; v) a slow response and the absence of critical attitudes from domestic actors.

3. With the intensity and nature of the March unrest, it was not just the security forces that were surprised, but also the entire political spectrum, domestic and international. Optimistic assessments of international and domestic actors regarding the progress achieved and the absence of security threats did not correspond with the indicators that showed an increase of the dissatisfaction of Kosovo citizens. Previous public opinion polls, carried out within the EWS project have anticipated aggravating trends in many areas that indicated the possibility of destabilization. Such trends might have been taken, by all relevant actors, as a sufficient sign that unrest amongst the Kosovo population could be easily organized, especially amongst the young population, and that such protests could be exploited by extremists' element in order to channel peaceful protests into violent ones.

The authors of the EWRs were taken by surprise as much as anyone else by the timing, intensity and nature of the violence of March 2004. Nevertheless the team does feel that these successive reports have warned of increasing dissatisfaction and therefore instability over 2 years. As elsewhere, 'early warning' has failed to translate into 'early action'.

4. This Report argues that in the political, economic and societal circumstances currently prevailing in Kosovo, in spite of some new strategies and incentives, the causes for re-occurrence of violent protest have remained:

- a) The increasing dissatisfaction and aggravation of the situation have become systemic and are approaching critical levels. During the period November 2002 – March 2004 the levels of pessimism marked a high degree of warning regarding the possibility of an emergency situation, as in March 2004: i) perceptions of family well-being marked a decrease of about 20%; ii) political and economic pessimism increased also by about 10%; iii) the level of registered unemployment marked an increase of about 30%, while iv) dissatisfaction with the performance of the Kosovo Assembly increased by some 10%.

- b) The surveys carried out within the EWS project have indicated a trend of decreasing satisfaction with the performance of many institutions, to a considerable extent with international institutions, and somewhat less with the Government of Kosovo. During the period November 2002 – March 2004, satisfaction with the performance of UNMIK and the SRSG decreased by about 40%, satisfaction for the Assembly decreased by about 10% and for the Government of Kosovo by some 5%.
- c) The March crisis has further complicated the already difficult relations between Kosovo Albanians and Serbs and generally between Pristina and Belgrade. Consequently, the prospects for the Pristina-Belgrade dialogue do not seem bright.
- d) A part of the Kosovo parties, institutions or individuals in responsible positions are demonstrating a tendency to win favour with the voters in the October elections by using heavy-handed measures.
- e) The presence of extremist forces is another factor that can affect political processes and stabilization.
- f) During 2004, the Kosovo economy will be challenged by several factors with impact on the stability and the sustainability of economic growth: i) serious delays in implementing the privatization process; ii) the decrease of external financial infusion and the lack of long-term resources to meet the needs for public investments; iii) the lack of socio-economic cohesion between the respective key actors; iv) the lack of a strategy for generating investments, v) the continuing subvention of public enterprises, caused by serious delays in their restructuring.
- g) Tragic events of March 17-18 2004 pronounced fully the whole complexity and fragility of inter-ethnic relations between Albanians and Serbs. Kosovo society has still not managed to influence appropriately the young Albanian population to overcome problems and inter-ethnic hostilities of the past and to build a spirit of inter-ethnic tolerance.
- h) This Report's survey indicates that the cooperation of the population with the police is still not at a satisfactory level, especially that of the Serb population. About 48% of Albanian respondents, 85% of Serbs and 40% of non-Serb minorities consider that this cooperation is 'very bad', 'bad' or 'neither good nor bad'.

## *Political and Institutional Stability*

### **March protests – a blow to political and institutional stability**

5. The period January-April 2004 represents a turning point in the political and institutional life of post-conflict Kosovo. This turning point was caused by the acute crisis that erupted unexpectedly, when on March 16, in tragic circumstances, three Albanian children drowned in the river Ibër/ Ibar in the village of Çabër/ Cabra north of Mitrovica. One child that had survived the accident has stated to the media that the drowning of his three friends was the consequence of being chased by Serb neighbors with a dog. It happened at a time of rising tensions in Kosovo, especially in the divided town of Mitrovica<sup>1</sup>. Warning signs of rising tensions and insecurity that occurred before the March riots included: i) an attempted attack on Minister Ethem Çeku on February 21, that resulted in him being wounded, ii) an explosives attack on the residence of President Ibrahim Rugova on March 12, iii) the discovery of large amounts of explosive planted in the immediate vicinity of UNMIK head-quarters; iv) on March 14 local Serbs blockaded the major Pristina-Skopje road in the village of Çagllavicë/ Caglavica near Pristina in protest against the earlier wounding of a young Serb; v) the organization of protests by Kosovo Albanian war veteran organizations as well as the more radical political parties in all centers of Kosovo on March 16, where one of the targets of dissatisfaction was UNMIK.

Protests started peacefully in Mitrovica on March 17, but soon turned into bloody unrest<sup>2</sup>. During that day and afterwards the conflicts spread over to other parts of Kosovo, where demonstrators, mainly young people, attacked Serbs and Ashkalis, as well as their property and Serb orthodox religious objects. On several occasions violence was directed towards international security forces. The authorities have accused extremist individuals and groups for the destructive nature of the events that are currently being investigated<sup>3</sup>.

6. During two critical days (March 17 and 18), almost the entire system in Kosovo proved inoperative. UNMIK police and KFOR forces, assisted by the Kosovo Police Service, and, if and where requested, the KPC, could not manage to stop the protesters or to organize an efficient defense of targets under attack. The intensity and nature of unrest deeply surprised the security forces, but also the entire political spectrum, domestic and international.

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<sup>1</sup> Some media in their first comments after the events described the situation in Kosovo until then as one of 'faked peace': "By tolerating Serb parallel forces and crime in northern Mitrovica, the international community kept a faked peace that disappeared in just as a logical manner"; the daily newspaper 'Kosova sot' of March 18, 2004. Otherwise, 'the inability of UNMIK to administer the entirety of Kosovo' has been criticized also before – see the editorial of the daily 'Koha ditore', February 12, 2004.

<sup>2</sup> It was rumored that hundreds were wounded and several killed. Initially it was said that there were 28 victims, but later officially it was confirmed that 19 people died.

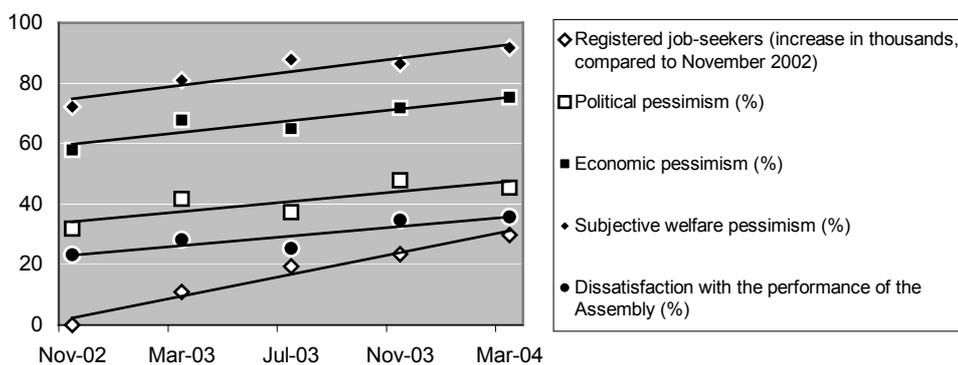
<sup>3</sup> More than 260 protest participants and leaders of extremists' organizations have been charged or are currently under investigation.

7. The intensity of violence and the damage inflicted by the protests brought to the surface the deficiency of special forces for crowd control and for the establishment of public law and order. Several factors have contributed to this deficiency:

- Optimistic assessments of both international and domestic actors regarding the progress achieved and the lack of any threats to security. Based on these assessments, KFOR forces had been reduced to 17.000 soldiers. In addition, the mandate of the KFOR troops had also been changed, especially in relation to the protection of locations and objects of a special interest. The March violent protests demonstrate that these were premature decisions.
- A considerable reduction in the administering capacity of UNMIK. These measures were not sufficiently compensated through the engagement of domestic capacities i.e. with the transfer of competencies in the sensitive sectors of security such as the case with the slow establishment of the OPMs liaison office of public safety. In addition, there is still a lack of a carefully thought out transition strategy between UNMIK police and the KPS.
- The lack of functional and efficient mechanisms for coordinating issues of order and security, and other levels of strategic and operational policies between UNMIK and KFOR and between UNMIK, KFOR and the self-governing bodies of Kosovo.

8. Domestic actors were not only surprised by the protests, but they also were not aware of their long-term consequences. Some political leaders publicly condemned the violence in the afternoon of March 17, by appealing to protesters to bring to an end the acts of violence. However, in most statements issued or actions undertaken lacked the decisive condemnation of violence and the clear and necessary energy to communicate effectively with citizens. Furthermore, a part of the Kosovan Albanian leadership was more preoccupied with the causes than with explaining the danger from acts of violence against minorities, their cultural heritage, and against KFOR, UNMIK Police, and UNMIK mission.

9. Optimistic assessments of both international and domestic actors regarding the



**Fig. 1.1. Some warning trends related to the overall stability in Kosovo**  
Source: EWS Opinon Polls November 2002 – March 2004

progress achieved and the absence of security threats did not correspond with the opinions of Kosovo citizens, i.e. with the indicators showing the scale of increase of their dissatisfaction. Previous opinion polls carried out within the EWS project have

anticipated aggravating trends in many parameters that indicate the possibility of destabilization. As well, the opinion poll carried out shortly before the violent protests of March 2004 have shown clearly that the trends of increasing dissatisfaction and of aggravation of the situation have become systemic and are approaching critical levels. Fig. 1.1 and Table A.1.2 in the annex give a comparative presentation of five surveyed indicators during the period of November 2002 – March 2004, where levels of pessimism marked a high warning level: i) the perception of family well-being marked a decrease of about 20%; ii) political and economic pessimism has also increased by about 10%; iii) the level of registered unemployed marked an increase of about 30%; iv) dissatisfaction with the performance of the Kosovo Assembly increased by some 10%.

10. Although no comprehensive analysis of the causes and consequences of the March unrest have as yet been completed, the information that is currently available speaks more in favor of characterizing the events as accidental developments rather than as an increasing confrontational force that will mobilize again in the future for actions similar to those in March<sup>4</sup>. There is some evidence to indicate that the overwhelming majority of Kosovans, including political and governing organizations and institutions, do not support the violent and the confrontational behavior toward the international missions. However, vigilance is required and measures, both corrective and preventative need to be undertaken to ensure long-standing solutions are found. The tense situation, the numerous unresolved problems, the lack of perspective, the negligence towards improving living conditions, and the lack of progress toward re-establishing confidence between international missions and the majority of citizens of Kosovo are factors that leave considerable room for extremist forces wanting to cause further destabilization.

11. The events of March have deepened the gap between communities. However, in the mean time there have been initiatives, such as that of the Prime Minister Bajram Rexhepi, that have attempted to promote an internal Albanian-Serb dialogue as a more productive beginning for the return of mutual confidence<sup>5</sup>. In general, the lack of readiness of local Serbs for integration<sup>6</sup> is seen as just as much of a problem as the activity of Albanian extremism and indecisive leadership. There is still a lack of substantial debates within the institutions, political parties, and civil society on lessons learned from the March protests. This is especially so with respect to the responsibility of Albanians as a majority in Kosovo towards the implementation of international standards related to minorities, as well as regarding the irreparable damage from the acts of violence and extremism on the future of Kosovo.

### Strategies, policies and difficulties after the March protests

12. The collapse of the security system on March 17 and 18<sup>7</sup>, immediately reinforced with the engagement of additional NATO forces and with the

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<sup>4</sup> A typical opinion about the situation and the danger, can be found in the statement of general Bernard Ratell, commander of the Brigade in the North of Kosovo: "There is no danger for security in the military point of view, but there is a danger for the return of violence, as in both sides of Mitrovica extremist groups are active", *'Koha ditore'*, February 4, 2004.

<sup>5</sup> 'The prime minister prefers an internal dialogue with Kosovo Serbs – beginning in Fushë Kosova/Kosovo Polje', daily *'Koha ditore'*, April 28, 2004.

<sup>6</sup> 'Serb refusal to participate in the fulfillment of standards obstructs the process', daily *'Zëri'*, February 17, 2004.

<sup>7</sup> 'The KFOR and NATO have lost their aura of invulnerability and invincibility. The perception of international weakness and lack of resolve will not be lost on extremists in Kosovo and elsewhere in the Balkans, including newly resurgent nationalists in Belgrade', ICG Report No.155: *'Collapse in Kosovo'*, April 2004.

mobilization of other international and domestic governing actors, has triggered a debate about responsibilities and solutions. As far as responsibilities are concerned, a tendency of mutual accusations is noticeable: UNMIK complains about the failure of KFOR (NATO)<sup>8</sup>, NATO officials are not satisfied with UNMIK, while both UNMIK and KFOR blame the leaders and institutions of Kosovo for not being sufficiently engaged to guarantee minorities their rights and greater security in Kosovo<sup>9</sup>. For their part, the Kosovo leaders try to justify themselves with lack of competencies and turn back the blame to internationals<sup>10</sup>.

13. More productive are the comprehensive re-consideration of police and administrative mechanisms in Kosovo. These are not only aimed at avoiding a crisis similar to that of March, but also in providing real and accelerated development. The new approaches are focused on the re-consideration of the mandate of UNMIK, as well as on searching for alternative models of administration for Kosovo. Among such mechanisms is the formation of the Support Group for Kosovo that has been initiated by the US; other participants include the Contact Group, EU, NATO, UNMIK and the Kosovo institutions<sup>11</sup>. Nevertheless, analysts indicate that a considerable amount of time would be needed to develop and approve a new strategy and policy on the Kosovo issue<sup>12</sup>.

14. The March crisis has effected a change in priorities related to politics and security policies. Although the policy of "Standards before Status" remains on the top of the international agenda, which in the mean time has adopted the 'Kosovo Standards Implementation Plan'<sup>13</sup>, several other priorities are also being imposed with urgency, such as the accelerated transfer of competencies to the PISG, including those reserved for the SRSG. The policy of 'Standards before Status' is now being assessed, not necessarily as wrong and misleading, but at least as insufficient<sup>14</sup>. Initially an agreement has been reached for the speedy establishment of offices, within the framework of the cabinet of the prime minister of Kosovo, and for some sectors of administration that have been absent from the cabinet until now (foreign affairs, internal affairs, energy issues, judiciary). The only exception is the department of defense that still remains the reserved right of the SRSG. Initially they were conceived more as offices for coordination and cooperation with the SRSG, without decision-making authority. But, since April the office for foreign

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<sup>8</sup> SRSG Harri Holkeri: "NATO secret services have failed in Kosovo", daily *'Koha ditore'*, May 4, 2004.

<sup>9</sup> ICG Report No.155: *'Collapse in Kosovo'*, April 2004.

<sup>10</sup> In an article published in the daily *'Koha ditore'*, Muhamedin Kullashi, a Kosovo philosopher that lives in Paris, criticizes the self-justifying discourse of the Kosovo leadership: 'UNMIK and KFOR have admitted officially a part of the responsibility for what has happened. Hardly any Kosovan politician accepted any responsibility'. Among the weaknesses of Kosovan actors that Kullashi considers as dangerous for vital interests of Kosovans is that of 'converting critical objections to hostile attitudes towards internationals', article 'Violence and Failure', daily *'Koha ditore'*, May 1, 2004.

<sup>11</sup> 'Support Group for Kosovo is established with Initiative of the US', daily *'Zëri'*, April 5, 2004.

<sup>12</sup> Tim Judah, author of several books on Kosovo and expert on Albanian-Serb and regional problems as well as of international policies states: 'There will be at least several months needed for formulating a new policy on Kosovo', daily *'Koha ditore'*, April 27, 2004.

<sup>13</sup> 'Kosovo Standards Implementation Plan', draft published as special annex in dailies *'Koha ditore'* and *'Zëri'* on March 31, 2004.

<sup>14</sup> "The policy of 'Standards before Status' is as a strategy necessary but insufficient for resolution of the issue of Kosovo and this is the reason why the US has to engage more intensively in this issue, while the UN should undertake many new measures, among them also the adoption of a new Security Council resolution, in order to establish new parameters for the decision making about the final status of Kosovo", Daniel Server, director of Balkan Initiatives of the USIP, according to Radio B92, April 17, 2004.

affairs has been called a 'core of the foreign ministry of Kosovo'<sup>15</sup>. Such partial delegation of reserved powers<sup>16</sup> have in some way rewarded the prime minister of Kosovo for his determined attitude during the unrest, especially in light of the criticism regarding confusion and hesitation that have been manifested by other leaders and institutions of Kosovo.

The fact that the domestic actors consider these offices as the core of future ministries means that expectations could be exaggerated. This imposes the need to define the role and competencies of these offices in a precise and transparent way so that the public would have a clear perception of how the PISG will benefit as far as reserved powers are concerned. Otherwise frictions and new disagreements could emanate between the domestic and international administrators. This was in a way anticipated in a session of the Assembly of Kosovo held on April 28, 2004 where some Albanian Assembly Members expressed their reservation towards the initiatives for these liaison offices, considering them to be insufficient in comparison to the demand for respective ministries.

**15.** The March crisis has further complicated the already difficult relations between Albanians and Kosovo Serbs and generally between Pristina and Belgrade. Although some international actors have assessed the role of Belgrade as a constructive one, there are also opinions, especially in Kosovo, that one of the major causes of the dissatisfaction of Kosovans is the official policy of the new Government of Serbia, where there is currently a coalition of parties with nationalistic orientation in power, supported by the SPS lead earlier by Slobodan Milosevic<sup>17</sup>. Some analysts consider that 'Belgrade is pushing an unrealistic policy for Kosovo'<sup>18</sup>, that is the proposal for the partitioning or cantonization of Kosovo<sup>19</sup>. Also before the events of March the new Prime Minister of Serbia, has come out with a new formula for 'fundamental autonomy for Kosovo Serbs, within a fundamental Kosovo autonomy within Serbia'<sup>20</sup>. The project is further made concrete with the drafting of the 'Plan for Kosovo', supported by all political subjects in Serbia and adopted by the Serbian Parliament<sup>21</sup>. The Serbian Plan anticipates the establishment of five political-territorial Serb entities in Kosovo with a high degree of autonomy, which practically may lead to the partitioning of Kosovo.

**16.** Kosovo institutions have declared themselves against Serbia's 'Plan for Kosovo'<sup>22</sup>, and against opinions that it offers a good basis for the beginning of a dialogue<sup>23</sup>. Kosovo Institutions consider that the decentralization of Kosovo on ethnic principles cannot be a basis for dialogue, because it may further deteriorate the already tense inter-ethnic relations. The draft Law on Local Administration presents an opportunity to discuss these issues and to offer a beneficial and sustainable program for decentralization in Kosovo.

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<sup>15</sup> Prime minister Bajram Rexhepi, daily '*Koha ditore*', March 24, 2004.

<sup>16</sup> The idea of transfer of authorizations has been more clearly formulated by the British foreign minister for Europe Denis McShane: 'Less UNMIK, more self-governance', daily '*Zeri*', April 22, 2004

<sup>17</sup> 'Government of Serbia supported by SPS – bad news for Europe', daily '*Koha Ditore*', February 17, 2004.

<sup>18</sup> Tim Judah, daily '*Koha ditore*', April 27, 2004.

<sup>19</sup> Aleksa Djilas: 'Partitioning of Kosovo is the only solution', daily '*Koha ditore*', March 27, 2004.

<sup>20</sup> Kostunica: 'There are four most important task facing Serbia', [www.b92.net](http://www.b92.net), March 2, 2004.

<sup>21</sup> The Parliament adopted the Plan for Kosovo, [www.b92.net](http://www.b92.net), April 29, 2004.

<sup>22</sup> Daily "*Zeri*", May 6, 2004.

<sup>23</sup> This was also the opinion of SRSG Harri Holkeri: 'The Plan is a good basis for dialogue', [www.b92.net](http://www.b92.net), May 5, 2004.

17. The prospects for the Albanian-Serb dialogue, initiated by the SRSG in October 2003 and focused initially in practical and emergency issues, do not seem bright. The continuation of the dialogue will depend on the reconsideration to date of present strategy and policies. It will also depend upon the positive engagement of Serbia and Kosovo Serbs. The existence of Serb parallel structures in Kosovo that function as an extended arm of the Government of Serbia is seen as a problem. Some Serb leaders have also complained that the existence of parallel structures obstructs the creation of multi-ethnic municipalities and normal cooperation among ethnic communities<sup>24</sup>.

18. Another element that makes it difficult to predict the behavior of relevant actors in Kosovo is the forthcoming general elections to be held in October. Even before the March events, some actors have demonstrated a tendency to win favor with the electorate for the October elections, by using heavy-handed measures. A typical example of this is the paintings that were put on the walls of the Assembly of Kosovo during the restoration of the Assembly hall. The paintings, which are from Albanian national history, were placed there without any preceding democratic procedure. The murals caused a boycott of the Assembly by Serbian Assembly Members that still continues. They also served to worsen the relations between the Assembly vis-à-vis the SRSG and UNMIK.

19. The presence of extremist forces is another factor that can affect political processes and stabilization. This does not relate only to the illegal organization of AKSh, that has been active primarily in Macedonia, but also to other organizations with radical programs that consider even the international forces in Kosovo as occupying forces, and pledge that there will be no peace and order and security in Kosovo until the demands of the people of Kosovo<sup>25</sup> are fulfilled. For the time being it is clear that extremism cannot be fought and prevented only with the engagement of the international intelligence and security forces. It requires also the engagement of the domestic security and intelligence forces. This is another issue that cannot be resolved with only the mediation of UNMIK and the mandate that it currently has in Kosovo<sup>26</sup>.

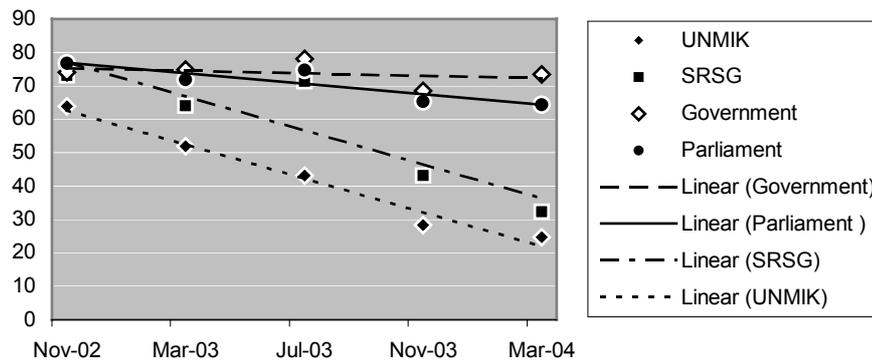
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<sup>24</sup> A local Serb leader from the village of Bresje near Fushe-Kosova/ Kosovo Polje, Svetislav Grujic, in an interview to the daily 'Zëri' has accused the Government of Serbia that with its funds it obstructs the functioning of multi-ethnic municipalities in Kosovo, by stimulating Serbs to keep away from legal Kosovo institutions where they used to be employed; daily 'Zëri', February 9, 2004.

<sup>25</sup> 'Peace and stability can be established only when demands of the Albanian people are fulfilled', Emrush Xhemajli, president of the LPK, daily 'Koha Ditore', March 19, 2004.

<sup>26</sup> Daniel Server: 'The Security Council has not passed a resolution on Kosovo since the end of the NATO/Yugoslavia war. The time is coming for it to set the parameters for a Kosovo final status decision. Any new resolutions should include ironclad international guarantees of Serb and other minority rights and safety as well as the following four 'no's: 1) No return of Kosovo to governance from Belgrade; 2) No partition of Bosnia and Macedonia; 3) No alienation of Serb property or monuments in Kosovo; 4) No violence; "Kosovo:Status with Standards", Newsbyte, USIP web site.

The success of any new strategy for Kosovo will depend very much on the confidence and satisfaction of the population with the relevant international and domestic institutions active in Kosovo. The surveys carried out within the EWS project have indicated a trend of decreasing satisfaction with the performance of many institutions; dissatisfaction among respondents is particularly high toward the international institutions and somewhat less toward the Government of Kosovo (see Fig. 1.2 and Table A.1.3 in the Annex)<sup>27</sup>. During the period November 2002 – March 2004, satisfaction with the performance of UNMIK and the SRSG<sup>28</sup> has decreased about 40%, by about 10% for the Assembly and by some 5% for the Government of Kosovo. It is worth noting that the decrease of satisfaction with UNMIK and the Assembly has a trend of dissatisfaction, as opinions for the government vary over time. Considering this, it is important that these institutions



**Fig. 1.2. Satisfaction of respondents with the performance of various institutions – “satisfied” or “very satisfied” respondents**  
**Source: EWS Opinion Polls November 2002 – March 2004**

work toward improving their image among the population, by concentrating on issues such as improving the standard of living and ensuring a secure and stable Kosovo.

One of the key issues related to the fall of credibility of international and domestic institutions in Kosovo is a perception that they are not effective enough when it comes to law enforcement and the building of a lawful state. Almost none of the serious crimes that have occurred in the post-conflict period in Kosovo are fully clarified, nor have all their perpetrators been brought to justice. In addition, economic crime and the corruption scandals (in customs, PTK, KEK etc.) have not been completely solved by the competent institutions, though there has been some high profile arrests.

<sup>27</sup> March 2004 survey has been carried out one week before the protests.

<sup>28</sup> The respondents “satisfied” or “very satisfied” with the performance of these institutions.

## *Economic and Social Stability*

### **Factors that challenge economic growth**

20. At the beginning of 2004, the institutional and policy environment in Kosovo continued to be inadequate in terms of generating economic growth. This may hinder the implementation of economic reforms and aggravate the social situation. During 2004 the Kosovo economy is challenged by the following factors which impact on the stability and the sustainability of economic growth:

- Serious delays in the privatization process of SOEs and the restructuring of public enterprises, as well as the loss of credibility of privatization in the eyes of potential investors because of the change of the privatization policies;
- The decrease in external financial flows (donor assistance and remittances) and the lack of long-term resources to face the needs for public investments;
- Lack of social-economic cohesion between the key actors (trade unions, Government, businesses) as a precondition for success in the course of economic reforms;
- Lack of a strategy for generating investments from financial resources at disposal (deposits and the bank savings, public enterprises' deposits -PTK, privatization income);
- Continuing subsidies to public enterprises, caused by serious delays in their restructuring.

### **The GDP trend and it's components**

21. **GDP Trend.** Based on the IMF latest estimations<sup>29</sup>, it is expected that during 2004 the GDP will increase by 3.9%. This growth rate may be put at risk by the unfavorable circumstances mentioned above:

- a) International donations and remittance from Diaspora explain the relatively high growth rates marked during the first two-three years after the 1999 conflict (see Fig. 2.1). While the donations in 2000 were around €975.7 million, in 2003 they came down to €120.2 million. As a result of the decrease in the external financial flows, economic growth during 2003 was low. Low growth rates have caused a decrease in aggregate consumption, as an important component of GDP. Although the donors have pledged that they will offer around €70 million more in 2004 than in 2003, so far resources that would be able to replace the external infusion of previous years in Kosovo have not been generated so as to secure a sustainable economic growth.

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<sup>29</sup> IMF, Study visit to Kosovo, March 10-19, 2004.

Table 2.1. Some macroeconomic indicators (2000-2004)

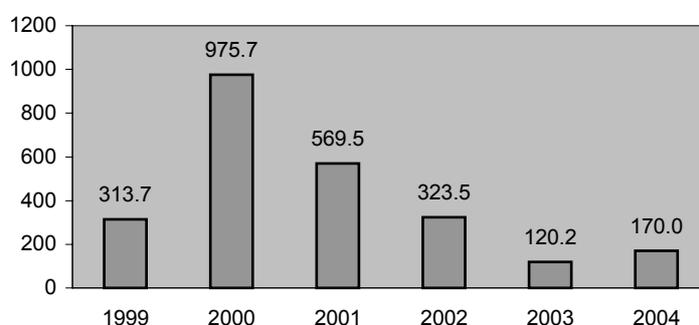
|  | 2000             | 2001             | 2002             | Jan-Apr<br>2003     | May-Aug<br>2003                   | Sep-Dec<br>2003    | Jan-Apr<br>2004    |
|--|------------------|------------------|------------------|---------------------|-----------------------------------|--------------------|--------------------|
| GDP, million € <sup>1</sup>                            | 850              | 1,255            | 1,522            |                     | 1,580                             |                    | 1,641 <sup>2</sup> |
| GDP growth (annual), %                                 |                  | 47.6             | 21.3             |                     | 3.8                               |                    | 3.9 <sup>2</sup>   |
| GDP per capita, in € <sup>1</sup>                      | 405              | 608              | 674              |                     | 680                               |                    | 705 <sup>2</sup>   |
| Inflation rate (annual), %                             |                  | 11               | 6.5              |                     | 4-5 <sup>2</sup>                  |                    | 1.8 % (Feb)        |
| Bank deposits, million € <sup>3</sup>                  | 88.4             | 464.8            | 394.6            | 436.2 <sup>4</sup>  | 457.5 <sup>4</sup>                | 515.8 <sup>4</sup> | 541.4 (Feb)        |
| Commercial bank gross loans, million € <sup>3</sup>    |                  |                  |                  | 115.8 <sup>4</sup>  | 162.7 <sup>4</sup>                | 232.8 <sup>4</sup> | 252.8 (Feb)        |
| Interest rate (annual), % <sup>3</sup>                 | 14-22            | 14-22            | 12-18            | 15.96               | 15.15                             | 14.37              | na                 |
| Trade balance, million € <sup>1</sup>                  | -968             | -857             | -1,000           | -247.15             | -177.79                           | -95.15             | -176.11 (March)    |
| • Export, million € <sup>1</sup>                       | 148              | 231              | 246              | 8.83 <sup>5</sup>   | 6.54 <sup>5</sup><br>(May-Jun)    | 3.7<br>(Sep)       | 8.93<br>(March)    |
| • Import, million € <sup>1</sup>                       | 1116             | 1058             | 1246             | 255.98 <sup>5</sup> | 184.33 <sup>5</sup><br>(May- Jun) | 98.85<br>(Sep)     | 185.04<br>(March)  |
| Imports coverage by Exports<br>(Exports/Imports*100)   | 13.3%            | 21.8%            | 19.7%            | 3.4%                | 3.5%                              | 3.7%<br>(Sep)      | 4.82<br>(March)    |
| Government expenditures, million €                     | 285.6            | 288.2            | 383.7            |                     | 556.9                             |                    | 619.3*             |
| ▪ Current expenditures                                 | 92%*             | 92%*             | 90%*             |                     | 72%*                              |                    | 79%*               |
| ▪ Capital expenditures                                 | 8%*              | 8%*              | 10%*             |                     | 28%*                              |                    | 21%*               |
| ▪ Expenditures as a % of GDP                           | 33.6%            | 23.0%            | 25.3%            |                     | 35.2%                             |                    | 37.7%              |
| ▪ Increase in expenditures                             | -                | 0.9%             | 33.1%            |                     | 45.1%                             |                    | 11.2%              |
| Registered job-seekers                                 | 208,074<br>(Dec) | 237,958<br>(Dec) | 257,505<br>(Dec) | 268,440<br>(Mar)    | 276,781<br>(Jul)                  | 280,923<br>(Nov)   | 287,265<br>(Feb)   |
| Consumer Price Index, %<br>(May 2002=100) <sup>6</sup> |                  |                  | 102.1<br>(Dec)   | 102.5<br>(April)    | 99.6<br>(June)                    | 103.7<br>(Dec)     | 103.5<br>(March)   |

<sup>1</sup> – IMF latest assessments, <sup>2</sup> – IMF projected rates, <sup>3</sup> – Banking and Payment Authority of Kosova, <sup>4</sup> – end of period,

<sup>5</sup> – Ministry of Economy and Finance, <sup>6</sup> – Statistical Office of Kosova, \* – IMF, Study visit to Kosova, March 10-19, 2004.

- b) Based on the survey conducted by Riinvest with SMEs for 2003<sup>30</sup>, only 23% of the surveyed enterprises assessed that their business are better than in the previous years, whereas 50% consider it worse. More than half of the surveyed enterprises consider that their business in 2004 will remain the same or even get worse.
- c) The unfavorable economic trends of the past year have also been reflected in the insufficient mobilization of both private and public investments. According to the Riinvest survey, the intensity of the private SME investments is decreasing. In 2002 around 60% of the surveyed SMEs had made investments, whereas in 2003 this had dropped to 50%<sup>31</sup>.
- d) The violent protests of March 17-18 will likely considerably influence the expectations of businesses and families regarding the economic situation in the future. As a result, businesses may be conservative when deciding on their future investments leading perhaps to lower investment, less job opportunities, lower aggregate demand, and as a consequence a lower increase of GDP in comparison with the forecasted rate of 3.9%. The stagnation in privatization and the hesitation of foreign investors as a result of the riots will also negatively impact on the forecasted economic growth. Therefore, generating economic growth at this moment needs to be based on the stimulation of domestic and FDI investments, with a proactive program for improving the policy environment.

**22. Governmental Expenditures.** Total governmental expenditure is expected to increase in 2004 by around 11%, while capital expenditure will increase by around 21%. This is the only component that can increase aggregate demand and influence GDP growth. However, it has to be taken into consideration that during previous



**Fig. 2.1. Donor contributions in Kosovo, in million Euros (committed)**

*Ssource: RIMS database; December 9, 2003*

years some services and goods were covered by donations, whereas now they have to be covered from the Kosovo Consolidated Budget, so that the increase in government expenditure is not expected to bring any substantial impact on GDP. In addition, a considerable amount of the budget surplus will have to be directed to the repairing of damages caused during the March protests.

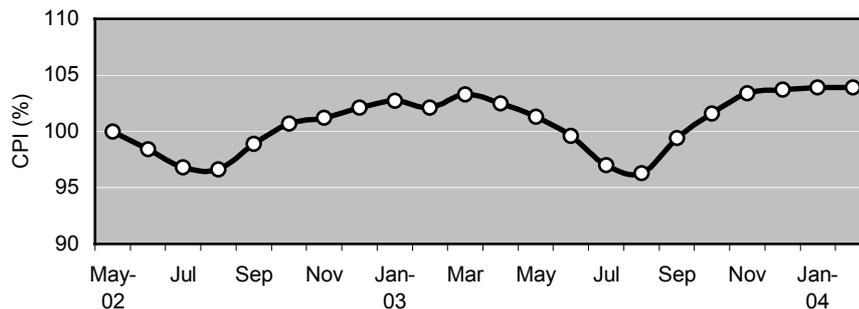
**23. Prices.** Starting from October 2003 prices in Kosovo have been increasing, even though during the period November 2003 to February 2004 this increase was rather small (see Fig. 2.2). The Consumer Price Index (CPI) in March 2004 has reached the value 103.5 compared to May 2002 (May 2002 = 100).

<sup>30</sup> Riinvest's survey of SMEs, December 2003.

<sup>31</sup> Riinvest's survey of SMEs, 2002-2003.

Based on data from the Statistical Office of Kosovo, prices during 2003 have marked an increase of 1.1%, which indicates a measure of the inflation rate for that year. However, the comparison of the CPI value for February 2003 (102.1) with the value for March 2004 (103.5) shows that the prices in March 2004 have increased 1.4%, indicating that there is a trend of increase in the inflation rate in Kosovo.

**24. Unemployment.** Unemployment remains one of the biggest socio-economic problems. The number of registered job-seekers has increased since 2000, when registration began. Fig. 2.3 illustrates the increasing trend of registered job-seekers during the period December 2000 - February 2004. As can be seen from this figure, the corresponding rate of annual increase is almost linear - around 10 to 12%. The registered unemployed are mainly concentrated in the age groups up to 39 years and to unqualified individuals. The gender structure of the unemployed has not undergone essential changes<sup>32</sup>. Due to the limited budget, the Government has been unable to make any serious progress toward more active employment policies<sup>33</sup>.

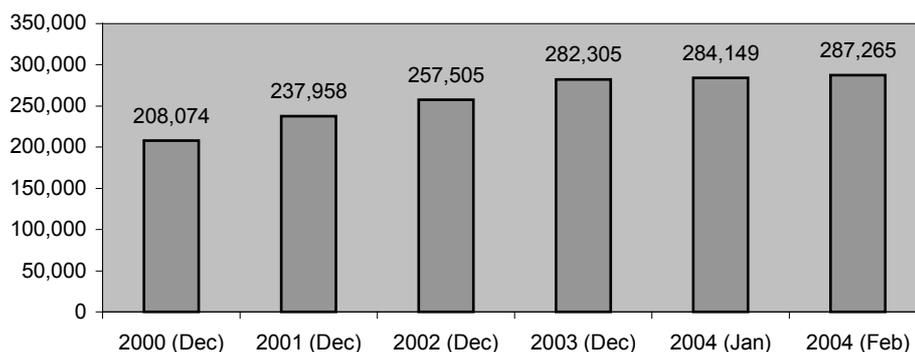


**Fig. 2.2. Consumer Price Index (May 2002=100)**

Source: SOK, Economic Statistics, February 2004

<sup>32</sup> Source: MLSW.

<sup>33</sup> Lately, MLSW together with other social partners is discussing the Law on Job Promotion, focused on creating a governmental fund for the stimulation of employment.

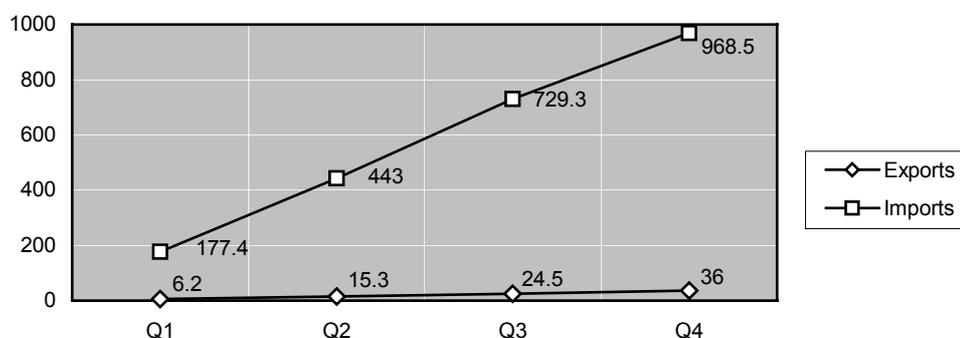


**Fig. 2.3. Number of registered job-seekers (2000-2004)**

Source: Ministry of Labor and Social Welfare

The registered unemployed data needs to be handled with caution. In order to receive social assistance, a person needs to be registered as unemployed. Although this does not exclude the fact that those who receive social assistance are unemployed, it is possible that a person is out of the work force, but registered as unemployed. In addition, the lists of the unemployed are not updated for those who found jobs in the meantime or who do not belong to the work force any more. This imposes the necessity of updating the social-demographic statistics and the job market data.

**25. Banking System.** The banking system has reached a relatively satisfactory level of consolidation. Bank deposits and loans are marking a continuous increase, although the deposits are marking a slower increase compared to the loans<sup>34</sup>. During the period October 2003 – February 2004 deposits have marked an increase of 6.6%, while the increase of loans amounted to 23.2% (see Table 3.1)<sup>35</sup>. The



**Fig. 2.4. Cumulative trends of exports and imports during 2003 quarters (in million Euros)**

Source: MEF, 2003

largest part of the loans are in the trade sectors (50.4%), services, tourism and hotels/restaurants (17%), and the lowest part are in the manufacturing businesses (7%). There is a decrease in the tendency to keep financial deposits in foreign financial institutions<sup>36</sup>: while at the end of 2002, such deposits amounted to €275.4 million, in February 2004 they rated about €93.5 million. The commercial banks are more oriented towards local businesses. However, the loan conditions are not

<sup>34</sup> A faster increase of deposits was noticed during 2001, when the banking system was established, especially at the end of 2001, when DM was replaced with Euro.

<sup>35</sup> BPK Monthly newsletter, February 2004.

<sup>36</sup> Riinvest's report: «Trade Policy and the Export Promotion», 2003.

favorable, since the normal rates of interest are 11-14%, while the maturity periods are usually short and without a grace period. As such, they are still inappropriate for the manufacturing and agricultural businesses.

**26. Trade Deficit.** The key problem of the Kosovo economy lies in the low level of the manufacturing industry, and especially the exporting industry. This has a negative influence in the area of foreign trade. At the end of 2003<sup>37</sup> Kosovo marked a trade deficit of €932.5 million, or 71% of GDP: the exports amounted to €36 million and covered only about 3.7% of the imports<sup>38</sup>. A survey conducted among SMEs has shown that only 6.5% of Kosovo SMEs have exported during 2003, with an average value of €134,000<sup>39</sup>. At the beginning of 2004, exports continue to be very low, there is still very modest coverage of exports with imports (4.8%) and does not show any signs of positive changes in the short-term. The imbalance between imports and exports is actually being covered by remittances from Diaspora and international donations.

The current huge trade deficit should be addressed primarily through the building of competitive capacities among local manufacturers, as well as through an integrated strategy of export promotion<sup>40</sup>.

### Problems related to privatization

**27.** The long months of recess and the stagnation of privatization are creating considerable difficulties in implementing the economic reforms and in developing the socio-economic sustainability in Kosovo society. The negative effects are reflected in:

- The delay in the implementation of standards;
- Discouraging potential investors and damaging the business image of Kosovo;
- Damages inflicted to the new owners of the privatized enterprises;
- Disputes between UNMIK/KTA and the local institutions;
- Politicization of the privatization process.

1. The stagnation of privatization will negatively affect the implementation of “Standards for Kosovo”. Privatization of SOEs and the restructuring of POEs are determined as essential elements for the implementation of the standards in the economic sphere. Lost time will be very difficult to compensate if immediate changes are not managed by key actors, especially those from UNMIK’s Pillar IV. The consequences of this delay will negatively reflect on Kosovo society, even though the responsibility does not lie exclusively with local actors. Based on this Report’s survey, the respondents of all communities see UNMIK and KTA as the main responsible parties for the current privatization process (see Table 2.5).

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<sup>37</sup> Source: MFE.

<sup>38</sup> The main goods are: wine, mushrooms, cattle skin and other materials that are processed in other countries.

<sup>39</sup> SMEs survey in Kosovo, Riinvest, December 2003.

<sup>40</sup> Riinvest’s report: «Trade Policy and the Export Promotion», 2003.

|                  | Albanians | Serbs | Others |
|------------------|-----------|-------|--------|
| UNMIK            | 47.3      | 59.0  | 39.1   |
| PISG             | 9.8       | 27.6  | 16.3   |
| KTA              | 36.8      | 10.4  | 32.6   |
| Security Council | 6.1       | 3.0   | 12.0   |
| Total            | 100       | 100   | 100    |

*Source: Opinion poll, March 2004*

2. Stagnation of the privatization process has sent out discouraging signals to potential investors, who are essential for the recovery of the Kosovo economy. Insecurity is felt in the way in which the responsible institutions are implementing their contracted obligations and it was demonstrated that the position of investors in the current condition is fragile<sup>41</sup>. Kosovo needs a more secure investment climate and more respect for investors than is shown now by the arbitrary attitude of the administration. It is also to be expected that the deteriorated image of Kosovo caused by the riots of March 17-18 will discourage new initiatives for business and potential investors.
3. The most negative impact of the stagnation was felt by the buyers of the tendered enterprises. On the one hand, the stagnation of privatization caused delays in signing the contracts and the transfer of the socially owned property to private owners, while on the other hand the buyers of these enterprises had to start repayment of the loans they engaged for the purchase. In addition, the economic activity of these enterprises ceased, the buyers were prevented from managing them, while the employees did not receive the 20% of the sale value that belongs to them. Having not seen a real perspective of privatization, buyers that paid the bill for the privatization of the enterprises have withdrawn in two cases.
4. The problems related to privatization have negatively impacted relations between the relevant actors and have created tensions. This was especially reflected in the relations between managerial structures of KTA and the local institutions, particularly the Kosovo Government. The problems with privatization have caused widespread dissatisfaction. The KTA and its board promised to unblock the process but these have not made any real progress for six months. It has to be emphasized also that the relations between KTA and the Kosovo municipalities are still tense, due to the disputes concerning municipal property and its distinction from social property. All of these problems are still being solved very slowly, are not transparent and continue to cause dissatisfaction.
5. The reactivation of some requests by the Serbian Government regarding privatization in Kosovo, has greatly politicized the entire privatization process. Such requests were previously refused by the SRSG, but were partially reflected in the KTA proposals for changing the operational policies. Fear is also present that this may further increase the Serbian Government's pretensions to interfere and to hinder the normal course of this vital process. Besides, requests may be expected from some of

<sup>41</sup> During the period of stagnation of privatization, the funds of the buyers of these social enterprises were blocked for six months.

Serbia's creditors to have a different treatment to other countries' creditors, based on the pre-conflict crediting practices in Kosovo. The requests and the mutual obligations between the enterprises from various constitutional units of the former Federal Republic of Yugoslavia have not been solved anywhere through privatization. This remains an issue that needs to be solved at the political level.

28. The need for an immediate recovery from the stagnation of privatization demands that the key actors (UNMIK Pillar IV, KTA and the Government) undertake urgent measures to overcome the current situation. First of all, this implies overcoming obstacles for normal communication and coordination between the responsible actors. In this direction, the last decision of the SRSG regarding changes in the leading structures of the KTA<sup>42</sup> were well accepted by the local institutions and the wider public opinion. However, in spite of this, the key problems that caused the disagreements have not yet been solved. KTA has the duty to implement privatization while protecting the value of the assets. KTA's mandate can be seriously damaged if its role is exceeded and if it interferes in competencies belonging to other institutions. The creation of an office within the Kosovo Government to deal with the privatization issue could contribute to better coordination in the operational issues related to privatization, helping to overcome obstacles and possible disagreements.

29. In order to advance the privatization process, operational policies that make the process less attractive to the investors need to be avoided. In this sense, it is necessary to avoid:

- a) The transfer of liabilities of former SOEs to the buyer as well as imposing the guarantees regarding investments and employment, predicted by the current proposals of the KTA management;
- b) Changes that can make privatization less transparent and increase the influence of subjectivity in decisions, such as evaluation of the offers in all cases, based also on the business plan, negotiations with the buyers regarding the offer between the rounds;
- c) Changes that decelerate the process and do not give any positive effect, including the requests for evaluation of the assets of the social enterprises, and negotiations with the buyers.

### **Business environment and the obstacles**

30. The SME survey carried out in December 2003<sup>43</sup> shows that the perception of SMEs regarding the business environment marked some changes compared to the year 2002. According to this survey, the main barriers for the development of the businesses are unfair competition, high taxes, delays in payments and administrative fees. In the second group are ranked access to finance, lack of laws and corruption, while in the third are: information, supply of raw materials, equipment, and managerial abilities.

31. Ranking of unfair competition as the main barrier to business development shows that entrepreneurs consider their competitors to be building competitive advantage in a dishonorable way. A business environment with unregulated competition, generates dissatisfaction among the business community and can create an incentive for honest entrepreneurs to use illegal methods (corruption,

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<sup>42</sup> UNMIK has dismissed Maria Fucci from her position as the Director of KTA and has suspended the deputy director Szabolcs Szekeres.

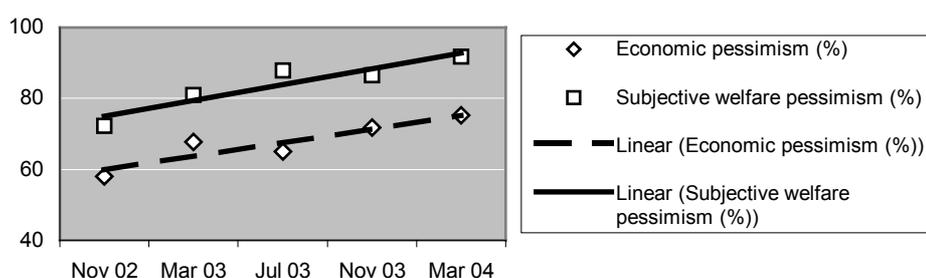
<sup>43</sup> Riinvest's survey conducted with 585 SMEs, December 2003.

fiscal evasion etc.) to challenge the unequal position of the companies in the market.

32. Due to the current progress in passing new laws and regulations, entrepreneurs no longer consider the lack of a legal framework as a serious barrier, as was the case in 2000 and 2001. On the other hand, the increase in administrative procedures to fulfill legal obligations has influenced the 'administrative burden' to be considered a more serious barrier to business than compared to previous years. A higher ranking has marked also the 'delay in payments', signaling thus a decrease in liquidity. This issue needs to be treated as a new and serious difficulty in the functioning of the SMEs.

33. In order to ensure the sustainable development of the private sector so as to generate new job opportunities and ease social tensions and poverty, positive changes need to take place in the business environment in Kosovo, especially in creating a new environment for genuine competition and the development of a new stimulating fiscal policy. Besides improvements in the tax policy<sup>44</sup>, changes need to focus on improving the financing condition for long-term investments in the manufacturing sphere and in ensuring equity of the actors in the market.

### Opinions on the economic and social situation



**Fig. 2.5. Trend on economic and subjective welfare pessimism during November 2002 - March 2004 (in %)**  
**Source: EWS Opinion Polls November 2002 - March 2004**

34. The opinion poll findings show that economic pessimism is increasing (see Table A 2.1 in the Annex and Fig. 2.5). While in November 2003 economic pessimism, respectively the percentage of the respondents "very unsatisfied" or "unsatisfied" with the current economic situation, was 71.8%, in March 2004 this pessimism amounted to 75.3% (Albanians 75.4%, Serbs 81.8% and others 66.7%). The perceptions are also very unfavorable regarding the economic condition of families. The trend of subjective pessimism, respectively, of the respondents who consider their situation "the same" or "worse" than in the previous six months, has increased by about 20% during the period November 2003 - March 2004. These outcomes show that pessimism regarding the economic situation in general and the economic situation of the families in particular, present a permanent source for public discontent expressed through protests. The Serb respondents are less unsatisfied with the family economic situation than the Albanian respondents: 16.5% of the Serb respondents consider the situation "somewhat worse" or "much worse" than six months ago, whereas 29.3% of the Albanian respondents share the same opinion. This difference seems to be related to the fact that the Serb community is receiving social benefits (pensions, salaries) from the KCB as well as

<sup>44</sup> Riinvest's Report: «Trade Policy and Export Promotion», 2003.

from the Serb Government, through the financing of the parallel functions within the Serb enclaves.

**35.** Perceptions of the respondents regarding the current conditions for business development and their expectations for the future are very unfavorable and can be correlated to the general perception of the respondents regarding the economic situation, as well as to the existing business barriers. Only 4.9% of the Albanian respondents, 7.7% of the Serbs and 6.2% of the non-Serb minorities consider the current situation as favorable for business (see Table A.2.2 in the Annex). The expectations for the improvement of these conditions are not optimistic: only 12.8% of the Albanian respondents, 6.5% of the Serbs and 18.3% of the non-Serb minorities expect that the conditions for business will be more favorable during the next six months. The economic policy makers and the administrative establishment centers in Kosovo and abroad need to take into consideration these signals.

**36.** Similar to the previous surveys, this reports survey, conducted in March 2004, has shown that the respondents prescribe the greatest responsibility for the current economic situation to UNMIK. During the period July 2003 - March 2004 the percentage of the Albanian respondents that attribute responsibility to UNMIK for the economic situation have increased from 66.8% to 72.7%, whereas with the Serb respondents from 61.7% to 83% (see Table A.2.3 in the Annex). The Kosovo Government, the local governments and the business community are attributed less responsibility for the economic situation.

## *Inter-ethnic Relations*

### **March ethnic violence – a heavy strike to inter-ethnic relations**

**37.** This reporting period marks the worst deterioration in inter-ethnic relations in the post-conflict period since 1999. Violent protests (ethnic violence) of March 17-18 resulted in the death of 19 people (Albanians and Serbs), the wounding and injuring of hundreds of others, the burning of over 600 houses and apartments owned by Kosovo Serbs and Ashkali and some 30 Serbian Orthodox religious objects, as well as the forced displacement of some 4,300 Serbs and Ashkalis.

Inter-ethnic relations were not at a satisfactory level even in the period before the March 2004 protests, but they did not suffer a considerable deterioration during 2003, except in the case of murders that were suspected of being ethnically motivated. Public opinion surveys carried out within the EWS project indicate that during the entire period of March 2003 to March 2004, some 30-40% of Albanian respondents and some 70-80% of Serb respondents have assessed these relations as tense and without a tendency of relaxation (see Table A.3.1 in the Annex). The survey of March 2004 was carried out before the March 17-18 ethnic violence. The effects of the March riots are not then reflected in the results of this reports opinion poll. It should however, be expected that these events will negatively affect relations between Albanians and Serbs and inter-ethnic confidence on a large scale.

**38.** The tragic events of March 17-18, 2004 pronounced fully the complexity and fragility of inter-ethnic relations between Albanians and Serbs. Having been tense for a very long time, especially before 1999, they represented a permanent source of inter-ethnic conflict and destabilization in Kosovo. However in the circumstances of serious dissatisfaction of the population with on-going political and economic developments, reflected also in the increasing dissatisfaction of respondents with these trends<sup>45</sup>, even a minor incident could be misused for organizing protests, especially when such an incident could be projected as ethnically related. An immediate trigger for the March 2004 protests was the drowning of three Albanian children from the village of Çabër/ Cabra in the river Ibër/ Ibar on March 16, 2004 when, according to one of the children that had witnessed the tragedy, the three children who drowned were frightened by their Serbian neighbors, allegedly with dogs chasing them, to the point of trying to escape by crossing the river. Consequently, protests were organized in Mitrovica the next day, while on March 17 and 18, they spread throughout Kosovo turning into violent demonstrations against Serbs and Ashkalis, their property and Serb religious objects. In some cases the violence was directed also against members of KFOR, the International Police and the Kosovo Police Service.

**39.** The overwhelming majority of the (estimated 50,000) protesters were youngsters – high school and university students. Although there are no official positions as to whether the protests were organized or who was behind them, the

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<sup>45</sup> See Fig. 1.1 and Table A.1.2 in the Annex.

violence exercised and oriented towards the Serb population and their material and cultural property leaves space for considering that the March protests, triggered by the revolt of the population with regards to the drowning of three children and the dissatisfaction with on-going developments in Kosovo, was abused by certain extremists' groups that aspire to a mono-ethnic Kosovo and its destabilization. Irrespective of this, it is concerning that the youth were drawn into the spiral of violence against the Serb population and partially against the Ashkali. This indicates that the Kosovo society generally has still not managed to enable the young Albanian population to overcome problems and inter-ethnic hostilities of the past and to build a spirit of inter-ethnic tolerance. This is all the more so as the inner-Albanian inter-confessional tolerance has been long cultivated, as well as the respect for the religious heritage towards other people.

40. Besides the fragility of inter-ethnic relations, the March 2004 violence has indicated also the overall fragility of governance in Kosovo. Governing institutions of both UNMIK, which in this report's opinion poll is given the highest responsibility for the actual political situation by Albanian as well as by Serb respondents<sup>46</sup>, as well as domestic governing institutions have not properly assessed the danger that the dissatisfaction of the population could be easily manipulated by extremists' groups. These groups could find even more space if the dissatisfaction of the population with current political and economic developments continues to increase<sup>47</sup>. All the more so as during the unrest of March 17-18 it became clear that there are no contingency plans for security that could be used in such a situation. It is also concerning that a strong and immediate condemnation from part of the political establishment was not forthcoming at the very beginning of the violent protests. To a certain extent, the nationalist propaganda of the Belgrade political establishment and the anti-Albanian mobilization of the population in Serbia contributed also to the escalation of the events.

### **Factors that continue to hamper coexistence and integration**

41. Return of displaced people and refugees, respect of minority rights and freedom of movement represent essential problems for fulfilling the Standards for Kosovo. The building of a multiethnic society and building good inter-ethnic relations, coexistence and integration of Serbs in the Kosovo society, depend on this. Until now the fulfillment of these standards has been advanced only very slowly and with difficulties, now after the violent protests of March the challenges to their fulfillment will be even greater.

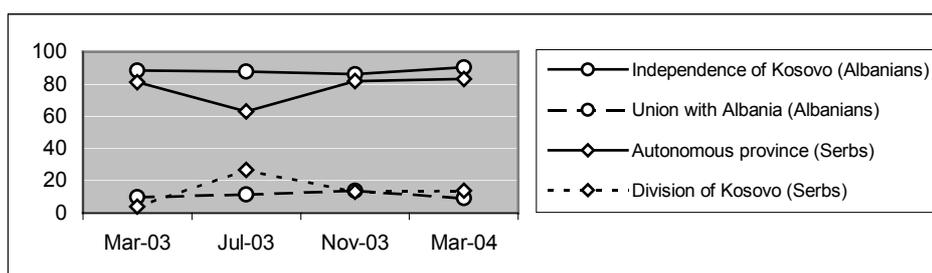
The factors that currently burden coexistence and integration of minorities are of different natures. Some of them are related to the political and societal developments of before and during the conflict of 1999, when the Albanian population suffered mostly, while the others to the post-conflict developments, when the Serbian population suffered and to a certain extent the Roma also. Several of the related factors are presented below, some of which can be seen by the diametrically opposing opinions of Albanian and Serb respondents expressed during the Early Warning surveys.

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<sup>46</sup> See Table A.1.4 in the Annex.

<sup>47</sup> See Figures 1.1 and 2.2.

- i) Albanians and Serbs continue to have diametrically opposing opinions related to the final status of Kosovo: an overwhelming number of Albanian respondents continue to declare themselves for independence within the existing administrative borders, while Serb respondents prefer the status of an autonomous province within Serbia (see Fig 3.1 and Table A.3.3 in the Annex). Respective declarations for unification with Albania and for partitioning of Kosovo, are much less pronounced. Considering the almost unchanged levels of these preferences over time, it should not be expected that they would change substantially in the future. Prolongation of the issue of status could therefore be seen as a permanent obstruction in the building up of good inter-ethnic relations and



**Fig. 3.1. Opinions on the final status of Kosovo (%)**  
Source: Opinion polls – March 2003 to March 2004

integration of Serbs in Kosovo society.

- ii) Albanians and Serbs have different opinions about the major problems facing Kosovo. Albanian respondents, consider that unemployment is the biggest problem facing Kosovo, (with uncertainty over status a close second). Non-Serb minorities consider poverty to be the biggest problem. (See Table A.1.1 in Annex) Kosovo Serbs, on the other hand, have different problems; respondents from this group consider that inter-ethnic relations and public and personal security represent the biggest problems<sup>48</sup>. Similarly, about 62% of the Albanian respondents consider that the unresolved status issue threatens the stability of Kosovo the most, while 66% of the Serb respondents see the further aggravation of the inter-ethnic relations as the biggest threat – see Table A.3.2 in the Annex.
- iii) While almost all Serb respondents agree with the return of displaced people and refugees to Kosovo, which is understandable in current circumstances, a substantial percentage of Albanian respondents (some 40%) do not agree with the return (see Table A.3.4). Similarly, some 52% of the Albanian respondents have declared that they would ignore the returnees if they returned to the environment in which these respondents live, while the largest part of Serb respondents would cooperate with the returnees (see Table 3.1). The number of Albanians that do not agree with the return or that would ignore the returnees is considerable and is thus concerning in relation to the fulfillment of standards about the return of the displaced. All the relevant actors in Kosovo society must contribute much more than they have to date toward bringing about a change in this respect.

<sup>48</sup> Opinions similar to these, recorded just before the March unrest, have been expressed respondents in previous surveys as well – see previous Early Warning Reports.

- iv) Differences related to the source of inter-ethnic tensions continue (see Table A.3.5 in Annex). The majority of Albanian respondents (42.7%) consider that the causes for tension rest on the influence of Belgrade and the un-readiness of Serbs for integration (41.4%), while the majority of Serb respondents consider that causes rest in the attitudes of Albanian leaders (67.7%) and insufficient efforts of Albanians for facilitating the integration (30%). It is characteristic that Serb respondents increasingly see the Albanian leadership as the decisive factor on the issue.

**Table 3.1. Respondents' answers on question: What would your reaction be toward a return within your environment, community, neighborhood? (%)**

|                                       | Albanians | Serbs | Others |
|---------------------------------------|-----------|-------|--------|
| I would ignore them                   | 51.6      | 0.7   | 8.8    |
| I would try to make contact with them | 32.7      | 11.9  | 47.3   |
| I would cooperate with them           | 15.7      | 87.4  | 44.0   |
| Total                                 | 100       | 100   | 100    |

- v) Existence of parallel Serbian structures in Kosovo, including here judicial and security ones<sup>49</sup>, as well as the non-exercising of full UNMIK authority in Serb enclaves even five years after its establishment, represent a permanent source of inter-ethnic tension. In this regard, the unresolved issue of Mitrovica continues to be the most sensitive point of inter-ethnic relations. This issue can easily spill over into crisis which can spread into other parts of Kosovo as was proven several times already.
- vi) Albanians and Serbs have different opinions on the importance of 'Standards for Kosovo' and who can facilitate or obstruct their fulfillment. The majority of Albanian respondents (some 50%) consider that they are important to open the dialogue for the final status of Kosovo, while the majority of Serb respondents (57%) consider that they are as important as other issues facing Kosovo (see Table A.3.6 in the Annex). On the other side, the largest part of Albanian as well as of Serb respondents, consider that PISG, UNMIK, the international community and the Albanian population can facilitate the progress in fulfilling the 'Standards for Kosovo' (see Table A.3.7). The essential difference is reflected in the views about the contribution of Belgrade: some 90% of the Albanian respondents consider that Belgrade can block this process, while 71% of Serb respondents consider that Belgrade can facilitate the same.

### Factors that can further aggravate inter-ethnic relations and integration

42. After the tragic events of the violent protests of March 2004, both Albanians and Serbs can further aggravate inter-ethnic relations and the stability of Kosovo itself. The factors here include:

- i) Tendencies toward the strengthening of Albanian extremists unsatisfied with the current status of Kosovo. Besides potentially damaging the efforts for integration and the safety of Serbs in Kosovo, they can cause serious obstacles in the functioning of the PISG, UNMIK and KFOR, as happened during March. In this respect, the existence of the AKSh (Albanian National Army), that was declared a terrorist organization by UNMIK, represents an additional burden for security and political stability, but also for inter-ethnic relations in Kosovo.

<sup>49</sup> OSCE Mission in Kosovo Report: "Parallel structures in Kosovo", October 2003.

- ii) Efforts of Serbia for the partitioning of Kosovo by means of cantonization<sup>50</sup> and the prejudgment of the status of Kosovo as part of Serbia<sup>51</sup>. The increased demands for the return of security forces of Belgrade in Kosovo<sup>52</sup>, as well as the continuous opposition of 'Standards for Kosovo' by the officials in Belgrade, dating back to their introduction but intensified after the March crisis. These factors can influence the strengthening of Albanian extremism.

### **Factors that can influence the improvement of inter-ethnic relations**

**43.** In circumstances when the violent protests of March 2004 have gravely affected the already very fragile relations between Albanians and Serbs, it is necessary that relevant actors, both domestic and international, undertake decisive steps in order to improve these relations. In view of this, this Report recommends:

- a. Intensification of the rapid re-building of all damaged objects during the March violence by the PISG, as well as the immediate return of displaced people with additional security guarantees.
- b. Decisive and timely condemnation by the PISG of any violence and a more efficient functioning of the security, investigative and judicial bodies.
- c. Pronounced positioning of the international community that armed and security forces of Serbia will not return to Kosovo and that no ethnically based partitioning will be allowed.
- d. Maintenance of decisive pressure by the international community on Belgrade not to obstruct the fulfillment of 'Standards for Kosovo' and not to discourage participation of Serbs in the PISG and political processes, as well as to end the support for the parallel security, judicial and local government structures.
- e. Drafting of a clear and implementable plan by the PISG for the participation of Serbs in the institutional and societal life in Kosovo, as well as for a pro-active and sustainable policy of Albanian political leaders for the building of inter-ethnic confidence.
- f. Decisive action of the PISG in all municipalities of Kosovo for the creation of appropriate conditions for the return of Serbs.
- g. Effective prevention of road blockades by citizens, irrespective of ethnic affiliation.

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<sup>50</sup> Adoption of the Resolution for Kosovo by the Serbian Parliament on March 26, 2004; [www.b92.net](http://www.b92.net), March 26, 2004.

<sup>51</sup> Adoption of the Resolution for Kosovo by the Parliament of Serbia and Montenegro on April 2, 2004; [www.b92.net](http://www.b92.net), April 2, 2004.

<sup>52</sup> See statement of the Defence minister of Serbia-Montenegro and of head of Serbian Coordinating Center Covic, [www.b92.net](http://www.b92.net), March 18, 2004; statement of head of SM Army Headquarters general Krga, [www.b92.net](http://www.b92.net), March 21, 2004; statement of minister of foreign affairs of SM Draskovic, [www.b92.net](http://www.b92.net), March 26, 2004.

## *Public and Personal Security*

### March protests – indicator of security system lapses and weaknesses

44. Serious crime statistics of the period before March 17-18 indicated trends of gradual stabilization in the security situation in Kosovo. Such crime statistics, however, are not in themselves sufficient to predict events such as those that occurred in March. This was clearly illustrated by the intensity of the violence and the resulting destruction caused to the Serbian population (see Frame 4.1), which were unprecedented in the post-conflict period. For the Ombudsperson Nowicki, these events were similar to those of 1999 with massive expulsion of Albanians and numerous crimes to which they were subjected. “The difference is that this is committed in the presence of the international community, and that it is committed by civilians and not by the military. It has not been an ethnic cleansing, it has been an attempt for ethnic cleansing” said the people’s attorney<sup>53</sup>.

45. The protests were preceded by two consecutive incidents, perceived to be of inter-ethnic in nature (see Frame 4.1). The wounding of a young Serb man led to the blockade of the major road artery Pristina-Skopje and the Pristina-Gjilan/ Gnjilane road<sup>54</sup>. The drowning of three children in the river Ibër/ Ibar was followed by demonstrations of Albanians in Mitrovica. As it is known in the theory of conflict, in conditions where the population is generally dissatisfied with economic and political developments and where there are tense inter-ethnic relations as in Kosovo, small inter-ethnic incidents represent the most explosive triggers for the beginning of inter-ethnic conflicts on a large scale. This was also exploited by Albanian extremists during the protests of March 17-18, 2004. For this reason, the statements of spokespeople from KFOR, UNMIK police, and the Kosovo Police Service, are unconvincing. But so too are those of domestic political actors and UNMIK, that the March protests and the intensity of violence have surprised them all.

46. With hindsight, it can be seen that the March 2004 protests brought to the surface the weaknesses of the current security system, in terms of prevention and timely interruption of events that could seriously endanger the stability of Kosovo,

#### **Frame 4.1. Chronology and statistics of March 2004 violent protests**

##### Chronology

|             |   |
|-------------|---|
| March 14    | Wounding of a Young Serb in the village of Llalpnasellë/ Lapje Selo, suspected of being ethnically motivated.     |
| March 15    | Blockade of major Pristina-Skopje road by local Serbs of Çagllavicë/ Caglavica village in the suburb of Pristina. |
| March 16    | Three Albanian children, believed chased by local Serbs, drown in the river Ibër/ Ibar near Mitrovica             |
| March 17-18 | Violent protests in almost all municipalities of Kosovo with Albanian majority population                         |

##### Consequences

|                        |   |
|------------------------|---|
| Killed:                | 19 persons (11 Albanians and 8 Serbs)   |
| Wounded:               | over 900 persons, out of whom 65 were international policemen and 58 Kosovo police                              |
| Religious objects:     | 30 Serbian Orthodox Churches destroyed, 11 other damaged  |
| Other objects damaged: | three schools (objects), two local ambulances (objects), two public premises (objects) and 610 destroyed houses |
| Arrests:               | over 260 persons, out of whom some former members of the former UÇK   |

<sup>53</sup> The daily newspaper ‘Koha ditore’, March 30, 2004.

<sup>54</sup> Blockades of these important roads by members of the Serb community have been carried out many times and have caused considerable nervousness among the Albanian population.

and the region. The lapses and weaknesses that were exposed can be conditionally classified in three groups:

- a) **Absence of an effective intelligence capability.** The unfolding of protests indicates an absence of a unique intelligence service that would identify individuals or extremists' groups interested in destabilizing Kosovo. Such a service would be able to warn respective international and domestic actors about these issues in a timely manner. Such an absence was concluded also by the UNMIK head administrator Holkeri in an interview to the Swiss radio DRS, where he stated that 'NATO intelligence services have failed in the last unrest'<sup>55</sup>. It has been said many times, that almost every Kosovo political party has its own intelligence service and the same with representative offices of various states engaged in Kosovo. Considering this, it is necessary to build up a unique and efficient intelligence system with the participation of domestic actors.
- b) **Absence of contingency plans and mechanisms to ensure effective coordination.** Although KFOR, UNMIK police and the KPS were fully engaged during the protests, the mere fact that these forces did not succeed in stopping the destructive wave of protest in its initial stages, especially those directed against Serbian religious objects, indicate that they did not have any genuine contingency plan for such situations. In certain instances there was also a lack of coordination, as was the case in Prizren, when according to the German newspaper 'Der Spiegel', German KFOR soldiers abandoned German policemen engaged within the UNMIK police in Kosovo<sup>56</sup>. In an interview given to the daily newspaper 'Koha ditore' the Ombudsman Nowicki has also voiced his concerns regarding the performance of the UNMIK police, emphasizing the case when only one Czech policeman stayed in the defense of Serbs until he was wounded<sup>57</sup>. From the above it can be concluded that it is necessary to draft genuine contingency plans for similar situations in the future and to coordinate actions of all security actors in Kosovo.
- c) **Slow response and absence of critical attitudes of domestic actors.** The March protests also showed that the domestic actors, who could be a strong ally in calming the situation, were not up to their duty at the given time. With minor exceptions, almost the entire Albanian political spectrum lacked a critical attitude with respect to the violence and did not condemn the acts on March 17, when the direction and nature of the protests was more than clear. Instead, they concentrated on trying to find various causes that had, according to them, motivated the protests. Also obvious was the absence of a critical attitude of intellectuals, journalists, etc. towards the extreme intolerance directed against Serbs<sup>58</sup>. Furthermore, the largest part

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<sup>55</sup> Excerpt from the daily newspaper 'Koha ditore', May 4, 2004. Later on May 6, 2004, the UNMIK spokesperson has stated that this statement was not addressed to the KFOR, but to NATO member countries and the peace-keeping mission in Kosovo. In an interview given to the Magdeburg newspaper 'Volksstimme' the chief of UNMIK police Stephan Feller has stated that there was evidence that something was being prepared, but from the UNO it was not allowed that suspected persons be tapped, from which circle turned out later that protests had been organized; daily newspaper 'Koha ditore', April 29, 2004.

<sup>56</sup> Daily newspaper 'Koha ditore', April 3, 2004.

<sup>57</sup> Daily newspaper 'Koha ditore', April 3, 2004.

<sup>58</sup> Muhamedin Kullashi, an Albanian philosopher living in Paris; daily newspaper 'Koha ditore', May 1, 2004. Similar opinions were voiced also by Rupert Neudeck, well-known German humanitarian activist that has stayed in Kosovo for a long period of time; daily newspaper 'Koha ditore', April 30, 2004.

of civil society has not had a critical attitude in due time vis-à-vis these demonstrations. All of this indicates that domestic actors should reassess in a critical manner their role in the stabilization of the circumstances threatening the future of Kosovo. The most articulate voice for overcoming and repairing the damage from the protest has come from the famous Albanian writer Ismail Kadare. He was threatened in the web site of the AKSh for a critical article of his on the topic published in some Albanian newspapers.

### **Causes for protest – have they been exhausted?**

47. The violent protests of March ended relatively fast, almost on March 19, 2004, with all the consequences of the violence. However in the existing circumstances that now prevail in Kosovo, there are conditions for the re-occurrence of violence. This is so because the factors that continue to generate dissatisfaction among the population have not changed and as inter-ethnic relations are far from becoming assessed as satisfactory and non-conflictual. As has been shown in previous chapters, the trends of political and economic pessimism are on the rise, satisfaction with the functioning of almost all vital institutions is decreasing, there is uncertainty related to the future status of Kosovo, forecasts of economic developments are not optimistic, the official number of unemployed is on a permanent rise, and in the current circumstances young people do not see any promising prospects in the near future. All of these circumstances could be exploited by extremist elements in order to channel even justifiable protests into violent ones. All the more so as some extremist or criminal elements have demonstrated also before the March protests that they do not hesitate to attack even the residence of the President of Kosovo with explosives (March 12, 2004), or the official car of the minister of environment and planning (February 18, 2004) or to plant large amounts of explosive in the immediate vicinity of the UNMIK head-quarters in the very center of Pristina (March 5, 2004).

48. The Security Council has assembled several times since the March 2004 protests condemning them and assessing the violence during the protests as organized by certain extremist circles. In the Security Council meeting of April 13, 2004 Under Secretary General Jean-Marie Guenno has stated that conditions for a new outbreak of violence in Kosovo continue to exist.

49. The chief of UNMIK police Stephan Feller has also stated his opinion that the causes for aggravation of the situation have not ceased to exist<sup>59</sup>.

50. The possibility for the re-occurrence of violence is anticipated also by the International Crisis Group (ICG), if some of the recommendations of this group addressed to the UNMIK, KFOR and structures of domestic institutions presented in their latest<sup>60</sup> report are not fulfilled.

### **Public opinion on the performance of security institutions**

51. As in previous surveys, this Report's survey also indicates that respondents have different opinions for various security organs and that their perceptions differ depending on ethnic affiliation. Figure 4.1 presents percentages of respondents 'satisfied' or 'very satisfied' with the work of KFOR, UNMIK police and KPS for the period of November 2002 – March 2004. In general, Serb respondents are less

<sup>59</sup> Daily newspaper 'Koha Ditore', excerpts from the interview given to the Magdeburg newspaper 'Volksstimme', April 29, 2004.

<sup>60</sup> ICG Europe Report No. 155: 'Collapse in Kosovo', April 2004.

satisfied with the performance of these institutions than Albanians (see Table A.4.1 in the Annex). Albanian respondents have been very satisfied with the performance of the KPS and KFOR during this period, while their satisfaction with the performance of UNMIK police has marked a decreasing trend. Serb respondents are more satisfied with the performance of KFOR, less with that of UNMIK police, while very little with that of the KPS. It is characteristic that satisfaction of Serb respondents with the work of all these three institutions has been decreasing for over a year. Dissatisfaction of Serb respondents is correlated with their sense of increased lack of security when on the street as compared to other respondents. 69.8% of Serb respondents consider themselves as 'unsafe' or 'very unsafe', 40.5% of Albanian and 59.5% of non-Serb minorities feel the same (see Table A.4.1 in Annex).

52. This Report's survey indicates that the cooperation of the population with the police is still not at a satisfactory level, especially that of the Serb population. About 48% of Albanian respondents, 85% of Serb respondents and 40% of non-Serb minorities consider that this cooperation is 'very bad', 'bad' or 'neither good nor bad' (see Table A.4.3 in Annex).

The reasons for lack of cooperation differ depending on the ethnic affiliation of respondents. While the majority of Albanian respondents (52%) and of the non-Serb minorities (54%) see fear of retaliation or revenge as the reason for this lack of cooperation, the majority of Serb respondents see the lack of confidence in police as the major reason (see Table 4.1). It should be emphasized that the percentage of Serb respondents that consider that police are not interested to cooperate is quite large.

**Table 4.1. Respondents' opinions on reasons for a very bad, bad or neither good nor bad community-police cooperation (%)**

|  | Albanians | Serbs | Others |
|--|-----------|-------|--------|
| Fear of revenge                          | 52.0      | 0.0   | 53.8   |
| Lack of trust in police bodies           | 15.8      | 60.8  | 23.1   |
| Police bodies do not show interest       | 10.6      | 26.5  | 5.1    |
| People are not interested in cooperation | 20.5      | 12.7  | 17.9   |
| Something else                           | 1.0       | 0.0   | 0.0    |
| Total                                    | 100       | 100   | 100    |

## *ANNEX 1. Selected results of the opinion poll*

**Note.** The opinion poll for this Report was conducted in the first two weeks of March 2004, by the “Reinvest” 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 1,240 respondents: 946 Albanians, 158 Serbs, and 136 respondents from other minorities (30 Bosnians, 22 Turks, 22 Goranis, 15 Romas, 27 Ashkalis and 20 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 representation 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)                       |           |        | 1.5    |
| Power supply                                 | 2.6       | 0.7    | 5.3    |
| Urban problems (wild building)               | 0.1       |        | 0.8    |
| Environment                                  | 0.2       | 0.7    | 0.8    |
| Poverty                                      | 17.1      | 3.4    | 33.3   |
| Prices                                       | 0.8       |        | 2.3    |
| Healthcare services                          | 0.2       |        | .8     |
| Public and personal security                 | 0.6       | 28.6   | 2.3    |
| Education                                    | 0.8       |        | 0.8    |
| Interethnic relations                        |           | 23.1   | 1.5    |
| Unemployment                                 | 33.8      | 2.7    | 31.8   |
| Uncertainty about the final status of Kosovo | 30.9      | 11.6   | 6.1    |
| Social problems                              | 1.2       | 0.7    | 3.8    |
| The fate of the missing                      | 5.2       | 4.8    | 4.5    |
| Organized crime                              | 1.2       | 2.0    | 0.8    |
| Unsolved killings and murders                | 2.5       | 1.4    | 2.3    |
| Corruption                                   | 2.1       |        | 0.8    |
| Unsocial behaviour (prostitution, drugs)     | 0.3       |        | 0.8    |
| Something else                               | 0.2       | 20.4** | 1.5    |
| Total  | 100       | 100    | 100    |

\* - Ranking of five biggest problems for each ethnic group is given in parenthesis  
 \*\* - “All these problems” was the most frequent answer on this option

**Table A.1.2. Some warning trends related to the overall stability in Kosovo**

|        | Registered job-seekers<br>(increase in thousands,<br>compared to November<br>2002) | Political<br>pessimism<br>(%) | Economic<br>pessimism<br>(%) | Subjective<br>welfare<br>pessimism<br>(%) | Dissatisfaction with<br>the performance of<br>the Assembly (%) |
|--------|--|-------------------------------|------------------------------|---|--|
| Nov-02 | 0  | 31.8                          | 58                           | 72.2                                      | 23.3   |
| Mar-03 | 10.9   | 41.7                          | 67.7                         | 80.9                                      | 28.1   |
| Jul-03 | 19.3   | 37.3                          | 65                           | 87.9                                      | 25.3   |
| Nov-03 | 23.4   | 47.9                          | 71.8                         | 86.5                                      | 34.7   |
| Mar-04 | 29.8   | 45.4                          | 75.3                         | 91.8                                      | 35.7   |

Source: Opinion polls – November 2002 to March 2004.

**Table A.1.3. Satisfaction of respondents with the performance of various institutions – “satisfied” or “very satisfied” respondents (weighted %)**

|               | UNMIK | SRSG | Government | Assembly |
|---------------|-------|------|------------|----------|
| November 2002 | 63.8  | 73.1 | 74.1       | 76.7     |
| March 2003    | 51.9  | 64.1 | 74.9       | 71.9     |
| July 2003     | 43.1  | 71.4 | 78.1       | 74.7     |
| November 2003 | 28.4  | 43.1 | 68.5       | 65.3     |
| March 2004    | 24.7  | 32.4 | 73.4       | 64.3     |

**Table A.2.1. The percentage of respondents “unsatisfied” or “very unsatisfied” with the current economic situation in Kosovo (valid %)**

|                    | November<br>2002 | March<br>2003 | July<br>2003 | November<br>2003 | March<br>2004 |
|--------------------|------------------|---------------|--------------|------------------|---------------|
| Albanians          | 57.8             | 66.8          | 64.8         | 71.8             | 75.4          |
| Serbs              | 68.8             | 85.7          | 76.4         | 84.9             | 81.8          |
| Others             | 49.6             | 62.6          | 56.8         | 59.5             | 66.7          |
| Total (weighted %) | 58.0             | 67.7          | 65.0         | 71.8             | 75.3          |

Source: Opinion polls – November 2002 to March 2004.

**Table A.2.2. Respondents’ assessment of the current business conditions and their expectations regarding business conditions six months hence (%)**

|             | Current conditions |       |        | Expectations |       |        |
|-------------|--------------------|-------|--------|--------------|-------|--------|
|             | Albanians          | Serbs | Others | Albanians    | Serbs | Others |
| Unfavorable | 61.5               | 74.6  | 66.4   | 55.8         | 74.8  | 57.0   |
| Neutral     | 33.6               | 17.6  | 27.4   | 31.4         | 18.7  | 24.7   |
| Favorable   | 4.9                | 7.7   | 6.2    | 12.8         | 6.5   | 18.3   |
| Total       | 100                | 100   | 100    | 100          | 100   | 100    |

**Table A.2.3. Opinions on entities responsible for the current economic situation in Kosovo (%)**

|                    | July 2003 |       | November 2003 |       | March 2004 |       |
|--------------------|-----------|-------|---------------|-------|------------|-------|
|                    | Albanians | Serbs | Albanians     | Serbs | Albanians  | Serbs |
| UNMIK              | 66.8      | 61.7  | 68.9          | 56.5  | 72.7       | 83.0  |
| Kosovo Government  | 24.2      | 27.8  | 22.4          | 32.9  | 20.2       | 15.6  |
| Local governments  | 4.0       | 4.3   | 5.0           | 2.4   | 3.3        | 0.0   |
| Business community | 5.0       | 6.2   | 3.8           | 8.2   | 3.8        | 1.5   |
| Total              | 100       | 100   | 100           | 100   | 100        | 100   |

**Table A.3.1. Public opinion on inter-ethnic relations between Albanians and Serbs (%)**

|   | March 2003 |       | July 2003 |       | November 2003 |       | March 2004 |       |
|---|------------|-------|-----------|-------|---------------|-------|------------|-------|
|   | Albanians  | Serbs | Albanians | Serbs | Albanians     | Serbs | Albanians  | Serbs |
| Relations are tense and will continue to remain so                | 41.6       | 73.1  | 30.6      | 73.2  | 35.2          | 75.5  | 36.0       | 83.7  |
| Relations are tense, but there have been some improvements lately | 36.6       | 18.3  | 43.8      | 21.3  | 36.8          | 16.7  | 36.6       | 8.2   |
| Relations are tense, but there are considerable improvements      | 9.7        | 7.4   | 13.9      | 3.8   | 15.4          | 7.3   | 9.6        | 7.5   |
| Relations are not all that tense                                  | 6.9        | 1.1   | 5.6       | 1.6   | 8.2           | 0.5   | 10.7       | 0.7   |
| Relations are not tense   | 5.1        | 0.0   | 6.1       | 0.0   | 4.3           | 0.0   | 7.3        | 0.0   |
| Total   | 100        | 100   | 100       | 100   | 100           | 100   | 100        | 100   |

Source: Opinion surveys - March 2003, July 2003, November 2003, March 2004.

**Table A.3.2. Opinions on circumstances which most threaten stability of Kosovo (%)**

|   | Albanians | Serbs | Others |
|---|-----------|-------|--------|
| Further aggravation of interethnic relations            | 4.9       | 66.2  | 15.4   |
| Current social and economic problems                    | 26.9      | 0.0   | 24.0   |
| Deterioration of relations with neighboring countries   | 0.9       | 0.0   | 10.6   |
| Deterioration of relations with international community | 4.9       | 0.7   | 13.5   |
| Unresolved issue of the status of Kosovo                | 51.6      | 13.2  | 20.2   |
| Lack of rule of law                                     | 7.7       | 19.9  | 14.4   |
| Corruption and mismanagement                            | 3.1       | 0.0   | 1.9    |
| Total   | 100       | 100   | 100    |

**Table A.3.3. Opinions on the final status of Kosovo (%)**

|  | March 2003 |       | July 2003 |       | November 2003 |       | March 2004 |       |
|--|------------|-------|-----------|-------|---------------|-------|------------|-------|
|  | Albanians  | Serbs | Albanians | Serbs | Albanians     | Serbs | Albanians  | Serbs |
| Independence of Kosovo within current borders    | 88.5       | 1.1   | 87.9      | 2.9   | 86.1          | 0.5   | 90.4       | 0.7   |
| Division of Kosovo                               | 0.3        | 4.0   | 0.0       | 26.6  | 0.1           | 13.3  | .2         | 14.0  |
| Current status (international protectorate)      | 0.9        | 1.1   | 0.5       | 0.0   | 0.1           | 0.0   | .1%        | 0.7   |
| Union with Albania                               | 9.9        | 0.0   | 11.5      | 0.0   | 13.7          | 0.0   | 9.2        | 0.0   |
| Confederation with Serbia, similar to Montenegro | 0.0        | 12.5  | 0.1       | 7.6   | 0.0           | 4.3   | 0.1        | 1.4   |
| Autonomous province within Serbia                | 0.3        | 81.3  | 0.0       | 62.9  | 0.0           | 81.9  | 0.0        | 83.2  |
| Total  | 100        | 100   | 100       | 100   | 100           | 100   | 100        | 100   |

Source: Opinion polls - March 2003, July 2003, November 2003 and March 2004.

**Table A.3.4. Readiness of respondents to agree with the return of refugees in Kosovo (%)**

|  | November 2003 |       | March 2004 |       |
|--|---------------|-------|------------|-------|
|  | Albanians     | Serbs | Albanians  | Serbs |
| I agree with the return of refugees to Kosovo        | 58.5          | 99.5  | 61.1       | 98.1  |
| I do not agree with the return of refugees to Kosovo | 41.5          | 0.5   | 38.9       | 1.9   |
| Total  | 100           | 100   | 100        | 100   |

**Table A.3.5. Public opinion on the factors influencing the relations between Albanians and Serbs to be tense (%)**

|  | March 2003 |       | July 2003 |       | November 2003 |       | March 2004 |       |
|--|------------|-------|-----------|-------|---------------|-------|------------|-------|
|  | Albanians  | Serbs | Albanians | Serbs | Albanians     | Serbs | Albanians  | Serbs |
| Insufficient efforts by Albanians for integration of Serbs     | 5.7        | 87.7  | 3.5       | 57.0  | 4.4           | 38.0  | 5.4        | 30.0  |
| Lack of readiness of Serbs for integration into Kosovo society | 45.2       | 1.2   | 40.5      | 2.5   | 33.8          | 0.5   | 41.4       | 0.8   |
| Stands of Albanian leaders                                     | 1.7        | 9.2   | 1.9       | 36.7  | 2.3           | 60.3  | 1.2        | 67.7  |
| Stands of Serbian leaders                                      | 11.0       | 1.2   | 12.2      | 1.9   | 10.9          | 0.5   | 9.3        | 1.5   |
| Belgrade's influence   | 36.4       | 0.6   | 41.9      | 1.9   | 48.7          | 0.5   | 42.7       | 0.0   |
| Total  | 100        | 100   | 100       | 100   | 100           | 100   | 100        | 100   |

**Table A.3.6. Respondents' opinion on importance of the "Standards for Kosovo" (%)**

|  | Albanians | Serbs | Others |
|--|-----------|-------|--------|
| Important in themselves regardless of status           | 25.2      | 20.7  | 25.9   |
| Important to open the discussion in relation to status | 49.9      | 4.1   | 52.9   |
| Just as important as other issues facing Kosovo        | 16.5      | 57.0  | 15.3   |
| Taking attention away from other issues                | 8.3       | 18.2  | 5.9    |
| Total  | 100       | 100   | 100    |

**Table A.3.7. Respondents' opinion on factors that can block or help the progress in meeting the "Standards for Kosovo" (%)**

|                         |       | Albanians | Serbs | Others |
|-------------------------|-------|-----------|-------|--------|
| The PISG                | Block | 16.1      | 12.0  | 14.0   |
|                         | Help  | 70.7      | 58.2  | 52.2   |
| UNMIK                   | Block | 26.2      | 11.4  | 11.8   |
|                         | Help  | 60.8      | 58.9  | 52.9   |
| Belgrade                | Block | 91.5      | 0.6   | 60.3   |
|                         | Help  | 1.4       | 70.9  | 10.3   |
| International community | Block | 6.3       | 5.1   | 5.1    |
|                         | Help  | 79.4      | 63.9  | 62.5   |
| Kosovo population       | Block | 0.4       | 5.7   | 13.2   |
|                         | Help  | 92.9      | 63.9  | 58.1   |

| Albanians    |        |        |        |        |        |
|--------------|--------|--------|--------|--------|--------|
|              | Nov-02 | Mar-03 | Jul-03 | Nov-03 | Mar-04 |
| KFOR         | 91.7   | 89.5   | 85.1   | 81.4   | 88.4   |
| UNMIK police | 78.5   | 74.3   | 65.5   | 53.5   | 57.1   |
| KPS          | 95.5   | 92.6   | 89.9   | 89.7   | 98     |
| Total        | 100    | 100    | 100    | 100    | 100    |
| Serbs        |        |        |        |        |        |
|              | Nov-02 | Mar-03 | Jul-03 | Nov-03 | Mar-04 |
| KFOR         | 27.4   | 19.2   | 26.4   | 16.4   | 11.4   |
| UNMIK police | 22.9   | 14.7   | 11.3   | 13.4   | 3.7    |
| KPS          | 9.3    | 17.9   | 4.6    | 14.3   | 0.7    |
| Total        | 100    | 100    | 100    | 100    | 100    |

|                 | Albanians | Serbs | Others |
|-----------------|-----------|-------|--------|
| Very unsafe     | 13.1      | 33.3  | 22.2   |
| Somewhat unsafe | 27.4      | 36.5  | 37.3   |
| Somewhat safe   | 39.7      | 24.4  | 31.0   |
| Very safe       | 19.8      | 5.8   | 9.5    |
| Total           | 100       | 100   | 100    |

|                      | Albanians | Serbs | Others |
|----------------------|-----------|-------|--------|
| Very bad             | 3.4       | 2.9   | 4.8    |
| Bad                  | 7.7       | 33.3  | 8.7    |
| Neither good nor bad | 37.2      | 48.6  | 26.0   |
| Good                 | 44.1      | 15.2  | 46.2   |
| Very good            | 7.6       | 0.0   | 14.4   |
| Total                | 100       | 100   | 100    |

## *ANNEX 2. Events during the period January-April 2004*

### *January*

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- **5 January** - In an interview given to the daily "Kosova sot", Mr. Hashim Thaçi, the leader of the PDK, raised the issue of corruption in a ministry led by the LDK.
- **12 January** - Three persons were seriously wounded during a clash between a group of Serbs and a group of Albanians in the village of Suhodoll/ Suhodol, near Lipjanë/ Lipjan. A night before the clash, a Serb was wounded at the entrance of the village, and this reportedly led to the clash.
- **17 January** – Prime Minister Bajram Rexhepi declared that he would no longer tolerate delays in the process of privatization, and announced the freezing of relations with the KTA.
- **27 January** – The Prime Minister's Office announced that Erhard Busek, coordinator of the Stability Pact for South-Eastern Europe, will pay a two-day visit to Kosovo, and would focus on the assistance that the Stability Pact can offer for the fulfillment of standards.

### *February*

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- **16 February** – Four members of the KPC, among which the commander of KPC Zone Two General Selim Krasniqi, were arrested in the morning.
- **19 February** – The Kosovo Assembly adopted the law sent by the Government on cooperation with the Hague tribunal, although this issue is within the competence of the chief administrator Harri Holkeri.
- **21 February** – On the night of 21 February an attack was attempted on Ethem Çeku, Minister of Environment and Spatial Planning, on which occasion he was wounded.

### *March*

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- **6 March** - Kosovo Police Service officers discovered an explosive device outside the headquarters compound of the UN mission in Kosovo. With the assistance of multinational troops (KFOR), the device was disarmed without causing damage or injuries.

- **12 March** – Unknown persons attacked the residence of Kosovo President Rugova with a hand-grenade. A member of the security staff of the President's residence was injured and material damage was caused to the property.
- **14 March** – The top UN envoy to Kosovo, Harri Holkeri, announced that the Kosovo's next Assembly elections will be held on 23 October 2004. This decision is based on the recommendations of an Election Working Group, endorsing all of its proposals, including one calling for closed lists, which he termed "the most appropriate option for Kosovo at this time."
- **14 March** – Local Serbs blockaded the major Pristina-Skopje road in the village of Çagllavicë/ Caglavica near Pristina, protesting against the earlier wounding of a young Serb, suspected of being ethnically motivated.
- **16 March** - In still not clarified circumstances, three Albanian children died in the waves of the river Ibër/ Ibar in the village of Çabër/ Cabra north of Mitrovica. One child that had survived the accident stated that the drowning of his three friends was the consequence of being intimidated by Serb neighbors with a dog.
- **17-18 March** - In Mitrovica peaceful protests began, as a reaction to the drowning of three Albanian children. During that day and afterwards the conflicts spread over in other parts of Kosovo, where demonstrators, mainly young people, were attacking Serbian population and Ashkalis, their property and Serb orthodox religious objects.
- **24 March** - Two police officers, one of them with the United Nations mission in Kosovo, were shot dead while carrying out routine police work near Podujevo. One language assistant was also injured.
- **28 March** – In presence of senior officials from the United Nations and Kosovo, reconstruction of a building damaged by the March violent protests in Kosovo.
- **31 March** - The top UN envoy for Kosovo, Harri Holkeri, launched Kosovo's Standards Implementation Plan. The plan represents a detailed guide that sets specific goals in many areas of political, economic and societal life in Kosovo.

## April

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- **1 April** - UNMIK formally took control of the Pristina Airport servicing, after five years of military authority over it.
- **6 April** - The chief administrator Harri Holkeri has signed two criminal codes (the Provisional Criminal Code and the Provisional Criminal Procedure Code, bringing thus the law in Kosovo into greater conformity with regional and European standards).
- **10 April** - United Nations police officers in Kosovo arrested a Kosovo Albanian man for his alleged role in last month's wave of violent protests.
- **17 April** – A shooting incident occurred in Mitrovica, on which occasion three international police were shot dead and nearly a dozen others injured.
- **28 April** – An investigation by the UN mission in Kosovo into the alleged criminal drowning of three children, which sparked last month's large-scale inter-ethnic violence, has stalled because of a lack of evidence.

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