



# Public companies in the northern Kosovo municipalities : stuck in status quo



## **Public Companies in the Northern Kosovo Municipalities: Stuck in Status Quo**

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Balkans Policy Research Group

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## EXECUTIVE SUMMARY

The Brussels agreement on normalisation of relations between Kosovo and Serbia, signed in April 2013, brought unprecedented changes to the four northern municipalities of Kosovo. The Serbian administration was to be dissolved, replaced by a Kosovar one. Local elections were held throughout Kosovo, including in the North, in 2013; the police fully integrated into Kosovo; customs were established; and integration of the courts into the Kosovo judicial system is under way. Yet much remains the same. Serbs remain reliant on the Serbian institutions that continue to operate uninterrupted. Citizens receive services from Belgrade-funded companies. Regional and local companies, under authority of the Belgrade government or the municipal governments in the north it funds, refuse to integrate within Kosovo law, do not cooperate with Kosovo-elected municipalities or attempt to improve services. The companies operate in poor conditions, lack management, are subject to political obstacles, fail to collect bills and make no efforts to improve. They are there to survive and, as long as they are not required to pay, citizens do not demand more.

Implementation of the agreement has come to a stalemate and integration has slowed. Serbia-funded municipalities continue to provide services and refuse to transfer authority to the newly elected Kosovo ones. In tacit agreements, Kosovo mayors show no will, nor are they allowed, to ask for more competences and power in the north. Even if there is political will, the dissolution and integration of Serbian-funded governing structures is a complicated process. The laws in the two countries differ significantly: municipalities have different roles; data about companies, institutions, jobs and employees are missing; infrastructure of existing local companies is poor. Local companies survive only with government subsidies, which are used to pay management and employees and maintain outdated equipment. Only

a few have better equipment thanks to support from international donors.

The local utility companies in the North should be registered with Kosovo authorities, municipalities should develop plans for support, employees should transfer to the new municipalities, and equipment should be refreshed. A long-term solution must start with the integration of Serb municipalities to allow Kosovo municipalities to exercise their competences, integrate local companies, improve management and services, and collect bills.

Few companies show interest in registration and integration with Kosovo authorities. Their status is subject to the political disagreements between Belgrade and Prishtina. The former does not allow them to integrate, the latter offers no clear guidance on how to do it. Some northern local actors link the registration of local companies with other much larger issues, like the Association/Community of Serb municipalities, agreed in Brussels between Prishtina and Belgrade. Challenged by this politically motivated trap, civil society in the north has made no attempt to raise the issue of local services for citizens. They are not allowed to ask for accountability of either the existing Serbian organs or newly elected Kosovo municipalities. They have very limited access to the public companies, who refuse to cooperate.

To promote registration and better performance of the northern local companies in this politically-sensitive environment, the government of Kosovo, donors and CSOs should help increase demand for better services among citizens from new municipalities and companies. An outreach campaign about registration procedures, benefits, responsibilities and incentives should be led by local municipalities, donors and local CSOs. The government should ease the registration

procedures and offer subsidies. Donors, i.e., the EU and others, should engage citizens and CSOs to mobilize demand for improvement and encourage municipalities to act more responsibly. The EU should incentivise its funds and help improve the status of the companies, services and environment in northern Kosovo.

## RECOMMENDATIONS

- Prioritise fully-fledged functioning of municipalities and transfer or integrate Serbian-funded local organs. The governments of Kosovo and Serbia – with the insistence of the EU – should develop a timetable for clear transition during 2017. Municipalities, as shareholders, need to demonstrate the political will to register public companies within the Kosovo law. Reliance by citizens in the North – and the municipalities themselves – on Serbian-funded companies for the provision of public services is unsustainable.
- Belgrade needs to respect the Brussels Agreement and allow the northern municipalities to integrate, including permitting the registration of public companies under the Kosovo system. Belgrade can continue to support the local companies through grants for development.
- The Kosovo government should provide clear guidance, including on streamlined procedures for registration of local public companies, the role of municipalities in supporting the process of registration, and securing funding support from the central government and/or from donors.

- Implementation of the Dialogue and integration of Belgrade-funded institutions should be carried out transparently, with a view towards securing the employment of the individuals currently working for the public companies in North Kosovo once they are incorporated into the Kosovo system.
- Civil society should engage in monitoring the work of public companies operating in the north, encourage, support and monitor the registration of companies, and seek for municipalities to perform their competences of public service. They should participate in open dialogue, negotiations and campaigns for better performance of local companies.

## INTRODUCTION

The signing of the Brussels Agreement in April 2013 brought significant progress in the relations between Belgrade and Prishtina, with successful integration of institutions like the Police, Customs and Civil Protections. Despite improvements in certain sectors, public companies in the four municipalities in North Kosovo continue to operate under the jurisdiction of the Republic of Serbia, and their status and integration into Kosovo institutions is yet to be determined. The Brussels Agreement requires that these companies integrate into the Kosovo institutional framework. Under Kosovo law they must be registered in order to gain funding from the government and other donors. As of the time of writing (December 2016), no attempts have been made to address this issue.

In addition to Telecom Serbia, Serbian Energy Company (EPS), and Serbia Railway, which are run centrally, eleven local companies operate in the four northern municipalities. Obstacles to integration of the public companies vary and include political will, incompetence-related grounds, and a lack of trust between the central and local governments in the North and between municipalities and the public companies and employees. At this point, municipalities in the North of Kosovo do not offer any public services, even though it is within their competence. Waste management, garbage collection, street cleaning and water supply continue to be offered by Serbian-funded municipalities (organs) that continue to operate in the north. These companies are from Yugoslav times, are relatively ineffective, but do provide employment and services for citizens of North Kosovo.

They are not registered under the Kosovo system, and as a consequence they are considered to be operating outside of Kosovo's legal framework. There are too many employed in office positions, and



too few who are qualified to carry out vital work in the field. The mechanisation used by these public companies is outdated. The budgets are insufficient, which is exacerbated by the non-payment of a majority of users of the respective services.

In the four northern municipalities the Kosovo municipal assemblies and the temporary organs (Serbian local self-government) operate side by side. The dissolution of the Serbian-led structures is a complicated process in itself, especially due to the implications it would have on the employment status of a large portion of the population in the North of Kosovo. This situation is present in all of the Serb-majority municipalities, but varies in each. The Serbian government employs tens of thousands of Serbs. Some work for the local self-governments, but many more in public companies and others in health and education. A large majority of the population and local services are dependent on Serbia and its funded institutions.

These companies vary in size and scope, but a uniform trait is that they are generally inefficient, in need of mechanisation, and have insufficient budgets. Yet, citizens routinely indicate that they are happy with the level of services provided; this paradoxical outcome is likely a result of the widespread non-payment for services and the fact that they are Belgrade-funded services. Benefiting from free services, citizens are unmotivated to complain or to hold them accountable.

Balkans Group plans to engage in the coming years to develop bridges between local companies, municipalities and the central government in Prishtina to encourage registration. We will also engage with local CSOs and citizens to encourage active participation in monitoring, evaluation, accountability and demand for better services of the local companies to citizens.

## **METHODOLOGY**

This report is aimed at mapping local public companies operating in the territory of the four northern Municipalities, their relations with newly established Kosovo municipalities and with Serbian government-appointed temporary organs. It surveys the state of operations, their statuses, management and bodies they respond to. Balkans Group has managed to establish contacts with all companies, obtain data about budgets and number of employees from all but those operating in the municipality of North Mitrovica. In addition, a number of focus groups were held. Focus group participants, ten per each focus group held in each municipality, were asked to answer a number of questions. The aim was to evaluate citizens' views and level of satisfaction with local services.

## **OVERVIEW OF LOCAL PUBLIC COMPANIES IN NORTH KOSOVO**

Significant progress has been made in certain areas following the signing of the Brussels Agreement in April 2013, yet many issues remain unresolved. Following elections in 2013, the intention was that public companies in the North of Kosovo would integrate into the Kosovo institutional framework. Yet, five years after the start of the Dialogue, and three years after the elections, no progress has been made. The four Serb-majority municipalities in the north (North Mitrovica, Leposavić, Zvečan, and Zubin Potok) each have a number of different public companies operating within the municipality. At present, they operate under Serbian law and still refuse to register within Kosovo. Bringing these bodies into the Kosovo system is a complicated and sensitive issue, as they provide employment and services for a large number of Kosovo Serbs and are subject to political

rifts between Kosovo municipalities and Serb organs at the local level, and between Prishtina and Belgrade at higher levels.

Electricity in the four northern municipalities is provided by Elektrodistribucija Kosovska Mitrovica (Elektrokosmet). Elektrokosmet, a regional public company, is in charge of North Kosovo, with working units in Mitrovica North, Leposavić and Zubin Potok.<sup>1</sup> Along with Telecom Serbia, EPS is in the process of integrating under Kosovo law, based on the Agreement between Prishtina and Belgrade.<sup>2</sup>

Utility and water companies, which operate on a local rather than regional level, face similar issues in every municipality in the North. One of the main issues is the shortage of qualified staff, weak management and poor operating conditions. Services are not conducted in a disciplined manner, e.g., services like cleaning of public spaces are conducted sporadically rather than on a regular basis. There is a need to improve the system of water quality control, in particular,

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<sup>1</sup> From the data collected during our research, Elektrokosmet has received the best feedback in comparison to other public companies operating in northern Serb-majority municipalities. The participants of four focus groups, one conducted in each municipality, graded highest the quality of services provided by the regional electricity public company in terms of regular delivery of services and renovations of power networks from the funds of the Republic of Serbia. Respondents criticised this company for poor voltage in rural households, which occasionally results in power shortages, especially in instances of inclement weather. It seems that this company has the largest budget due to many activities being funded by Serbia, e.g., repair of the network.

<sup>2</sup> In August 2015 Kosovo and Serbia reached agreement on telecommunications and energy as part of the ongoing dialogue in Brussels. Telecommunications progress was based on the Telecommunications Agreement from 2013 and the 2015 Action Plan stemming from the Agreement. The arrangement enables newly established company MTS International to operate fully licensed fixed telephone services and obtain temporary authorization for mobile telephony in Kosovo. The agreement also provides Kosovo with its own country code for the first time. The energy agreement, which follows on from the 2013 Brussels energy agreement, is based on Serbia's agreement to remove its energy companies operating in Kosovo. They are to be replaced by a daughter company of EPS, but agreement over issues related to operations and distribution of energy remained unresolved.

and to replace the outdated water distribution system.<sup>3</sup> The revenues from Belgrade help these companies survive.<sup>4</sup> Their lack of funds is caused by their inability to collect bills and secure funding and grants from the government of Kosovo and donors.

## **NORTH MITROVICA<sup>5</sup>**

North Mitrovica includes the city of Mitrovica and a few neighbouring villages. The estimation of the population varies drastically between 20,000–29,460.<sup>6</sup> The economy relies primarily on publicly owned enterprises, local administration, larger employers, the university and hospital, and a number of small businesses. North Mitrovica and the surrounding villages are connected to the regional water and sewage systems. In the municipality there are five existing local public companies that operate under the Serbian system.<sup>7</sup> Electricity is

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<sup>3</sup> At the end of 2016, a project funded by the Republic of Serbia that will construct a regional water network to provide the municipalities of Zubin Potok, Zvečan and North Mitrovica and all surrounding villages with constant water supply will be completed. Also, there is an EU funded project for a secondary water network, derived from research that found that water pipes in urban areas are in fact water polluters, since the material they are made of is lead. These water pipes are not equipped to handle the pressure the new water network will cause, and for that reason the secondary water pipeline and sewage system are estimated to be completed by the end of this year.

<sup>4</sup> Ibid.

<sup>5</sup> Officials in North Mitrovica declined to provide information about the budgets and staff levels of various public companies. They indicated that because the establishment of the Association of Serb Municipalities is in stalemate, they do not want to provide any information. Across all four municipalities, there is a sense that because the Association has yet to be established, they are unwilling to cooperate and are hesitant to give information.

<sup>6</sup> Balkans Group, *Serb Integration in Kosovo after the Brussels Agreement*, March 2015; OSCE Municipal Profiles, September 2015; A former Serb municipal official suggested that North Mitrovica has no more than 19,000 inhabitants. Balkans Group interview, North Mitrovica, March 2016.

<sup>7</sup> "Mreža Most" is a media company; "Vodovod" is a water company; "Standard" is a sanitation company, "Direkcija za gradsko i gradjevinsko zemljište" is responsible for management, service, development and improvement of public land and buildings; and "Direkcija za stambeni i poslovni prostor" is a building maintenance and real estate company.

provided on a regional level, while water and utilities are local companies.<sup>8</sup>

“Vodovod” and “Standard” operate on a local level, providing water and sanitation services, respectively. They are the least transparent of the public companies in the north, in the views of NGOs. They employ a high number of fictitious people, have large budgets and yet perform the lowest. Due to the current political and economic situation, it was not possible to find out an exact number of employees.<sup>9</sup> Like with many local companies in the south, they falsely employ workers who do not perform any activity but receive a salary, and have a high number of employees who receive a minimal wage.<sup>10</sup> Many jobs are poorly paid, but require little to no actual work. Information was requested from local authorities, but remained unanswered.<sup>11</sup> Lack of transparency and political sensitivity are some of the causes for the lack of success in data collection.

The problems of the above-mentioned public companies in North Mitrovica are mostly of a political nature, including the failure to address companies' problems during the Dialogue. Other problems come from the fact that a large number of citizens of North Mitrovica do not pay their bills for the provided services, or payment is extremely

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<sup>8</sup> Two other public companies, “Pošta Srbije” and “Železnice Srbije” operate in the four municipalities in North Kosovo independently and have their own budgets. “Pošta Srbije” is one of the most important public companies in the North of Kosovo, and conducts a high number of transactions and payments on a daily basis, among other services for citizens. The relationship of this public company with the Republic of Serbia is significant. “Železnice Srbije” started operating again in Zvečan in 2013, when the railway system was renovated and railway traffic in the North of Kosovo was made possible again. A small number of workers are employed and receive a salary on a regular basis, while the rest of the employees receive the minimal wage.

<sup>9</sup> Balkans Group interviews, NGO activists, members of MNAO, September-November 2016.

<sup>10</sup> See Balkans Group, *Serb Integration in Kosovo after the Brussels Agreement*, March 2015; Balkans Group interviews, North Mitrovica, September-October 2016.

<sup>11</sup> Municipality officials and company officials both failed to disclose any information regarding the company budgets and staff numbers.

low. Despite donors' support regardless of their status, both companies work with outdated equipment and mechanisation.<sup>12</sup> "Standard" is the only company that has received support from Kosovo institutions, in the form of garbage trucks and garbage containers.<sup>13</sup>

Despite the inefficiency of public companies in North Mitrovica, citizens are nonetheless satisfied with the quality of provided services of these public companies. This is likely because the majority do not pay for the services they use.<sup>14</sup> Yet, it is worth noting that citizens in Mitrovica evaluate local companies as less satisfactory than citizens in other municipalities rate the same services. They are more critical of "Vodovod" and "Standard", and distinguish between local companies and central/regional ones, like the energy company.<sup>15</sup> Once an enforcement mechanism is in place, citizens are more likely to hold these public companies accountable.

## ZVEČAN

Zvečan covers approximately 122 km<sup>2</sup>, including the town of Zvečan and 35 villages. Its population is estimated to be around 16,650. The infrastructure is generally regarded as good. Zvečan and three villages are connected to the Mitrovica regional water and sewage systems. Other villages have their own water and sewage systems.<sup>16</sup> The economy is primarily based on state jobs. In the municipality there is one local public utility company "Zvečan", in addition to the branches of public companies "Pošta Srbije" and "Železnice Srbije".

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<sup>12</sup> Balkans Group interviews, North Mitrovica, September-October 2016. Officials in North Mitrovica declined to provide specific details about their equipment.

<sup>13</sup> Ibid.

<sup>14</sup> Balkans Group Focus Group, North Mitrovica, September 2016.

<sup>15</sup> Balkans Group Focus Group, North Mitrovica, September 2016; Balkans Group interviews, municipal officials, October 2016.

<sup>16</sup> OSCE, Zubin Potok: Municipal Profile, September 2015.

"Zvečan" provides water and utility services to the municipality and employs 50 people in total. The annual budget is 45,000,000 Serbian dinars (around €365,000). Its biggest problems are a small budget, lack of mechanisation required for proper operating of the company, and the lack of workspace. "Zvečan" has only two garbage trucks, 12 years old and 30 years old, respectively. They also have only one large tractor, two small tractors, a bulldozer and a cistern. One of the tractors and the cistern were received as donations from the Serbian government.<sup>17</sup> In the last year, the municipality of Zvečan also received a USAID donation of 160 garbage bins for household trash disposal and 80 new garbage containers placed around urban and rural areas.<sup>18</sup> Their budget is sufficient only to enable the company to continue operating on a minimal level.<sup>19</sup>

Citizens do not distinguish between the energy company and local utilities. They perceive them as government-funded services that the state is obliged to offer citizens.<sup>20</sup> They evaluate the performance of the companies and score them as satisfactory or sufficiently satisfactory.<sup>21</sup>

## ZUBIN POTOK

Zubin Potok is around 333 km<sup>2</sup>, with a population of 15,200. The municipality is comprised of Zubin Potok town and 63 surrounding villages. The infrastructure is generally regarded as good and the town and villages are connected to water and sewage systems. The electricity supply is stable, but power supply is problematic, especially

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<sup>17</sup> Donations from the Serbian government.

<sup>18</sup> Balkans Group interview, Zvečan, October 2016.

<sup>19</sup> The company itself has stated that resources needed for them to operate in full capacity are estimated to be double of what they have.

<sup>20</sup> Balkans Group Focus Group, Zvečan, October 2016.

<sup>21</sup> Balkans Group Focus Group, Zvečan, October 2016; Balkans Group survey conducted with the members of this focus group.

in remote villages. The economy mainly relies on the public sector, agriculture, and small businesses.<sup>22</sup> There are three active local public companies in the municipality and one regional public company.<sup>23</sup>

"Ibar" employs 79 people and has a budget of 58,000,000 Serbian dinars (€470,000). "Direkcija za gradjevinsko zemljište, puteve i razvoj" has 30 employees and a budget of 21,180,000 Serbian dinars (€171,000). "Stari Kolašin" has 20 employees and an annual budget of 22,400,000 Serbian dinars (€181,000).

All lack funds and equipment. "Ibar", for instance, only has three trucks and one tractor. Yet despite the lack of mechanisation, these companies seem to perform relatively well. Citizens' approval ratings of them is higher as compared to other municipalities.<sup>24</sup> Similarly, the explanation is likely that citizens express high levels of satisfaction as a result of not having to pay for services.

## LEPOSAVIĆ

Leposavić covers an area of around 750 km<sup>2</sup> and includes Leposavić and 72 villages. The total population is estimated at 18,600. Electricity is stable, but the roads and water supply are underdeveloped despite some recent renovations made with international and Serbian government assistance.<sup>25</sup> Employment in Leposavić is primarily based

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<sup>22</sup> OSCE, Zvečan/Zvečan: Municipal Profile, September 2015

<sup>23</sup> In addition to "Direkcija za gradjevinsko zemljište, puteve i razvoj", the other local public companies in Zubin Potok are "Stari Kolašin", a cultural and informational centre, and "Ibar", a utilities company. The regional public company is "Pošta Srbije".

<sup>24</sup> Due to the lack of funds and outdated mechanisation/equipment, all public companies in this municipality, except "Pošte Srbije", require double higher budgets so they can improve their work and improve the quality of services they provide. This estimation comes from the public companies themselves.

<sup>25</sup> OSCE, Leposavić/Leposaviq: Municipal Profile, September 2015.



on agriculture, public-sector employment and a few small businesses. The municipality has two local and two public companies.<sup>26</sup>

"24 Novembar" employs 70 workers and has an annual budget of 57,600,000 Serbian dinars (€495,000). The budget is directed toward the salaries of the employees and a small fraction of it is used for the maintenance of the municipality and mechanisation.<sup>27</sup> The company has two bulldozers, two trucks, a cistern, street-cleaning vehicles, a small digging machine, a small tractor, and four cars. The municipality of Leposavić is faced with a problem of illegal landfills. Users of "24 Novembar's" services do not pay for them, services are low and citizens' rating is lower than in other municipalities.<sup>28</sup>

"Direkcija za gradjevinsko zemljište i puteve" no longer operates at full capacity, but is only engaged when there are objects in Leposavić that need to be demolished. It has eight employees and no approved budget, from either the Serbian organ or the newly established Kosovo municipality. The employees do not receive a salary but a minimal wage, which is part of Serbia's social assistance scheme. Due to insufficient funds, insufficient number of employees and outdated mechanisation this public company has decreased their activities to non-operational levels.

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<sup>26</sup> In Leposavić, "Direkcija za gradjevinsko zemljište i puteve" and "24 Novembar", a trash removal and water utility company, are the local public companies. "Pošta Srbije" and "Železnice Srbije" are the regional companies and are used on a daily basis. Citizens are very satisfied with the quality of their services. "Železnica Srbije" has two regular daily lines to Serbia.

<sup>27</sup> Balkans Group interview with "24 Novembar" employee, Leposavić, September 2016.

<sup>28</sup> Balkans Group Focus Group, Leposavić, October 2016.

## COOPERATION WITH KOSOVO INSTITUTIONS

There are exceptionally low levels of cooperation between the public companies and their respective municipalities in the north of Kosovo. Only in North Mitrovica has the municipal government supported "Standard", the trash collection company, with a donation of garbage trucks and containers. Apart from this limited exception, the municipalities and public companies do not interact.

A concern within all of the municipalities is the incompetence of the employees of local public companies. Directors of these public companies are appointed based on their party affiliation, which often comes from Belgrade.<sup>29</sup> Since they are directly responsive to their respective parties in the Serbian system, relationships with the Kosovo municipal governments are not prioritised.

In the Municipality of Zvečan, the mayor holds dual positions as both the mayor of the Kosovo-elected municipality and head of the Serbian temporary organ. Likewise in Zubin Potok, the Kosovo mayor also holds the post of head of the Serbian temporary organ. The cooperation between this municipality and the public companies is described as the "best it could be, and [it] could not be better than it is".<sup>30</sup>

The process of integration and normalisation of relations between Belgrade and Prishtina leaves a dose of scepticism among the Serbian community in the North of Kosovo.<sup>31</sup> Local communities largely

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<sup>29</sup> Balkans Group Focus Groups in North Mitrovica, Leposavić, Zvečan, and Zubin Potok, September 2016.

<sup>30</sup> Balkans Group Interview, Zubin Potok municipal official, September 2016.

<sup>31</sup> The local community fears that the quality of services would decrease to a lower level than at present and that pollution would increase. The main problem is that some urban areas in North Kosovo are overpopulated and that people do not have the discipline to dispose their garbage to the designated areas. There is an additional issue of medical waste being improperly disposed of. Although not in high amounts, there is enough waste to pose a threat of pollution to the environment. Household waste represents the biggest part of the waste disposal problem. There is a waste cleaning

oppose integration of the companies from the North into the Kosovo institutional framework, for political and practical reasons. From their point of view, integration is unlikely to bring change for the better, people would lose their jobs and the quality of services would decline.<sup>32</sup> To them, integrating into Kosovo is not pleasant, jobs are secure without much need to work, and payment for services is not required. They state that they expect in the future that the public companies will stay in some way linked to the Serbian institutional system, but admit that the solution of double salaries is not sustainable.<sup>33</sup>

Civil society organisations do monitor government activities in the northern municipalities, but do not monitor the work of local public companies. The only recorded case is the initiative of NGO "Sinergija" from North Mitrovica in cooperating with "Standard" to organize annual waste cleaning activity on the territory of North Mitrovica.<sup>34</sup>

## LEGAL DIFFERENCES

In the Republic of Serbia, public companies are those that perform activities of general interest, and which are founded by the Republic of Serbia, an autonomous province or a local self-government.<sup>35</sup> Kosovo law explicitly lists which companies are considered public; each are at least 50% publicly owned. The main difference between the two laws is related to which body can establish a public company. Under

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activity that occurs annually on the route from Mikronaselje to Mali Zvečan, organized by NGO Sinergija. The public utility company provides assistance for this activity, i.e. with tools and planting equipment.

<sup>32</sup> Balkans Group Focus Groups, North Mitrovica, Laposavic, Zvečan, Zubin Potok, September 2016.

<sup>33</sup> Balkans Group Focus Groups in North Mitrovica, Laposavic, Zvečan, Zubin Potok, September 2016.

<sup>34</sup> Balkans Group interview, North Mitrovica, October 2016.

<sup>35</sup> Serbia Law on Public Companies, Law No. 119/2012, 2012, Art. 3

Serbian law, local self-government, the government or an autonomous province has the right to establish a public company, while in Kosovo, that possibility is given only to the Kosovo Parliament on the initiative and proposal from the government.<sup>36</sup> Municipalities in Kosovo can be the owners of publicly owned enterprises, but they do not have the capacity to establish them.

According to Kosovo Law, the government has exclusive jurisdiction for executing shareholder rights in central publicly owned enterprises. The government as a shareholder does not have the obligation to finance publicly owned enterprises, which consequently implies that they are funded from their own resources.<sup>37</sup> The Law explicitly states that the profit or other means of financing public enterprises cannot be transferred, loaned, or used to subsidize any other public company.

The Law on Public Companies in Serbia is directed at regulating public companies and setting procedures for elections of these bodies, whereas the Kosovo Law on Publicly Owned Enterprises focuses more on the issue of financial operations. The two laws generally cover the same topics, but are more detailed in different areas.

The issue of whether the existing public companies in the North will be integrated into the Kosovo system, or if new companies will be established is of great concern, particularly given the differences between the two systems on who may establish a public company and how it is funded, the political context, and the pace of integration of the northern municipalities.

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<sup>36</sup> Kosovo Law on Publicly-Owned Enterprises, Law No. 03/L-087, 2008, Art. 11

<sup>37</sup> Kosovo Law on Publicly Owned Enterprises, Law No. 03/L-087, 2008, Art. 10

## **CONCLUSION: CHALLENGES TO INTEGRATION OF PUBLIC COMPANIES IN THE NORTH**

If and when the public companies currently operating in the north are integrated into the Kosovo system, a number of challenges will exist. Their integration should include plans for revitalization and support from the government of Kosovo and donors. Politically, companies and management do not want to integrate as long as resources from Belgrade remain available. At the local level, the primary concern is about jobs. The Kosovo government must ensure that no existing jobs will be eliminated, as it simultaneously works to create more employment opportunities for members of the Serb Community more generally. Transparency in the integration process will help alleviate fears that massive job losses will result. Integration of jobs and services is the most sensitive issue in the integration process for different reasons, but also most vital for the citizens. They fear that the Kosovo system is incapable of absorbing the companies in the North, and that they will lose their jobs and social and pensions benefits as a result.

Sustainability of public companies in north Kosovo is a significant challenge, even if integration into the Kosovo system is completed quickly and without problems. The public companies are inefficient and unable to sustain themselves. Once the political will exists, they will need clear instructions on how to register, become accountable to local authorities, and secure funding from the central government and/or from the international community. Another key challenge will be to develop among citizens a culture of paying bills.

The Balkans Policy Research Group is an independent, regional think tank based in Pristina, Kosovo. We provide timely analysis and policy development on a wide array of state building issues; institutional and democratic consolidation; minority integration and neighborly relations; and European integration and policy change. We have decades of experience in policy reporting and development, strategic thinking and advocacy with governmental, international and non-governmental organizations.

Our rigorous, detailed, impartial reporting, always based on in-depth fieldwork, is the core of our work. We go beyond mainstream positions and seek to make change through creative, feasible, well-measured and forward-looking policy recommendations with the aim of helping our countries develop strong, vibrant democracies, prosperous states and societies based on rule of law.

Balkans Group has invented other tools to achieve this change: The Policy Dialogue, A Policy Forum (a Think-tanker's High-level Advocacy Forum) and A Forum of Cross-Border Civil Society Cooperation.

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