

# *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 Kosovo 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

	May-Aug 2003	Sep-Dec 2003	Jan-Apr 2004	May-Aug 2004	Trend
GDP growth rate (annual), %	3.8 <sup>1</sup>		3.9 <sup>1</sup>		↗
Inflation rate (annual), %	4-5		1.8 (Feb)	2.9 (Jul)	↗
Bank deposits, million of Euros	457.5 (Apr-Jun)	515.8 (Sep-Dec)	541.4 (Feb)	615.6 (Jul)	↗
Commercial bank loans, million of Euros	162,7 (Apr-Jun)	232,8 (Sep-Dec)	252,8 (Feb)	327.9 (Jul)	↗
Trade balance, million of Euros	-177.79	-95.15	-176.11 (Mar)	-415.5 (Jan-Jun)	↗
Registered job-seekers	276,781 (Jul)	280,923 (Nov)	287,265 (Feb)	298,036 (Jul)	↗
Consumer Price Index, % (compared to May 2002)	99.6 (Jun)	103.4 (Nov)	103.5 (Mar)	99.9 (Jul)	↘
Basic pensions (per month), Euros	35	35	40	40	↔
Political pessimism, % ("Not satisfied" or "not satisfied at all" with current political trends)	37.3	47.9	45.4	46.6	↔
Economic pessimism, % ("Not satisfied" or "not satisfied at all" with current economic trends)	65.0	71.8	75.3	70.7	↘
Subjective welfare pessimism, % (Economic situation in the family equal or worse than six months ago)	87.9	86.5	91.8	90.6	↔
Satisfaction with UNMIK's performance*, %	43.1	28.4	24.7	20.7	↘
Satisfaction with SRSG's performance, %	71.4	43.1	32.4	-	-
Satisfaction with Government's performance, %	78.1	68.5	73.4	71.9	↔
Satisfaction with Assembly's performance, %	74.7	65.3	64.3	59.1	↘
Satisfaction with KFOR's performance, %	81.4	77.6	83.0	81.0	↔
Return of refugees, number of returnees	3,801		1,495**		↘
Personal security, % ("Somewhat safe" or "very safe" while outdoors)	59.6	51.5	56.6	56.2	↔

<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 2000-2004 is 11,411

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

AAK	Aleanca për Ardhmërinë e Kosovës/ Democratic Alliance of Kosovo
ADK	Aleanca Demokratike e Kosovës/ Democratic Alliance of Kosovo
BPK	Bank and Payment of Kosovo
CoE	Council of Europe
CPI	Consumer Price Index
ESPIG	Economic Strategy and Project Identification Group
EU	European Union
EWB	Early Warning Report
EWS	Early Warning System
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNP	Gross National Product
ICG	International Crisis Group
IMF	International Monetary Fund
KAN	Kosova Action Network
KCB	Kosovo Consolidated Budget
KEK	Korporata Energjetike e Kosovës/ Kosovo Energy Corporation
KFOR	Kosovo Forces
KPS	Kosovo Police Service
KTA	Kosovo Trust Agency
LDK	Lidhja Demokratike e Kosovës/ Democratic Union of Kosovo
LGWG	Local Government Working Group
NATO	North Atlantic Treaty Organization
PDK	Partia Demokratike e Kosovës/ Democratic Party of Kosovo
PISG	Provisional Institution of Self-Government
PTK	Post and Telecommunication of Kosovo
RTK	Radio T
SME	Small and Medium-size Enterprises
SOK	Statistical Office of Kosovo
SRSB	Special Representative of Secretary General
UNDP	United Nations Development Programme
UNMIK	United Nations Interim Administration Mission in Kosovo
USAID	United States Agency for International Development

## *Executive Summary*

1. During the period May – August 2004, political tensions in Kosovo calmed down after the violent protests of 17-18 March. Political topics that characterized this period were: i) debates on the causes and consequences of the March events; ii) disputes regarding future decentralization in Kosovo and uncertainties about participation of Kosovo Serbs in the parliamentary elections of October 23, 2004.

i) A comprehensive analysis of the causes and consequences of the March ethnic violence still lacks. Although both UNMIK and the PISG are responsible for the overall situation and progress in Kosovo, their opinions on responsibilities for these events differs. In general, both parties did not show much readiness for self-criticism. In particular, the PISG limited its arguments to justifications of its actions, without any clear orientation toward learning the lessons of these events. This reports' opinion poll shows that Kosovo Albanians and Kosovo Serb have also different opinions regarding the March events. Thus, Kosovo Albanian respondents perceive the following three factors as the main causes of the ethnic violence in March: 1) the drowning of three children in the River Ibër/Ibar; 2) social and economic factors; and 3) insecurity with regard to the final status of Kosovo. Amongst Kosovo Serbs, "the tendency for interethnic cleansing" is ranked first, followed by interethnic tensions and the political situation.

ii) During the May-August 2004 period two different plans regarding the future decentralization in Kosovo were drafted – one in Belgrade and the other in Pristina. The plan approved by the Parliament of Serbia provides for a high degree of autonomy for Kosovo Serbs and may create de facto the conditions that would enable the future partition of Kosovo along ethnic lines. In Kosovo such a plan is considered unacceptable and as a damaging step for multiethnic cohabitation in Kosovo. Disputes about decentralization led to uncertainties about participation of Kosovo Serbs in the parliamentary elections of October 23, 2004. Both of these issues will be critical for future relations between Pristina and Belgrade, as well as between Kosovo Albanians and Kosovo Serbs.

2. During the second quarter of this year, some positive developments in the approach to some of the key and strategic issues for the sustainable economic development of Kosovo took place. Nevertheless, the overall economic situation was worsening mainly due to the following factors: (i) the decrease in international aid, (ii) inefficiency in addressing major macroeconomic challenges, such as a huge trade deficit (iii) delays in the privatization of socially owned enterprises and in the restructuring of public ones, (iv) high levels of unemployment and poverty, (v) very slow improvements in the investment climate.

Based on the trends marked during the 2<sup>nd</sup> quarter of this year, macroeconomic developments to the end of this year are expected to be under the influence of the following factors:

- a. The imbalance between GDP and consumption;
- b. The decline of financial inflows (donations and remittances);

- c. Highly negative trade balance;
- d. Lack of liquidity;
- e. High level of unemployment and modest possibilities for its decline in the short term.
- f. Instability of the power supply from KEK.

In addition, the budget process is showing almost the same characteristics as in the previous year, such as a potential surplus. Given these conditions it appears unrealistic to expect that the projection for a GDP increase of 4% will be achieved.

**3.** The return to calmness in Kosovo after the events in March is not reflected proportionally in interethnic relations. During this period, opposing views of Kosovo Albanians and Serbs remained the same or deepened. The reasons could be related to the following views identified by the opinion poll carried out in July 2004:

- a. About 55% of Kosovo Serb respondents think that efforts of Kosovo Albanians regarding the integration of Serbs are insufficient;
- b. 43.8% of Kosovo Albanian respondents think that the reason for interethnic tensions is the lack of readiness of Kosovo Serbs to integrate;
- c. About 41% of Kosovo Albanian respondents see the reason for tensions in the influence of Belgrade;
- d. 45.5% of Kosovo Serb respondents are of opinion that the reason for interethnic tensions lies in the stands of the Kosovo Albanian leaders.

The Kosovo Albanian political parties, leaders, civil society and the media have to be much more active in their respective efforts and programs to provide messages and elements that improve the safety of free movement and offer more chances for integration of Kosovo Serbs.

**4.** Despite the gradual improvement in the security situation after the March riots, the July 2004 opinion poll has shown that the perception of insecurity increased remarkably after the riots:

- a. About 63% of K-Albanian respondents, 99.5% of K-Serb respondents and 77% of respondents of non-Serb minorities share the opinion that the March violent protests had a negative impact on the security situation;
- b. Nearly 55.5% of K-Serb respondents feel “very unsafe” or “somewhat unsafe” on the streets, compared to 33.3% of them that felt suchlike in March, and only 5.1% feel “very safe” or “somewhat safe”.

The issue of missing persons and the return of the remains from mass graves in Serbia are issues of serious concerns among the population. In view of the security situation their relevance lies in the continuing public pressure, in particular from the families of missing persons, for a more effective approach from UNMIK and Kosovo institutions on this problem. The resolution of this problem is progressing slowly, while the handing over (from Serbia) of only 20-30 corpses each month continuously raises tensions among Kosovo Albanians.

## *Political and Institutional Stability*

5. After the general riots which escalated into the violent incidents of March 17 and 18, and the political and security crises that followed these events, the political situation in Kosovo began to calm down during the months of May, June, July, and August. This period was characterized by political debates on the causes and consequences of these events. Other topics of political debate were the implementation of Standards for Kosovo, the need for the resolution of its final political status, decentralization, and issues related to the parliamentary elections of October 23, 2004.

### **Debates and analysis of March events**

6. The debate on the March events and ensuing crisis was characterized by allegations by the international mission accusing of negligence and inaction the local institutions and officials, and lack of professionalism and favoritism the Kosovo media.<sup>1</sup> On the other side, the Kosovo institutions and media responded to the allegations of the international missions by insisting that UNMIK and KFOR are the only institutions which had the real power and ability to guarantee and maintain security and public order.

On May 4, United Nations Secretary-General Kofi Annan presented a report<sup>2</sup> on the Kosovo situation in which the responsibility was placed primarily on the Kosovo institutions and the media. In Kosovo the report of Secretary General was not considered to be objective: "The main responsibility lies with KFOR and UNMIK, as they have to guarantee freedom and security for all the citizens of Kosovo".<sup>3</sup> In particular, the parts of the Secretary General's report in which the actions and reactions of Kosovo institutions during the March unrest were criticized, while the role and reactions of Belgrade were considered as constructive, were considered objectionable.<sup>4</sup>

Some of the Kosovo analysts placed responsibility on the substantial flaws in the very concept of the UNMIK administration and its function. According to them, the UN Mission in Kosovo, as a sovereign entity, was seen as confusing the role of the administrating authority with that of the manager. This led essentially to a lack of efficiency of UNMIK and the Kosovo institutions, and it is probably here where the source of the "crisis in the administration" of Kosovo lies.<sup>5</sup>

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<sup>1</sup> OSCE criticizes the Kosovo media with regard to the March events. Report of Miklosh Haraszti; daily newspaper "Zëri", 04.05.2004, p. 2.

<sup>2</sup> Report S/2004/348 of the Secretary General on the United Nations Interim Administration Mission in Kosovo.

<sup>3</sup> Daily newspaper "Koha ditore", 07.05.2004, p. 3.

<sup>4</sup> Ibid.

<sup>5</sup> The idea is given by Besnik Pula in his article published in the daily newspaper "Koha ditore", 11. 6.2004, p. 11. He states as follows: "In Kosovo since 1999 there has not been built a state in the traditional meaning, but a managerial structure with the aim of managing a territory and population". "In this structure of power the institutions of Kosovo are annexes to international administration and not an opposite because their authority derives from UNMIK".

Reports of some independent organizations such as *Human Rights Watch* also placed primary responsibility for the March unrest on the failure of the international missions in Kosovo, while at the same time recognizing the responsibility of the Kosovo Institutions. The *Human Rights Watch* report highlights the weaknesses in the response of the KFOR and UNMIK police and states that they failed the test during the March unrest; it calls for their immediate and substantial reform.<sup>6</sup> This report also addresses the share of the responsibility of the Kosovo leaders and Institutions.<sup>7</sup> KFOR and UNMIK reacted against such criticism, considering it exaggerated.<sup>8</sup>

7. When considering the causes that led to these events, the opinions of Kosovans differ strongly in accordance with their ethnicity. This is indicated by the results of the opinion poll conducted for this report in July. According to K-Albanian respondents the three main causes are: (1) the drowning of three children in the River Iber/Ibar, (2) social and economic factors, and (3) insecurity with regard to the final status of Kosovo. On the first two causes the non-Serb minorities share the opinion of the K-Albanian respondents, while they consider interethnic tensions to be the third most relevant factor. K-Serbs first “the tendency for interethnic cleansing,” followed by interethnic tensions, and the general political situation. Also the views regarding the causes for the escalation of the riots and for the violence differ according to ethnicity. For the K-Albanians and non-Serb minorities the main cause is the lack of capacities of the UNMIK police, while for the K-Serbs it is the lack of the capacities of KFOR. Another reason recognized by K-Albanian respondents and those from non-Serb minorities (15.7%) is the late reaction of political leaders.

The majority of respondents of all nationalities consider that the events had a negative impact on the political and economic situation in Kosovo. Nearly 72% of K-Albanians, 99% of K-Serbs, and 86% of other minority groups consider that they had a negative impact on the political situation, whereas 82.7% of K-Albanians, 99.5% of K-Serbs, and 87.5% of non-Serb minorities consider that they had a negative impact on the economic situation. As mentioned above, after the March events some members of the International Administration, such as the Temporary Media Commissioner and the OSCE, referred to media reporting, in particular to that of the RTK, as one of the main factors for the escalation of protests and violence. However, less than 9% of K-Albanian respondents and only 1.4% of K-Serbs share this opinion.

### **Governance crisis, competences, and standards – how to find the way out of the status quo**

8. In May the situation in Kosovo was characterized, as one analyst called it<sup>9</sup>, by a vacuum caused by the interaction of four factors: the self-satisfaction of the internationals, the disagreement of the Serbs, regional confusion, and the frustration of the Kosovo population. However, by the end of August, signs of a more dynamic political and institutional life were beginning to be seen, followed by new initiatives and preparations for the elections.

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<sup>6</sup> HRW, “Failure to Protect: Anti-Minority Violence in Kosovo, March 2004.

<sup>7</sup> NATO and UN failed, but even the Kosovo leaders should accept responsibility, daily newspaper “*Koha ditore*”, 27. 7.2004, p. 1.

<sup>8</sup> KFOR: We did not fail. We learned the lesson from the events - daily newspaper “*Koha ditore*”, 27.07. 2004, p.1; Deputy International Administrator Charles Brayshaw: The critics against UNMIK are exaggerated, daily newspaper “*Koha ditore*”, 28.7.2004, p. 1.

<sup>9</sup> Janush Bugajski, – Daily newspaper “*Koha ditore*”, 18.6.2004, p. 10.

After the resignation in May of the senior United Nations envoy to Kosovo Harri Holkeri<sup>10</sup>, the appointment of the new United Nations envoy took more than a month, while the newly appointed SRSG Soren Jessen Petersen took office only two months later (on August 16, 2004). Because the appointment of the new SRSG took place when the mandate and alternatives for the continuation of the international mission in Kosovo had to be reconsidered, policies applied during that time were focused primarily on maintaining the status quo, with only a few actions taken.

However, the international community, working both independently and through UNMIK, has not been passive on the issue of Kosovo. During the period between May and August some important steps have been taken to develop early warning mechanisms, in order to identify impending crises and to deal with critical situations. At first, the ad hoc mechanism of international politics, known as the Contact Group, was activated at full capacity. This mechanism played an important role, even a decision-making one, in solving the crisis within the former Yugoslav regions, including Kosovo. After the March events, the operational intermediate body of the Contact Group, called Contact Group Plus<sup>11</sup>, was established. Contact Group Plus has already started functioning as an operative body and holds regular monthly meetings in Kosovo with representatives of local institutions and UNMIK, to observe and to assist in the actual processes and efforts toward increasing stability and security.<sup>12</sup> During this same period several reports and some specific analyses of the performance of UNMIK and other institutions in Kosovo have been produced. The most widely argued among them is the report of the Norwegian diplomat Kai Eide, appointed by the Secretary General Kofi Annan to investigate the wave of ethnic violence that roiled Kosovo in mid-March. The report recommends substantial changes in the character of the mission and in operational policies<sup>13</sup>. According to U.N. Officials, no immediate action will be taken on these recommendations.<sup>14</sup>

9. There is a widespread opinion that the PISG did not show much willingness for self-criticism and analysis. It limited its arguments to justifications of its actions, without any clear orientation toward learning the lessons of the past events or opening any substantive debate, which would enhance the dynamics of political life and promote more active participation by citizens, the media, and civil society. Instead, the Kosovo institutions were focused predominantly on drawing a plan for reparation of the damages caused during the March incidents (rebuilding of houses, restoration of religious objects etc.), for which purpose were allocated initially five million Euros. This project is in its implementing phase and is considered to be successful. The response of the Serb minority to the quick restoration of the houses has been favorable and has resulted in their more active participation. The repair of the houses by the government of Kosovo is a concrete example of its attempt to bring the members of the Serb minority into closer contact with Kosovo institutions.<sup>15</sup>

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<sup>10</sup> Resignation before expiry of the mandate on the basis of health justification, daily newspaper *"Koha ditore"*, 15.5.2004, p. 2.

<sup>11</sup> The Contact Group is composed of Britain, France, Germany, Italy, Russia and the United States. The newly constituted "Contact Group Plus" includes representatives of the Contact Group countries, of the European Union and of NATO.

<sup>12</sup> Daily newspapers *"Zëri"*, 09.06.2004, p.1, and *Koha ditore*, 21.7.2004, p. 1.

<sup>13</sup> This report was not published officially.

<sup>14</sup> United Nations (Reuters), by Jane.N, 25.08.2004.

<sup>15</sup> Reconstruction of the premises with faster dynamics, says Minister Brajshori, *Koha ditore*, 10.6.2004, p. 3.

10. This report's opinion poll, carried out in July 2004, has shown that the respondents' opinion regarding the performance and the responsibility of some relevant institutions indicates a continuing trend of dissatisfaction marked in previous periods. The level of political pessimism ("very dissatisfied" and "dissatisfied" with actual political developments) grew to 47% in July, in contrast to 45% at the beginning of March. The prevailing opinion of the citizens of Kosovo, as shown by the July 2004 poll, is that the main responsibility for the situation and crisis lies with UNMIK. 73.5% of K-Albanians, 58.4% of K-Serbs, and 58.3% of other minority groups holds this opinion. K-Albanians tend to blame the PISG less (14.0%) than the minority groups (K-Serbs 20.3% and others 25.7%). In general, the responsibility of the political parties for the situation is considered low (K-Albanians 10.9%, K-Serbs 9.6%, others 11.1%).

Public confidence in the three main institutions that govern Kosovo - UNMIK, the Assembly and the government, has declined since March. Satisfaction with UNMIK's performance declined recently from nearly 25% to 21%, satisfaction with the performance of the Kosovo Government from 73% to 72%, and satisfaction with the performance of the Assembly from 64% to 59%.

11. More in-depth analysis leads to the identification of the factors that have contributed to this decline, which are primarily related to the current status-quo situation and to the way certain institutions are addressing the main concerns of Kosovans. Table 1.1 gives some indications as it shows the ranking of the problems as perceived by Kosovans by their ethnicity. For K-Albanians the three main problems are: the insecurity caused by the uncertainty of the political status, unemployment, and poverty; for the K-Serbs: personal and public security, interethnic relations, and the insecurity caused by the uncertainty of the political status. The non-Serb minorities' responses were similar to those of the K-Albanians: ranking starting with unemployment, next poverty, then the status issue. It is important to note the fact that there is less difference between K-Albanians and K-Serbs in their ranking of the issue of the fate of missing persons (4<sup>th</sup> place for K-Albanians, 5<sup>th</sup> for the K-Serbs), status (1:3), and unemployment (2:4). K-Albanians and K-Serbs differ in the way they would solve Kosovo's problems, especially the issue of status. Even here there are no substantial differences, apart from the fact that there has been a decline in the percentage of K-Serb respondents who see the solution of this issue in the division of Kosovo, when compared with the number of respondents who did not answer the question at all. Another indicator of differences is that K-Albanians still do not consider personal and public security to be a serious problem, in contrast with K-Serbs who rank this in first place, as well as interethnic relations. The latter should be an important indicator for political stakeholders, especially for the K-Albanian political parties and civil society in Kosovo to encourage courageous debates among Kosovans.

	K-Albanians	K-Serbs	Others
Final Status	1	3	3
Unemployment	2	4	1
Poverty	3	7	2
Personal Security	10-13	1	-
Interethnic relations	15-17	2	7
Missing people	4	5-6	11-15
Energy supply	5-6	8-9	5
Social problems	7	-	4

12. The recognition of governance crisis that became evident following the March riots has motivated efforts to redefine the principal structure of the government and to change the basic law of Kosovo and its constitutional framework. Earlier in the spring, the Kosovo Assembly established a commission which worked for several months on amendments that would transform the Constitutional

Framework into a provisional constitution of Kosovo. The work of the commission was published in May<sup>16</sup> and was approved in one of the final sessions of the Assembly before the summer holidays. UNMIK has opposed it, asserting that every change that affects the reserved powers of the SRSG will be annulled.<sup>17</sup> Following the statement of the Deputy SRSG that “at present there can be no substantial changes, especially not in the reserved powers of the Resolution 1244”, and “that constitutional changes are not a priority for Kosovo”,<sup>18</sup> the proposed changes are being analyzed by the Legal Office of the SRSG. A closer partnership with UNMIK was induced during the final days of the mandate of the former SRSG Harri Holkeri, including pledges for a faster transfer of the unreserved powers and authority, as well as a part of the reserved competencies, to the government of Kosovo or to the office of the Prime Minister. The departure of the former SRSG has temporarily stopped this process. Nevertheless, a climate of mutual trust in a more workable partnership has remained. The Kosovans hope that the arrival of the new SRSG will bring a more comprehensive transformation of UNMIK.<sup>19</sup> More radical Kosovo circles, encouraged by criticism of UNMIK from international circles, went even further with their requests to terminate UNMIK completely and to substitute it with another mission. (For example, the establishment of a monitoring mission of the EU<sup>20</sup>, after which Kosovo would be granted a “pre-final” status of conditioned independence or the status of a “would be state”<sup>21</sup> was proposed). However, in many international circles the question of an exit strategy was raised.<sup>22</sup>

**13.** The exit from the current situation in Kosovo, characterized by the crises in governance, economy, and in interethnic relations, could be through the “Standards with Status”, a strategy which means determining the final status now and then implementing this status simultaneously with the success achieved in implementing the standards. This course of action was also suggested at “Five years after – What kind of agenda for the future,” a conference held on July 9 and 10, 2004, in which many foreign and Kosovo analysts, both Albanian and Serb, participated<sup>23</sup>. The key recommendation was the necessity to eliminate the uncertainty regarding the final status of Kosovo, because it had become an obstacle not only to Kosovo, but also to Serbia and to the region.

The policy of “Standards before status” has been contested in the report prepared by the Norwegian diplomat Kai Eide. This policy is considered to be one of the factors that have led to deadlock, stagnation and frustration. Eide argues in favor of a more dynamic approach to affirming the standards, one that would not end with maintaining the status quo. His recommendations are: 1) The need for a clear definition of the goal of the mission and of the process of implementation; 2) The acceleration of the transfer of the competencies to the local institutions; 3) The need for international help to build and advance the local capacities of governance; 4) The reaffirmation of commitment to Kosovo by the international community;

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<sup>16</sup> Draft amendment for changes and annexes to the Constitutional Framework, Daily newspaper “Zëri”, 27.5.2004, p. 1 and 4-5.

<sup>17</sup> Daily newspaper “Zëri”, 17.6. 2004, p. 1 and 2.

<sup>18</sup> Daily newspaper “Koha ditore”, 16.6.2004, p. 3.

<sup>19</sup> Daily newspaper “Koha ditore”, 27.5.2004, p. 1.

<sup>20</sup> Daily newspaper “Zëri”, 15.6.2004, p. 5.

<sup>21</sup> The statement is by the Austrian diplomat Wolfgang Petrich, Daily newspaper “Zëri”, 21.06. 2004, p. 4.

<sup>22</sup> Busek: “The Strategy of the international community on stepping out from Kosovo and Bosnia is needed”; daily newspaper “Koha ditore”, 16.5.2004, p. 2.

<sup>23</sup> Such as Aristotle Tziampiris, Muhamedin Kullashi, Dushan Janjic, Besnik Pula, etc; daily newspaper “Koha ditore”, 10&11 July, 2004.

5) The closer coordination between UNMIK Western countries; 6) The reduction of gap between UNMIK and the Kosovans; and 7) The overall reform of UNMIK should take place.<sup>24</sup>

14. The proposal for the reform of UNMIK is supported by the USA.<sup>25</sup> However, the international community still lacks a consensus on a “joint strategy for Kosovo” in order to build more decisive policies, as NATO Secretary General Jap de Hoop Scheffer has said.<sup>26</sup> Therefore the priorities of the policy of the mission in Kosovo and of Kosovo institutions still remain those formulated earlier: the implementation of standards, the return of refugees, and freedom of movement are at the top of the list.<sup>27</sup> Regarding the distribution of power and competencies, the formula recommended by Contact Group Plus is one of empowering Kosovo institutions without compromising UNMIK authority.<sup>28</sup> Public opinion in Kosovo favors the implementation of the Standards: K-Albanians as well as K-Serbs think that the most important standard is “the rule of law,” followed for K-Albanians by the standard on the economy, and for K-Serbs by the standard on the freedom of movement. On the issue of the contribution of key factors in the implementation of the Standards respondents of all nationalities predict positive roles for UNMIK, PISG, the international community, and the people of Kosovo. On the other hand 97.7% of K-Albanian respondents predict that Belgrade will try to impede the implementation of Standards and 0.5% of Kosovo Serbs share this opinion.

Activities towards the implementation of standards as outlined in the Plan of Standards, even though intensified remain considerably in the planning phase. The impression is that the political parties, the civil society, the media, and the general public feel that they do not have a stake or a say in this process. A massive campaign and a meaningful debate to raise awareness of the importance of their roles in this process is lacking. Much of the action taken is more focused on the organizational and technical aspects and rests, with the exception of the electronic media, solely in the hands of individuals and groups, UNMIK and the PISG.

### Problems with decentralization

15. Considering the political climate created by the March riots, the Parliament of Serbia has approved a plan for Kosovo which provides for a high degree of autonomy for Kosovo Serbs and creates de facto the conditions that would enable the future partition of Kosovo along ethnic lines. In Kosovo and also in international circles such a plan is considered to be dangerous, not only for the sustainability of internal relations but also for the security, peace and stability of the region.<sup>29</sup>

The Government of Kosovo and UNMIK (with belated input from the KTA) have drafted their own plan of decentralization, referred to as “The Framework Document for the Reform of Local Government in Kosovo,” which was approved in mid-July, 2004.<sup>30</sup> The plan does not exclude the possibility of creating

<sup>24</sup> Daily newspaper “Zëri”, 1.8.2004, p. 1 and 3.

<sup>25</sup> Reformation of the UNMIK bureaucracy is supported by USA, daily newspaper “Zëri”, 18.7.2004, p. 1.

<sup>26</sup> Daily newspaper “Koha ditore”, 15.6.2004, p.1.

<sup>27</sup> Pursuant to the statement of the Contact Group Plus, daily newspaper “Koha ditore”, 9.6.2004.,p. 1.

<sup>28</sup> The third meeting of the Contact Group Plus with the Kosovo leaders, daily newspapers “Koha ditore”, and “Zëri”, 21.7.2004, p 1.

<sup>29</sup> Daily newspaper “Zëri”, 4.5.2004, p. 1 and 3.

<sup>30</sup> The framework for the reformation of the local self-governance, daily newspaper “Koha ditore”, Zëri, 23.0 7.2004, p. 6-7. The plan is based on original thinking of members of the LGWG (including a CoE representative) but drawing significantly on the CoE document entitled “Reform of Local

municipalities and sub-municipalities based upon the ethnic makeup of their populations<sup>31</sup>. The draft proposal for the Reform of Local Self-Government in Kosovo was approved by the Government of Kosovo, but at the same time some clarification of the idea of the pilot-municipalities and of the terminology used in the document was requested.<sup>32</sup>

The project for the reform of self-government and the establishment of pilot-municipalities does not address the problem of the parallel structures of Serbia in Kosovo. Unless official Belgrade ceases to support the parallel structures and distances itself from interferences into the political and constitutional system of Kosovo, the establishment of the pilot-municipalities could encounter resistance by the K-Serb community and fail. The K-Serb community prefers parallel institutions instead of the establishment of new government units that would fall under the jurisdiction of Kosovo, while, in case parallel institutions within Serb enclaves continue to function, the K-Albanian community and non-Serb minorities prefer the status quo in territorial organization, due to the fear that parallel structures would be camouflaged behind the veil of pilot-municipalities.

The decentralization plan prepared by the Belgrade authorities is unacceptable to the PISG and is considered to be a damaging step for multiethnic cohabitation<sup>33</sup>. Prime Minister Bajram Rexhepi, in his statement on September 10, 2004, said that there will be no negotiations with Belgrade regarding the Serb plan for decentralization, because its goal is the partition of Kosovo<sup>34</sup>. He asked the K-Serb community to present their ideas within the working group of the PISG and UNMIK.

Hashim Thaçi, the leader of the Democratic Party of Kosovo (PDK), proposed that the decentralization model should use the principles of the Ohrid Agreement, which helped bring an end to the war in Macedonia. Thaçi's idea consists of establishing sustainable municipal units on the basis of the ethnic composition of their populations. Such units, however, would not have the level of autonomy that would impact upon ethnic divisions and the partition of the territory of Kosovo based on ethnicity.<sup>35</sup>

### **The deadlock in the Albanian-Serb dialogue and October elections**

**16.** The dialogue that begun last year came close to being deadlocked this year, with few efforts for its continuation. In general, proposals for decentralization have not found the necessary support, particularly amongst the Kosovo Serbs, who remain focused on the Belgrade plan.

The only agreement between K-Albanians and K-Serbs to come out of the deadlock has been the Joint Statement signed in the US Office in Pristina in July 14, 2004. Under the terms of this agreement the parties have concurred to work towards "the implementation of standards, return of refugees, rebuilding of

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Self-Government and Public Administration in Kosovo", a Draft Law on Local Self-government proposed by the Ministry of Public Services, as well as on the Macedonian law on Local Self government.

<sup>31</sup> Daily newspaper "Koha ditore", 23.7.2004, p. 1.

<sup>32</sup> The Government has approved in principle the draft document for the reformation of local self-governance in Kosovo in the meeting held on 23 July 2004.

<sup>33</sup> Statements by Mr. Jakup Krasniqi, Minister of Public Services, Mrs. Melihate Tërmkollit, LDK deputy in the Assembly of Kosovo, Xhavit Haliti, Member of the Presidency of the Assembly of Kosovo, Bujar Dugollit, Head of the Parliamentary Group of AAK for the daily newspaper "Kosovo sot" on 19 August 2004.

<sup>34</sup> Daily newspaper "Koha ditore", 11.10.2004.

<sup>35</sup> Interview with Hashim Thaci, daily newspaper "Epoka e re", 15.07.2004, p. 10.

premises and reform of local government.” It was further agreed that a Ministry of Minorities be added to the Kosovo government structure. However, the signing of the agreement has led to dissent and the withdrawal of the signatures of some of the representatives of the Serb community.<sup>36</sup>

Pressure from Belgrade impedes efforts by K-Serbs to put forth their interests in the political arena. K-Serbs continue to boycott sessions of the Kosovo Assembly and the work of the other Kosovo government institutions. When the consequences of the March events started to be remedied, K-Serb leaders asked for an agreement on the decentralization of Kosovo that included their plan as a condition to ending the boycott. Participation of K-Serbs in the October elections was also conditioned with approval of the Serb decentralization plan.<sup>37</sup>

17. During the two months of absence of SRSG, there has been a lack of contacts and more intensive talks with Belgrade. Therefore the Serb conditions remained in force until the end of August and continued even during the advanced phase of preparations for the elections, causing thus problems regarding the participation of Serb parties and coalitions in the elections.<sup>38</sup>

18. The boycott of K-Serbs<sup>39</sup> of the parliamentary elections could be motivated by a desire for the stagnation of the process of the implementation of Standards and the creation of conditions for starting the talks on the resolution of the final political status of Kosovo. The non-participation of K-Serbs in the upcoming elections and the composition of the new legislature in Kosovo without K-Serbs could then be used as a pretext to contest the legitimacy of decisions and eventual agreements on decentralization, as well as on the final status of Kosovo.<sup>40</sup>

19. As at the beginning of September other political entities have not caused any problems for the October elections. During the preparatory phase there have been no reports of incidents like the violence and allegedly politically motivated assassinations of the years from 2000 to 2002.<sup>41</sup> The mood of the electorate, according to this report’s survey conducted in July, remains relatively stable, with no dramatic changes in preferences for the candidates. According to this survey, a high voter turnout in the October elections is expected. The survey indicates a recent relative increase (from about 5% to 8%) in support of the smaller parties. This development could be a result of the establishment of some new political entities (Citizens List ORA and ADK). The survey was taken in early July to determine more precisely whether this tendency indicates potentially larger changes that would create a political configuration different from the one created after the elections in 2001.

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<sup>36</sup> The joint statement in the American Office breaks apart the Serbs of Kosovo: Should the Belgrade plan be followed or a compromise way must be found with Kosovans? – daily newspaper “Zëri”, 17.7.2004, p. 3. See also the article: Milorad Todorovic, co-minister, withdraws his signature from the joint statement after pressure, daily newspaper “Zëri”, 17.7.2004, p. 2.

<sup>37</sup> Serbs warn of a boycott of elections – set conditions for the approval of the Serb plan for decentralization, daily newspaper “Koha ditore”, 29.7.2004, p. 1.

<sup>38</sup> SRSG warns the Serbs that by boycotting the elections they will exclude themselves from the processes, daily newspaper “Koha ditore”, 01.09.2004. p.1

<sup>39</sup> The report covers the period before elections held in October 2004.

<sup>40</sup> Under the pressure of the International Community the President of Serbia has invited Kosovo Serbs to participate in the Assembly Elections. He has stated that this participation is conditional upon the establishment of Serb courts, police, education and health institutions, under international guarantee, within three months of the elections. The Government of Kosovo, and some relevant political parties, rejected Tadic’s conditions and invited Serbs to participate in the elections.

<sup>41</sup> Some statements on potential conflicts during the pre-election period are considered as speculation and unsupported exaggeration; Daily newspaper “Koha ditore”, 23.7.2004, p. 2.

## *Economic and Social Stability*

### **Macroeconomic trends**

20. During the first two quarters of 2004 there was breakthrough on some of the important issues of the long-term development of Kosovo. Measures taken by the government of Kosovo, the international administration and other international institutions in this area were:

- Promotion of the plan for the achievement of important standards including standards for the economy,
- Promotion of the Kosovo Economic Memorandum by the World Bank,
- Realization of the changes requested by the business community for the reform of fiscal policy on customs tariffs and tax incentives for the import of agricultural inputs and equipment,
- Initiation of discussions on articulating an Economic Development Strategy by the “Economic Strategy and Project Identification Group (ESPIG)” chaired by the Office of the Prime Minister and UNMIK Pillar IV,
- Public discussions on the strategy for the development of higher education and the plan for spatial development for the period ending in the year 2015, and
- Restarting the privatization process of socially owned enterprises.

Although it may not be reasonable to expect an immediate impact on actual trends, these important measures help focus attention on several issues and broaden perspectives on sustainable economic development.

21. In general, in the second quarter of 2004 some previous trends, such as the decline of economic growth, the low spending of the allocated budget, continued (see EWS Report #6). The general economic situation was getting worse, influenced by the following: (i) the decrease in international aid, (ii) inefficiency in addressing major macroeconomic challenges, such as a huge trade deficit and being heavily dependent upon international assistance, (iii) delays in the privatization of socially owned enterprises and in the restructuring of public ones, (iv) unsustainable social environment as a result of a high level of unemployment and poverty, (v) very slow improvements in the investment climate (that is the conditions in which the business sector operates, such as access to finance, power supply, etc). Given these conditions it appears unrealistic to expect that the projection for a GDP increase of 4% will be realized.

Based on the general situation as it appeared during the 2<sup>nd</sup> quarter, macroeconomic developments to the end of this year are expected to be under the influence of the following:

- The imbalance between GDP and consumption,
- The decline of financial inflows (donations and remittances) and the impact of such a decline on economic growth,
- Highly negative trade balance,

- Lack of liquidity (the lack of cash to finance business activity and the subsequent increase in the demand for loans),
- High level of unemployment and little possibilities for its decline in the short term.

Indicators	2001	2002	2003	2004 (projections)
GDP, real changes	15.7	2.1	4.5	4.0
GDP per capita	12.7	0.4	2.8	2.2
Total consumption, real changes	3.1	-5.5	1.2	-1.7
Private sector disposable income	-2.7	-6.7	0.2	4.7
Investments, real changes	17.1	-8.2	-15.5	7.3
Commercial imports	10.2	-3.0	-6.1	0.9
Exports	-	1.7	3.3	0.8
Import covered by export in %	2.2	2.6	3.7	3.9
Assistance from abroad	9.2	-3.5	-4.1	-15.3

Source: IMF staff estimations (April, 2004)

### Current trends

22. Based on data presented in this report (Selected Indicators and Table 2.1), the main characteristics of the current economic trends are:

- Annual inflation rate increase up to about 3% by the end of July,
- Insufficient increase in exports (40 % during the period January – June 2004 compared to the same period for the year 2003<sup>42</sup>) to have an impact on the very unfavorable trade balance,
- Increase (3.7%) in the number of registered job seekers from 287,265 in February to 298,036 in July 2004,
- Increase in bank deposits (13.7%) from 541.4 million Euro in February to 615.6 million in July 2004. Similarly the commercial loan volume increased (12.9%) during the same period from 252.8 million Euro to 327.9 million.

23. According to the latest IMF estimates<sup>43</sup>, in 2004 GDP is expected to increase by about 4%. This increase is lower than the increase during the period of 2000 to 2002, which was influenced by international donations and remittances. The projected increase in GDP in 2004 is based upon:

- The high level of consumption as in the past years. It is estimated that in the year 2004, family consumption will rise by 1.6%, government consumption<sup>44</sup> by 6.2%, whereas public<sup>45</sup> consumption is expected to fall by 6.3%. Considering the substantial decrease in donations and remittances it seems unlikely that this projected increase in consumption is fully achievable. This situation will be reflected in the realization of an increase in GDP throughout 2004. As a result of the general economic crisis and high unemployment, it will be impossible to maintain even the current level of NDI (National Disposable Income) and especially the level of private disposable income and private consumption per capita. It

<sup>42</sup> See Table 2.4.

<sup>43</sup> IMF staff estimations (April, 2004).

<sup>44</sup> General government spending (wages and goods and services) by the Kosovo Government.

<sup>45</sup> Includes both the Kosovo Government spending and UNMIK and other donors spending.

is important to point out that Gross National Product (GNP) exceeds Gross Domestic Product (GDP) by 20.47% (1,983 billion against 1,646 billion Euros).

- Since 2002, the level of investments has marked a decrease. This decrease is primarily due to the decline in investments from donations: from 159 million Euro in 2002 to only 74 million Euro in 2004. Private investments still comprise about half of total investments. The percentage of private SMEs that undertake investments has also declined. If there are no improvements in the investment climate to encourage foreign investments and no opportunities for the utilization of foreign loans, it will be difficult for the Kosovo Consolidated Budget (KCB) to meet the need for public investment. In such circumstances, it will be very difficult to meet investment projections for 2004.

Elements	2001	2002	2003	2004
Consumption	2,563	2,512	2,575	2,552
Investments	626	593	503	538
Net export	- 1,737	- 1,537	- 1,433	- 1,389
GDP	1,452	1,569	1,643	1,701

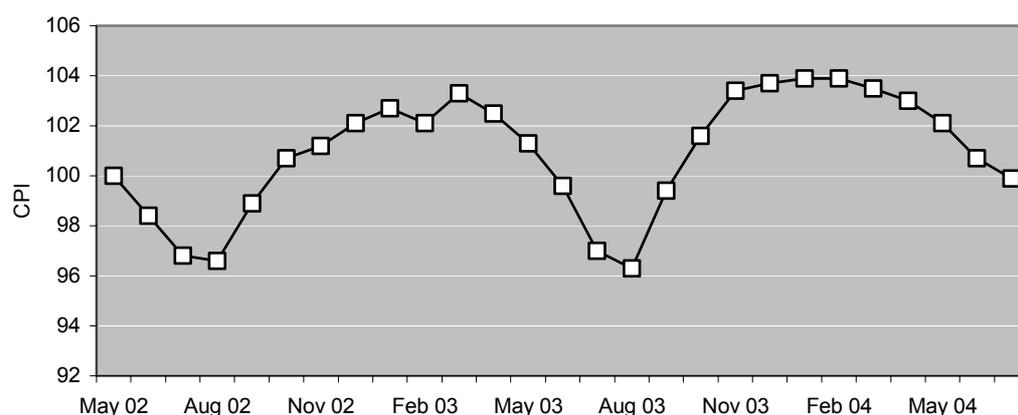
Source: IMF staff estimations (April, 2004)

- The trade deficit is expected to decline by about 3%, taking into consideration a decrease in imports (which again is at a very high level compared to exports), but this does not mean much in absolute terms, because the export volume remains small. The decline in donations and remittances will also have an impact upon the volume and level of imports. It is expected that the current level of imports in 2004 and during the following years will show tendencies of slight decrease.

## Prices

24. According to official data from the Statistical Office of Kosovo (SOK)<sup>46</sup>, the Consumer Price Index (CPI) in Kosovo was about 3% higher in July 2004 as compared to July 2003 (see Figure 2.1). According to the data, the higher inflation rate is to be attributed to a price increase in several products: vegetables, 18.5%; bread and crops, 6.4%; milk, cheese and eggs, 5.5%; tobacco, 11.0% etc. Fig. 2.1 shows that in last year as well as during spring of this year, there was an overall decline in prices due to the seasonal price decline of products such as vegetables (-14.4%); coffee, tea, and cocoa (-2.2%); food oil and fat (-1.9%); bread and crops (-0.8%); milk, cheese and eggs (-0.7%); electric power, gas, and other diesel fuels, (-0.8%), which give seasonal characteristics to the CPI. However, Fig. 2.1 indicates that even though there was a seasonal decline, the level of prices during this year is higher compared to the same period of last year, which is a sign of increasing inflation and which, under the conditions of the present social situation in Kosovo, must be taken in serious consideration by economic policy makers.

<sup>46</sup> See Statistical Office of Kosovo, Monthly Report, August 2004.



**Fig. 2.1. Consumer Price Index (May 2002=100);**  
Source: Statistical Office of Kosovo, August, 2004

### Banking system

25. The trend in the volume of lending continues to show an increase: during the period February to July this increase accounted for 29.7% (from € 252.8 million to € 327.9 million). Deposits have increased 13.7% (from € 541.4 million to € 615.6 million). Loans comprise 53.3% of total deposits. Of total loans, 79% were businesses loans and 21% household loans. Sector-based analysis shows that the highest share of loans went to the trade sector (49%); followed by the services, tourism, and hotels/restaurants (11%); industry (4%); agriculture (only 3%); construction (4%); and others (29%)<sup>47</sup>. The ratio between loans and deposits is improving and it is expected that this trend will continue. It may be relevant to notice that commercial loans approved by commercial banks are not loans for start-ups. None of the commercial banks in Kosovo are providing loans for business start-ups. Although start-ups are generally recognized to be a high-risk investment, Kosovo commercial banks are not even considering business start-ups as a possibility (even under strict criteria). The only current sources for financing start-ups are micro finance institutions with limited capacities. Considering that in Kosovo there are no other sources of finance for start-ups (like leasing, venture capital, business angels, etc.) it is evident that there is a critical lack of means to improve private sector development through longer-term loans for investment.

26. Table 2.3 shows changes in the ratio between loans and deposits during one-year period (July 2004/ July 2003). The level of deposits is 36% higher, while loans are almost doubled (increased by 92%). A key impact on this increase had the approval of loans for consumption as well as housing loans for construction and renovation.

	July 2003	July 2004	% Increase 2004/2003
Deposits	451.9	615.6	36
Loans	171.0	327.9	92
Loans/Deposits	37.8%	53.3%	

<sup>47</sup> BPK, Monthly Statistics Bulletin, June 2004.

From a sectoral perspective, the trend in loans is not enough supportive of a sustainable economic development. The two most critical sectors for economic growth, industry and agriculture, make the smallest proportion of lending volume. It seems that the amount and terms of the credit offered does not encourage investment in these sectors. Loans are still expensive and short term, and these conditions do not encourage the finance for investments that would spur economic development.

## Foreign Trade

27. The large trade deficit continues to be a matter of concern despite the fact that since May 2004 it has begun to decline.

January-June	2003	2004	% of change 2004/2003
Imports	442.9	436.6	-2
Exports	15.5	21.1	+40
Trade deficit	- 427.4	- 415.5	-3

Primarily imports originate from Balkan countries (48.4%) and the European Union (36.2%). The biggest percentages of imports are from Serbia and Montenegro (15.2%), Macedonia (13.7%), Turkey (9.3%), and Greece (8.0%). About 25% of imports are composed of food products, beverages, tobacco and vegetable products.

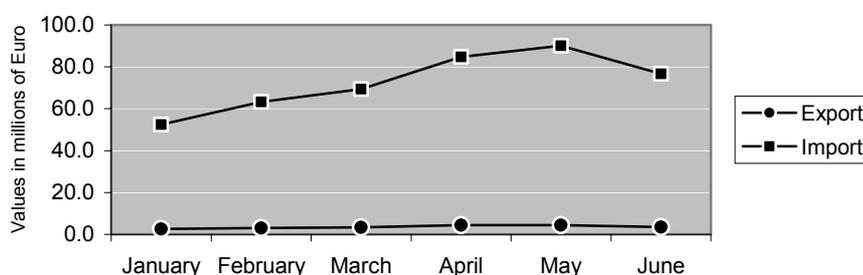


Fig. 2.2. Trends in the foreign trade

28. Comparing imports and exports during the first six months of this year with those of the same period in 2003 there are some slight improvements in the trade balance. The percentage of imports covered by exports has increased by 1.3%. Exports have shown a 40% increase in contrast to imports which have shown a decrease of 2%.

29. The creation of incentives for Foreign Direct Investment (FDI), such as a secure environment, the improvement of abilities, the improvement of taxes and financing, is a key step in any strategy to decrease the trade deficit in a sustainable way. Foreign Direct Investment would help decrease the need for imports and

increase export opportunities. In addition, the increased level of FDI would fill the gap caused by the decline in donations from abroad<sup>48</sup>.

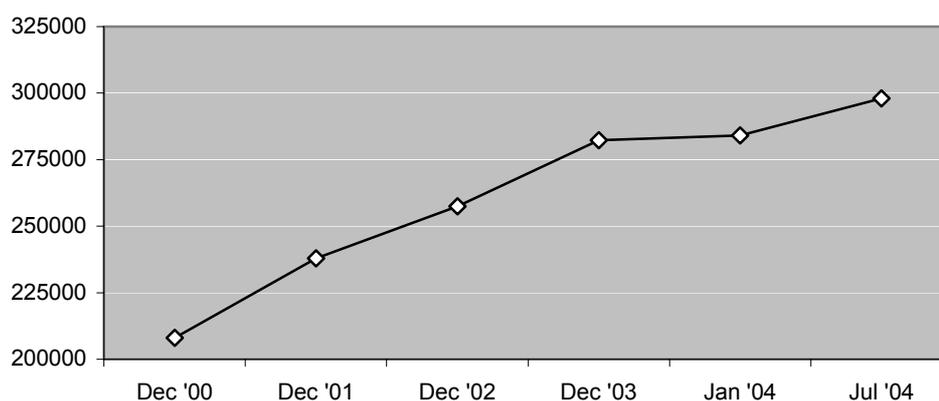
## Unemployment

30. Data<sup>49</sup> from the Ministry of Labor and Social Welfare shows that the number of job seekers in Kosovo has increased during the last four years (see Fig. 2.3). According to this data, from January to July 2004 the number of registered job seekers has increase by 17,652. The newly registered unemployed are primarily from the 25-39 year age group and are usually unqualified.

The high unemployment level is related to the low level of investment in Kosovo.<sup>50</sup> This situation appears even more serious when taking into consideration the government's limited budget resources available for use in reducing the unemployment problem<sup>51</sup>. From the year 2000 through to the first half of 2004, the number of registered unemployed persons has increased by approximately 89,962 persons or 30.1%. The approximate number of additional registered unemployed persons per year is about 25,000. This corresponds to the estimations about new entries into the labor market every year, which reflects an unfavorable relationship between new entries and new jobs created<sup>52</sup>.

## Budget consumption

31. There have been some significant changes in the revenue side of the Kosovo Consolidated Budget in 2004 as compared to the previous years. One notable difference is the actual income compared to budget projections. Only 45% of projected income was realized in the first half of this year. The biggest source-based stagnation is noted in the incomes of the municipalities, which during this period



**Fig. 2.3. Number of registered job seekers**  
Source: Ministry of Labor and Social Welfare, Pristina, 2004.

<sup>48</sup> Riinvest, "Foreign Direct Investments in Kosovo" (Follow-Up Report), May 2004

<sup>49</sup> Ministry of Labour and Social Welfare, Pristina, July 2004.

<sup>50</sup> Survey with 585 SMEs, Riinvest 2003.

<sup>51</sup> Lately, the Government has targetted a project, which according to them would employ 900 persons with a duration of 6 months.

were only 35% of what was projected. Another evident stagnation is in the income from customs (the level of realization was 39.3%) and VAT (the level of realization was 34.5%). The same trend continued during July of this year, when the level of income was only 53.9% of the projected amount. However, the level of budget income, when compared to the first seven months of last year, is 1.5% higher. There is still a very high share of income collected at border crossings (78%). But, at the same time, the budget collected inside Kosovo at the end of month July is higher compared to the planned one. If this trend continues, it may affect positively the sustainability of the budget.

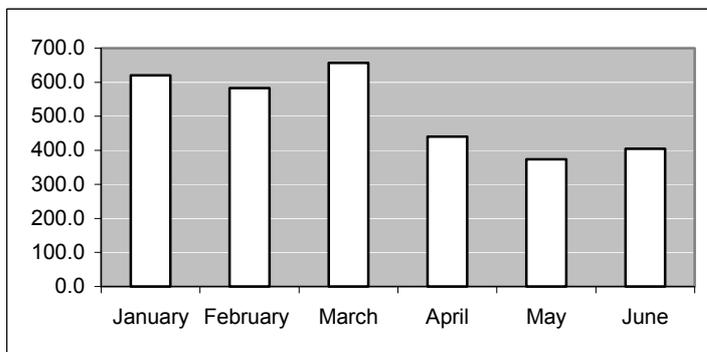
1. During this year, the government of Kosovo and UNMIK Pillar IV agreed to introduce tariff incentives for the import of agricultural inputs and equipment in order to stimulate agricultural production. It is apparent that these measures will result in the loss of a portion of customs income. It is, however, a reasonable expectation that these measures will have an impact on the future growth of production and thus on budget revenue. There is a possibility to extend these measures to excise and value added taxes, for the tax base to be more focused on total consumption and less on the import of basic products.
  2. There is the possibility for a further budget surplus, as government agencies during this year are not succeeding in utilizing the committed financial means. Budget consumption during the seven-month period rose to 36.9% of planned consumption. Compared to the same period last year, this spending is about 39 million Euros higher. Consumption for wages and salaries is closer to the plan than that for commodities and services. Capital investments are very much below the planned level at about 16%. Funds for capital means designated for 2003, but not spent, were carried forward to the 2004. The utilization of these funds in 2004 is faced with problems similar to those of last year, such as the lack of projects, the low effectiveness of budgetary agencies, and complicated property relations with the KTA. Such developments in budget consumption do not lead to efficient fiscal policy in general. This may cause irrational or non priority spending at the end of year.
  3. Actual budget trends underscore the need to take corrective measures in budgetary law management, through which more efficient conditions for timely utilization of the budget would be created. As opposed to the existing system based on a committed budget, the IMF recommendation for budget consumption according to the *cash-flow* system must be taken into account. This would create conditions for a timely and rational utilization of budget sources.
- 32.** Another important issue is the relationship between the budget and public enterprises, which is not well regulated. While the allocation of budgetary resources for financing some enterprises (such as the KEK) leads directly to the detriment of the budget, the operations process and the sustainability, it also has a negative impact on the restructuring of KEK. Other publicly owned enterprises, such as PTK, which creates high profits, is not subject to the consolidated budget of Kosovo. Furthermore they remain outside government control and Kosovo public scrutiny.

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<sup>52</sup> Riinvest, (2003), Labor Market and Unemployment, Research Report.

**Energy crisis**

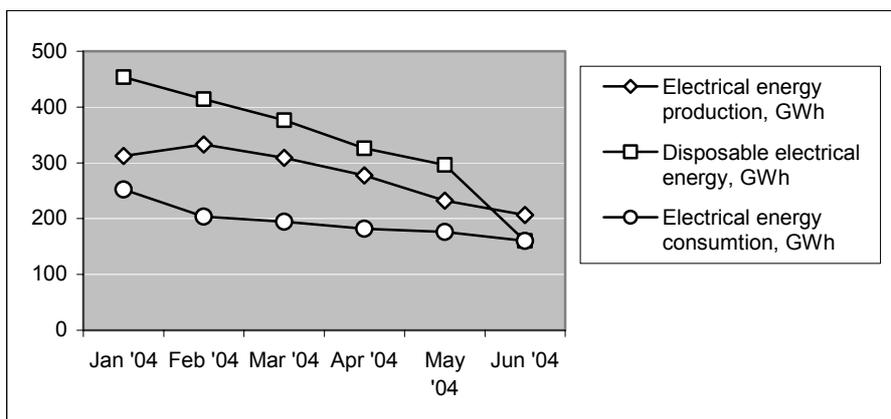
**33. Investment:** The lack of investment and poor management during the period from 1990 to 1999 has resulted in long-term consequences for the development of Kosovo’s energy sector. After the end of the war, even though large investments were made, sustainable development in this sector was not attained. During the period from 1999 to 2003, in order to support the revitalization and stabilization of



**Fig. 2.4. Coal production in 2004 (in 1000 t)**

this sector, the EU provided a total of 345.1 million Euros. When considering the total investment in this sector, the contributions of other international donors and that of the consolidated budget of Kosovo must also be taken into account. However, the financial support of this sector, even though substantial, was not supported by effective management. During this period there were three management teams. Despite this, development indicators and operations in this sector did not improve. The frequent power cuts, the irregular electricity supply, the decrease of energy efficiency, the lack of energy savings, the low level of power bill payments, technical and commercial losses, as well as the illegal customer consumption continue to characterize the situation at KEK.

**34. Production:** Compared to the first quarter of 2004, production of coal in the second quarter declined (from about 600,000 tons to about 350,000 tons). The reason for this decline is the inactivity of the Kosovo A power units. The planned investment for the revitalization of Kosovo A power units have not been carried



**Fig. 2.5. Electricity production, disposable and consumption**  
 Source: Economic Memorandum of Kosovo, World Bank, 2004

on, which has had a strong impact on power imports<sup>53</sup>. If current coal production is compared with that of the same six-month period of last year, the decline in coal production amounts to 7.5%.

Since January 2004, due to frequent technological defects, repairs, poor maintenance, and management problems, there has been a continuous decline in the production of electricity, a decline which was offset by imports. In the first six-month period of 2004, there was a 2.8% fall in energy production compared to the same period in 2003.

**35. Supply:** The irregular, unpredictable, and inconsistent supply of electrical energy has become a serious obstacle to the functioning of businesses in general and especially for manufacturing businesses. This energy situation has a negative effect on the business environment and on the investment climate in Kosovo. According to a World Bank study, more than 65% of the surveyed businesses consider the supply of power as a “large” obstacle for their business activities.

**36.** The low rate of payment of consumers’ electricity bills, technical-commercial losses, and abuse of electricity (unregistered use) are also critical problems for Kosovo’s energy sector.

The level of so-called technical and commercial losses in 1999 was high (38.7%), and it has continued to increase. During the period 1999 - 2003, the level of losses reached 43.3%. This worrying phenomenon has continued in 2004 (January, 44.4%; May, 40.6%; and June 35%).

**37.** During the period January - March 2004, payment of bills amounted to 6.0 million Euros, whereas in April and May 2004, such payments reached approximately 8.0 million Euros. The increase in payments was due to an organized campaign by KEK. The largest share (about 75%) of the amount owed is from households. Finally, in June of 2004, consumer debts to KEK amounted to about 190.0 million Euros. It is impossible for KEK to function normally with such a high level of debt. This situation requires urgent measures to increase energy bill payment. Given the current situation, the critical energy sector deserves the attention of all responsible stakeholders before the coming winter.

#### Standards and the payment of electrical energy

In the Plan of Standards for Kosovo, one of the sub standards refers to the increase in the level of payment for energy and for the services of KEK up to 100% in order to get closer to the level of neighboring countries.

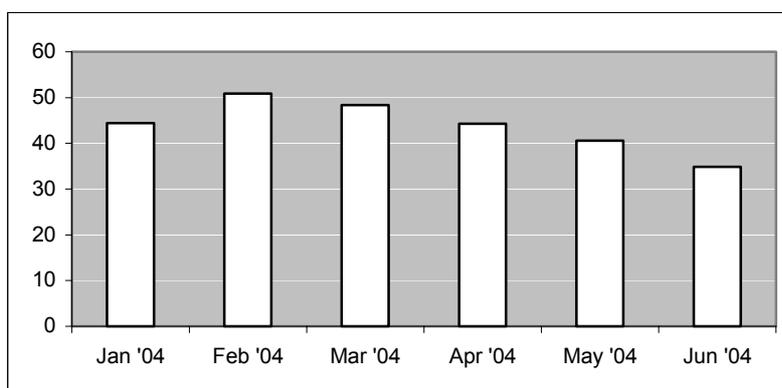


Fig. 2.6. Rate of electrical energy losses in relation to disposable energy

<sup>53</sup> According to KEK reports, during the first 6 month period of 2004, 14.5 mill. Euros have been spent on power imports.

## *Inter-ethnic Relations*

### **The overall situation and the survey**

**38.** The hopes for faster improvement in interethnic relations in Kosovo after the March events have not been realized. To the contrary, during this period the differences in the views of K-Albanians and K-Serbs were further sharpened, with no upward trend in common interests. The only positive trend, the readiness of K-Albanians to support the return of displaced persons is an exception.

**39.** Two important events that have had opposite effects took place during this period:

- i) The initiation of the internal dialogue that culminated in the common statement of K-Albanian and K-Serb governmental and political leaders on July 14, 2004 at the US Office in Pristina marked an important step towards the normalization of interethnic relations in Kosovo. However, the withdrawal of the signature of Mr. Milorad Todorovic, Inter-Ministerial Coordinator on Returns in the Kosovo Government, and the failure by Mr. Nenad Radosavlevic, Senior Advisor of SRSG, to sign the document as a result of pressure from those holding extremist political views, could hamper the realization of the commitments made pursuant to this statement.
- ii) The refusal of the K-Serbs to participate in the elections and the conditions set for potential participation (such as approval of Belgrade's concept of decentralization), represent a backward step.

**40.** K-Albanian and K-Serb respondents continue to have very different perceptions of many important issues<sup>54</sup>:

- 1) Survey responses by K-Albanians and K-Serbs to questions about the state of Serb-Albanian relations before and after the March events demonstrate differences in perceptions between the two groups. For K-Albanians, interethnic tension has scarcely changed in its intensity, while K-Serb respondents perceive a 12% increase in interethnic tension – see Table A.3.1 in the Annex.
- 2) Dissatisfaction with political developments amongst both K-Albanians and K-Serbs has shown a considerable increase. The majority of both ethnic groups think that the March events had a negative impact on the political situation (Table A.1.2 in the Annex). According to the opinion poll, responsibility for the current situation is increasingly attributed to UNMIK.
- 3) Concerning agreement with the return of displaced persons and refugees to Kosovo, K-Serbs show the highest support with 98% (Table A.3.4 in the Annex). The percentage expressing such approval amongst K-Albanians increased from 61% to 67%.

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<sup>54</sup> See Table A.1.1 in the Annex.

- 4) Restoration of private K-Serb premises damaged during the March events has progressed. According to Minister Brajshori, the Head of the Commission that coordinates these activities, about 80% of the damaged premises have been repaired.<sup>55</sup> There was, however, no significant progress toward the return of displaced persons.
- 5) The most important measure of progress for K-Albanians, as well as for K-Serbs and other communities, is adherence to the rule of law. The second most important measure for K-Albanians is economic progress, while for K-Serbs and other communities it is improved freedom of movement.

### **Factors that hamper cohabitation and integration**

**41.** K-Albanians and K-Serbs continue to have diametrically opposed opinions on the issue of final political status. The majority of K-Albanians (89.3%) consider independence within the existing borders the best solution – see Table A.3.3 in the Annex. The majority of K-Serbs (90.5%), however, consider the best solution to be an autonomous province within Serbia.

**42.** The perceptions of the causes of the problems of interethnic relations have changed considerably when compared to those of the previous period. Survey responses demonstrate the belief that the responsibility for problems lies more with the other community (i.e., K-Albanians and K-Serbs see each other as responsible) rather than with the political leadership of Pristina or Belgrade. In the last reporting period 42.7% of K-Albanians thought that the reason for tensions was the influence of Belgrade; now 40.7% of K-Albanians think this is so (Table A.3.5 in the Annex). At present, 43.8% of K-Albanians (an increase from 41.4% in the previous survey) think that the reason for tension was the lack of readiness of K-Serbs to integrate. On the other hand, while in the previous survey the majority of K-Serbs thought that the reasons lie in the positions taken by the Albanian leaders (67.7%), this group is now reduced to 45.5%. However, 54.5% of K-Serbs (compared to 30.0% in the previous survey) currently think that the insufficient efforts of K-Albanians to help integration are primarily to blame for the current situation.

### **Factors that may further aggravate interethnic relations and integration**

**43.** The factors that may further aggravate interethnic relations here include:

- The incidents of interethnic violence continue to create the highest risk for deterioration of interethnic relations. Such violence in one area could have the “snow avalanche effect” on interethnic relations spreading throughout Kosovo.
- Accusations by the government of Serbia that the K-Albanians of Kosovo had planned the violence<sup>56</sup> have been denounced by the international community.<sup>57</sup> Nevertheless, such accusations contribute to safety concerns, particularly in the period before the general elections.
- The possible impediment from Belgrade and from Kosovo-Serb leadership to the participation of K-Serbs in the October elections could leave the K-Serbs in Kosovo without any legitimate representation. Such a

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<sup>55</sup> 71% of houses rebuilt till the end of summer, [www.b92.net](http://www.b92.net), news 11.08.2004.

<sup>56</sup> “During the preparations of Albanians for protests” [www.b92.net](http://www.b92.net), News, 23.08.2004

<sup>57</sup> “KFOR official rejects the claims of BIA” [www.b92.net](http://www.b92.net), News 24.08.2004

situation would lead to serious consequences in political development and interethnic relations.

### **Factors that may influence the improvement of interethnic relations**

44. This report recommends the following factors that may influence the improvement of interethnic relations:

- Focusing the implementation of “Standards for Kosovo” on the most important standards for all communities in Kosovo, i.e., the rule of law, freedom of movement, the return process, and economic development.
- A more intensive continuation of internal dialogue at all levels of government in Kosovo, including the platforms of political parties for the October elections.
- Implementation of the commitments to the common statement of July 14, 2004, of the Kosovo-Albanian and Kosovo-Serb leaders.
- Publication and dissemination of information from the PISG on the reconstruction of the damaged premises with a special focus on regions with Serb populations.
- Focused involvement of the PISG, political subjects, and civil society in preventing interethnic incidents.
- Intensification of UNMIK and PISG efforts for establishing the conditions for the return of persons who suffered from the March violence, and for expediting the return of such persons.
- Initiation, with the public support of the leaders of the PISG, Albanian political forces, and civil society, of the restoration of Christian Orthodox premises that were damaged during the March violence.
- Continuing encouragement from the international community, the PISG and political forces in Kosovo for the participation of K-Serbs in the elections.
- Increase of pressure on Belgrade from the international community not to hamper the achievement of the standards for Kosovo and to promote the participation of the Serbs of Kosovo in the October elections.

45. To conclude, although it may seem somehow a paradox, the contradictory opinions of the Albanian and Serb respondents on the roots of the increased interethnic tension could serve the purpose of identifying the main areas for the improvement of interethnic relations<sup>58</sup>:

- 1) Insufficient efforts of K-Albanians to further the integration of K-Serbs (opinion of 54.5% of Serb respondents);
- 2) Lack of readiness of K-Serbs to integrate (opinion of 43.8% of Albanian respondents)
- 3) Position of Serb leaders and the influence of Belgrade (opinion of 53.0% of Albanian respondents);
- 4) Behavior of Albanian leaders (opinion of 45.5% of K-Serbs respondents).

The first and fourth points above account for about 100% of what, according to K-Serbs, is contributing to the current difficult situation. The second and third points represent the thinking of about 96.9% of K-Albanians on the causes of interethnic tension.

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<sup>58</sup> See Table A.3.5 in the Annex.

46. The insights provided by the survey may serve as the foundation for a vigorous agenda for participation by responsible stakeholders in the area of interethnic relations. The K-Albanians - political parties, leaders, civil society and the media - can be much more active in their respective efforts, providing messages and programs that improve the safety of free movement and offer more chances for integration. The international community should initiate discussions with Belgrade and with Serb leaders about their support to the parallel institutions and their boycott of the institutions of Kosovo. Through dialogue amongst all groups a common understanding should be developed about what happened until 1999 and for the causes of the March events and the measures needed to prevent their reoccurrence.

## *Public and Personal Security*

### **Security situation**

47. The July 2004 opinion poll re-confirmed the extremely negative impact of the March events on the overall security situation in Kosovo: 63% of K-Albanians, 99.5% of K-Serbs and 77% of other minorities share this opinion.

Despite the gradual improvement in the security situation after the end of the March riots – during the following months no serious crimes involving different ethnicities were reported - the polls have shown that the perception of danger and insecurity increased remarkably after the March events.

In particular, in a March opinion poll conducted before the protests, 33.3% of the Serb population responded that they felt “very unsafe” or “somewhat unsafe” on the streets, while in July nearly 55.5% of K-Serbs felt suchlike, and only 5.5% felt “very safe” or “somewhat safe” (see table A.4.2 in the Annex).

48. Because of the lack of systematic public records on the trend of crimes that threatens public and personal security, it is hard to form an accurate estimate of the efficiency of the Institutions responsible for public order and security. For example, since the 1999 war there has been no tangible progress toward solving some major murder cases between K-Albanians and K-Serbs. Also during this period, armed and masked groups attacking and robbing their victims have reappeared. The re-emergence of such groups is very worrying as it could denote the increasing diffusion of organized crime.

The first incident happened in the village of Gjonaj in Prizrenit, a second one in Malësia e Re, and a third in Samadraxha. The police reported that three unknown persons, masked and armed for the purpose of burglary, entered a house in the village of Samadraxha in Prizren and threatened the four members of the family (three females and one male). The victims were forced to hand over their jewelry, money, and other precious goods when the assaulters threatened them with hand grenades and a knife. By the end of August 2004, KFOR arrested six persons suspected of being members of a group called “Black Masks”. The inefficiency of specialized agencies responsible for investigation, capture, and arrest of criminals, could hamper security conditions.

### **Trust in security forces**

49. Trust in KFOR and the KPS has shown a slight decrease, while trust in the UNMIK police continues to decline significantly. Around 86% of K-Albanians and 11% of K-Serbs are “satisfied” or “very satisfied” with KFOR - see Table A.4.1 in the Annex. Similarly, about 90% of K-Albanians are “satisfied” or “very satisfied” with the performance of the KPS. The percentage of Serb respondents who view the performance of the KPS as positive is still very low (1.8% in July compared to 0.7% before the March events). Opinions on the UNMIK police show a growing trend of dissatisfaction. Currently only about 44% of K-Albanians are “satisfied” or “very satisfied” with the UNMIK Police, compared to 66% a year ago (see Table

A.4.1 in the Annex). On the other hand, only 3.7% of K-Serbs have positive opinion on the performance of the UNMIK Police, compared to a year before, when 11.3% of K-Serbs considered positively the performance of the UNMIK Police.

In several cases, police officials have stated openly that the lack of cooperation by citizens is in part responsible for their limited achievements in the identification of persons involved in serious crimes. In response to this assertion, survey results show that more than half of K-Albanians and non-Serb minorities consider the cooperation between the population and the police as “good” or “very good”. The corresponding positive responses of K-Serbs account only for about 13%, while about 52% of them gave a neutral opinion: “neither good, nor bad”.

There are several reasons for the lack of effective cooperation of citizens. The fear of revenge predominates amongst K-Albanians: 45.5% (down from 52%). For K-Serbs, the lack of confidence in the police accounts for 48.5% (in the previous period the lack of confidence was higher: 60.8%). About 48% of Serb respondents are of opinion that the police do not seek their cooperation.

### Perception on organized crime

50. This report’s opinion poll carried out in July 2004 shows that the majority of K-Albanians consider that organized crime is present in a medium scale (44.8%), while 88.9% of K-Serbs view its presence in a large scale. On the other hand majority of non-Serb minorities did not answer the question on organized crime.

Table 4.1 shows that K-Albanians mostly relate economic crimes to organized crime, while for K-Serbs and other minorities serious crimes (murders, kidnappings, robberies, arsons) are those that are most related to organized crime. Drug trafficking, trafficking of human beings and prostitution are related to organized crime similarly by all ethnic groups.

	K-Albanians	K-Serbs	Others
Trafficking of human beings and prostitution	20.7	16.5	17.5
Drug trafficking	21.1	20.1	20.8
Economic crimes	28.9	31.7	7.7
Serious crimes	22.0	32.6	26.7
Money laundering	6.3	12.9	2.5
No answer/ doesn't know	0.9	0.2	0.8
Total	100.0	100.0	100.0

51. The relationship between organized crime and the current legal structure is not yet known, particularly on the issue of corruption. A number of investigations of corruption (such as those about customs, PTK, KEK) had begun but were never completed. The interruption of these investigations left the public with the impression that there is inefficient implementation of the rule of law and a lack of seriousness in combating corruption.

52. The July 2004 public survey was designed to examine the perceived relationships between organized crime and some entities in Kosovo. On this point, Albanian respondents think that the strongest connections are those within business spheres (24.5%), followed by those with political parties (17.6%), and those with the international community (14%). Serb respondents regard the

strongest connections to be with the international community (25.5%) and with political parties (24.5%). It should be noted that the Government of Kosovo has published an Anti-corruption Strategy (in May 2004) and the resulting draft law is currently at the Assembly level. However, a more prominent awareness campaign on the consequences of organized crime and corruption should be undertaken to combat the phenomenon.

### **Tensions about missing persons**

**53.** Resolution of the issue of missing people and the return of bodies from mass graves in Serbia are “hot topics” for Kosovans. K-Albanians rank these issues immediately after the political status of the country, unemployment, and poverty. In the context of the security situation, these topics are highly relevant because of continuing public pressure, particularly from the families of the missing persons, for a more effective approach to this problem from UNMIK and Kosovo institutions. The resolution is progressing slowly, while the handing over from Serbia of twenty to thirty bodies each month continuously raises the tension.

**54.** On 30 August, 2004, the International Day of the Disappeared, the Coordinating Council of the families of missing people held a protest in Pristina. The protest, with its slogan “Mothers’ Call,” was held to address the lack of interest on the part of local and international organizations in the fate of their loved ones. The protest was supported by the NGO network known as KAN, which is led by Albin Kurti, a former leader of the October 1997 protests by Kosovo students.

Because one of the streets of Pristina was blocked, UNMIK police intervened and moved the protesters by pushing and carrying them. The international police arrested the head of the association of “Mothers’ Call,” the leader of the KAN initiative, and other thirty people. The police were accused of using excessive force. However, the parties responsible rejected this accusation and a call for further investigation was made.

Police intervention was strongly criticized by many local and international actors, in particular by the People’s Ombudsman, Mark Anton Novicki. For comparison purposes, reference was made to the tolerance shown by police toward acts of street blocking by Serb citizens. In such instances, police should act in ways that would increase their credibility and the confidence of the citizens of Kosovo that police actions are fair, efficient, unbiased, and in accordance with democratic principles.

### **Sources of potential instability**

**55.** Amongst eight potential factors that could put the stability of Kosovo at risk, 52.5% of K-Albanians mention the unresolved issue of the final political status of Kosovo, and 25.1% mention Kosovo’s actual economic and social problems (Table A.3.2 in the Annex). 77.3% of K-Serbs view the further aggravation of interethnic relations as one of the eight potential destabilizing factors, while 18.0% of K-Serbs view the non-implementation of the rule of law as a significant potential instability factor. These numbers suggest an agenda with very clear priorities for political and decision-making actors, both within and outside Kosovo: i) resolution of the final political status, ii) improvement of interethnic relations, iii) new perspectives on economic development, and iv) progress in implementing the rule of law.

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

**Note.** The opinion poll for this Report was conducted in July 2004, by the “Rinvest” 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 1,205 respondents: 845 K-Albanians, 200 K-Serbs, and 160 respondents from other minorities (58 Bosnians, 55 Turks, 2 Romas, 23 Ashkalis and 22 Egyptians). In order to increase the reliability of opinions of the minority groups, the number of respondents belonging to minorities was chosen to be higher than their percentage participation in the entire population of Kosovo.

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

	K-Albanians	K-Serbs	Others
Infrastructure (roads)	0.2	0.0	0.0
Power supply	2.8	0.5	3.7
Urban problems (unregulated building)	0.1	0.0	1.2
Environment	0.2	0.0	0.0
Poverty	15.4	1.5	31.5
Prices	0.4	0.0	3.1
Healthcare services	0.4	0.0	0.6
Public and personal security	0.4	49.7	0.0
Education	0.5	0.5	0.6
Interethnic relations	0.1	23.6	1.9
Unemployment	33.7	2.5	42.0
Uncertainty about the final status of Kosovo	34.6	3.0	7.4
Social problems	2.0	0.0	4.9
The fate of the missing	4.0	2.0	0.6
Organized crime	0.2	1.0	0.6
Unsolved killings and murders	1.7	2.0	0.6
Corruption	2.8	0.0	0.6
Unsocial behavior (prostitution, drugs)	0.1	0.0	0.0
Something else**	0.4	13.6	0.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
* - 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.3.1. Public opinion on inter-ethnic relations between K-Albanians and K-Serbs (%)**

	July 2003		November 2003		March 2004		July 2004	
	K-Albanians	K-Serbs	K-Albanians	K-Serbs	K-Albanians	K-Serbs	K-Albanians	K-Serbs
Relations are tense and will continue to remain so	30.6	30.6	35.2	75.5	36.0	83.7	34.6	96.0
Relations are tense, but there have been some improvements lately	43.8	43.8	36.8	16.7	36.6	8.2	32.1	3.5
Relations are tense, but there are considerable improvements	13.9	13.9	15.4	7.3	9.6	7.5	14.6	0.5
Relations are not all that tense	5.6	5.6	8.2	0.5	10.7	0.7	12.6	0.0
Relations are not tense	6.1	6.1	4.3	0.0	7.3	0.0	6.1	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

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

	K-Albanians	K-Serbs	Others
Further aggravation of interethnic relations	6.7	77.3	12.2
Current social and economic problems	25.1	0.0	42.9
Deterioration of relations with neighboring countries	0.7	0.0	5.1
Deterioration of relations with the international community	4.6	1.0	7.7
Unresolved issue of the status of Kosovo	52.5	3.6	21.2
Lack of rule of law	6.5	18.0	10.3
Corruption and mismanagement	3.8	0.0	0.6
Total	100.0	100.0	100.0

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

	July 2003		November 2003		March 2004		July 2004	
	K-Albanians	K-Serbs	K-Albanians	K-Serbs	K-Albanians	K-Serbs	K-Albanians	K-Serbs
Independence of Kosovo within current borders	87.9	2.9	86.1	0.5	90.4	0.7	89.3	0.0
Division of Kosovo	0.0	26.6	0.1	13.3	0.2	14.0	0.8	6.5
Current status (international protectorate)	0.5	0.0	0.0	0.0	0.1	0.7	0.1	0.0
Union with Albania	11.5	0.0	13.7	0.0	9.2	0.0	9.7	0.0
Confederation with Serbia, similar to Montenegro	0.1	7.6	0.0	4.3	0.0	1.4	0.0	3.0
Autonomous province within Serbia	0.0	62.9	0.0	81.9	0.0	83.2	0.0	90.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Opinion polls - July 2003 to July 2004.

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

	March 2004		July 2004	
	K-Albanians	K-Serbs	K-Albanians	K-Serbs
I agree with the return of refugees to Kosovo	61.1	98.1	67.0	100.0
I do not agree with the return of refugees to Kosovo	38.9	1.9	33.0	0.0
Total	100.0	100.0	100.0	100.0

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

	March 2003		July 2003		March 2004		July 2004	
	K-Albanians	K-Serbs	K-Albanians	K-Serbs	K-Albanians	K-Serbs	K-Albanians	K-Serbs
Insufficient efforts by K-Albanians for integration of K-Serbs	5.7	87.7	3.5	57.0	5.4	30.0	1.4	54.5
Lack of readiness of K-Serbs for integration into Kosovo society	45.2	1.2	40.5	2.5	41.4	0.8	43.8	0.0
Position of Albanian leaders	1.7	9.2	1.9	36.7	1.2	67.7	1.7	45.5
Position of Serb leaders	11.0	1.2	12.2	1.9	9.3	1.5	12.3	0.0
Belgrade's influence	36.4	0.6	41.9	1.9	42.7	0.0	40.7	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

	K-Albanians	K-Serbs	Others
Important in themselves regardless of status	35.7	33.7	32.2
Important to open the discussion in relation to status	36.5	1.2	42.0
Just as important as other issues facing Kosovo	17.3	33.7	20.3
Taking attention away from other issues	10.5	31.4	5.6
Total	100.0	100.0	100.0

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

		K-Albanians	K-Serbs	Others
The PISG	Block	19.9	1.6	9.3
	Help	80.1	98.4	90.7
UNMIK	Block	31.4	2.9	17.9
	Help	68.6	97.1	82.1
Belgrade	Block	97.7	0.6	83.2
	Help	2.3	99.4	16.8
International community	Block	7.3	2.4	4.9
	Help	92.7	97.6	95.1
Kosovo population	Block	0.2	6.3	6.4
	Help	99.8	93.7	93.6

K-Albanians					
	Mar-03	Jul-03	Nov-03	Mar-04	July-04
KFOR	89.5	85.1	81.4	88.4	85.6
UNMIK police	74.3	65.5	53.5	57.1	44.2
KPS	92.6	89.9	89.7	90.5	89.9
K-Serbs					
	Mar-03	Jul-03	Nov-03	Mar-04	July-04
KFOR	19.2	26.4	16.4	11.4	10.7
UNMIK police	14.7	11.3	13.4	3.7	3.7
KPS	17.9	4.6	14.3	3.0	1.8

	K-Albanians	K-Serbs	Others
Very unsafe	11.0	55.5	2.5
Somewhat unsafe	31.2	39.0	15.7
Somewhat safe	45.4	4.5	52.8
Very safe	12.5	1.0	28.9
Total	100.0	100.0	100.0

	K-Albanians	K-Serbs	Others
Very bad	3.2	12.2	2.8
Bad	7.3	22.6	9.1
Neither good nor bad	36.7	52.4	18.9
Good	45.4	12.2	58.0
Very good	7.4	0.6	11.2
Total	100.0	100.0	100.0

## *ANNEX 2. Events during the period May-August 2004*

### May

- **5 May** – PISG Representatives judged the Serbian Plan for territorial autonomy of Kosovo Serbs to be a threat to Kosovo.
- **6 May** – The Secretary General of the United Nations, Mr. Kofi Annan reported to the Security Council on the situation in Kosovo. The largest part of it was related to the March events.
- **6 May** - Amnesty International published a report about human trafficking in Kosovo. The Report criticized the UNMIK Administration and Police for insufficient engagement on the prevention and fight against human trafficking and prostitution. Reacting against this Report, UNMIK issued a statement which considered the Report to be poor and too general.
- **11 May** – Chris Patten, EU Foreign Affairs Commissioner, visited Kosovo, where he met Kosovo governmental officials, who reported to him about the measures undertaken for the repair of property following the March events. He felt satisfied with the engagement of the Government and the required return of confidence amongst different communities.
- **18 May** – SRSG takes the decision to return 12 members of the Kosovo Protection Corps, who were suspended from their job positions on 3 December 2003, to their previous posts.
- **25 May** – SRSG, Harri Holkeri, declared his resignation from his position as SRSG due to health reasons.

### June

- **7 June** – During his visit to Kosovo, the EU High Representative of Security and Foreign Affairs, Javier Solana, expressed his dissatisfaction with the work of Kosovo institutions on the repair of damages caused by the March events. Mr. Solana warned the Government with penalties if the latter failed to rebuild damaged houses in due time.
- **8 June** – The second meeting of the Contact Plus Group was held in Pristina. The Contact Group, after reaffirming that the priorities for Kosovo are the return of displaced persons and the freedom of movement, invited Serbs to return to Kosovo Institutions and to join the plan for the implementation of standards.
- **8 June** – ESI recommends clear messages against the Serbian Plan for the division of Kosovo.

- **10 June** – Florim Ejupi, who was one of the suspects for the “Nish Express” bus explosion in Merdare, was arrested by the Albanian authorities and handed over to UNMIK.
- **30 June** – Ombudsperson Marek Nowicki reported that the rights of 12 KPC members, who were suspended for a six month period, were violated.

## July

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- **9-10 July** – The International Conference “5 years after, what agenda for Kosovo?” organized by “Forum 2015” concluded that the status-quo in Kosovo is damaging not only for Kosovo, but for the region as well.
- **13 July** – The EU criticized the decision for changes in the Constitutional Framework by the Assembly of Kosovo, calling the decision as “irresponsible”.
- **14 July** – Deputy SRSG, Charles Brayshaw, appointed Mr. Jasper Dick to the position of Temporary Director of the KTA.
- **14 July** – Kosovo Albanian and Serb Leaders met at the American Office in Pristina and signed an agreement for taking responsibility to fulfill the standards. At the same time, they reached an agreement for the creation of the Ministry of Communities.
- **16 July** – Bosnia and Herzegovina recognized UNMIK travel documents.
- **23 July** – Local Government Working Group composed of UNMIK, PISG and USAID representatives, and headed by the SRSG, completed the document on the Reform Framework of Self-Government in Kosovo.
- **20 July** – In its third meeting, the Contact Group Plus required the strengthening of Kosovo Institutions, but at the same time, not impinging upon UNMIK authority.
- **29 July** – In a high level meeting between Serb representatives from Kosovo and Serbia the boycott of Assembly elections in Kosovo was denounced.

## August

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- **1 August** – Responding to the Contact Group’s requirement for the review of security measures, UNMIK formed a High Advisory Group for Security.
- **6 August** – At a debate in the Security Council about Kosovo, representatives of the United States and Great Britain asked for more competencies for Kosovo.
- **7 August** – Deputy SRSG, Charles Brayshaw, suggested to the responsible authorities of UNMIK Pillar I to initiate legal inquiries about suspicions on irregularities regarding the selection of a second fixed mobile operator.
- **15 August** – The SRSG Jessen-Petersen arrived in Pristina in order to begin his mandate to lead UNMIK.
- **18 August** – The European Commission and European Council established the Commission which would help to rebuild religious objects.
- **27 August** – The European Commission opened its office in Pristina. The appointed official who will lead the office is Giorgio Mamberto. The Office will start its work on 1 September 2004.

- ➔ **28 August** – Multinational Brigade South-West has arrested 6 persons, who are suspected of belonging to the robbery group “Black Masks”.
- ➔ **30 August** - Starting at 8 o'clock in the morning on 30 August 2004, the International Day for Missing People, the Coordinating Council of the families of missing people held a protest in Pristina. The international police arrested the Head of the Association of “Mothers’ Call”, the leader of the KAN initiative, and a total of 32 people. The police were accused of an unreasonable use of force.

**Project Team:**

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