

## **Serbia Angered by Kosovo Privatisation**

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Belgrade says UN plan fails to resolve issue of debt owed by Kosovo firms.

Serbia has protested against the United Nations's privatisation programme in Kosovo, saying the international authority should first sort out who is responsible for the debts built up by firms in the province.

The United Nations Mission in Kosovo, UNMIK, announced the first six tenders for the sale of state-owned companies on May 16. The companies being sold are an electrical fuse manufacturer, a limestone quarry, an engineering contractor, two brick makers and a commercial fridge maker. By the end of the process some 500 enterprises are expected to have been sold off.

The tender was made possible by an UNMIK regulation issued on May 9 which altered the way land is owned by publicly owned companies. Their current rights to use land have been turned into 99-year leases which can be transferred or used as loan security. The move is intended to make companies more attractive prior to privatisation.

The UN administration says it is vital to sell off public assets in order to restart the economy in

Kosovo, where the population of about two million people depends mainly on foreign aid.

It established the Kosovo Trust Agency in June 2002 to administer publicly-owned firms and begin the privatisation process. Privatisation legislation had been approved a month earlier. UNMIK has sought to cut through the legal complexities of ownership by declaring null and void most of the laws introduced after 1989.

Serbia has criticised the latest UNMIK decree, accusing it of encouraging the "robbery of state-owned land".

Belgrade still holds nominal sovereignty over Kosovo, and has been in negotiation with UNMIK over various aspects of the province's future. The discussions have at times been difficult because of Serbia's deeply suspicion of any move which might contribute to greater de facto independence for the Kosovo Albanians.

The privatisation issue is further complicated by Belgrade's demand that the question of money which Kosovo firms owe to international and Serbian creditors should be cleared up before they go into private ownership.

On May 15 Serbian deputy prime minister Nebojsa Covic, who heads the government's Coordination Centre for Kosovo, CCK, told the OSCE Council in Vienna that the privatisation scheme posed a threat to the Serbian economy.

Covic expressed particular concern that debts attributable to Kosovo firms are now being serviced by the Serbian government because creditors regard it as sovereign.

"Serbia is presently paying interest to international financial institutions for Kosovo's debts of 1.5 billion US dollars, while UNMIK refuses even to talk about taking over this heavy burden," he told the OSCE.

Privatisation minister Aleksandar Vlahovic reiterated Belgrade's view that creditors should be able to lay claim to the debts owed to them in Kosovo before privatisation takes place. That way Serbia will be released of any obligation to service or repay these debts. The UN's position has been that the issue can be dealt with later since the privatised businesses will inherit debts as well as assets.

"Serbia is now asking for a clear definition of the amount of credits that have gone into Kosovo, so as to finally release Serbia from paying the debts of Kosovo companies. We expect UNMIK to publicly call on creditors to report their claims. Then we will consider privatisation regular," Vlahovic told IWPR.

Simon Haselock, UNMIK's director of public information, rebutted the charge of robbery, insisting that Belgrade had been consulted at every stage. He said that Goran Bogdanovic, the Serb member of the Kosovo Trust Agency, had supported the latest regulation and had stated that it was shown to Belgrade two weeks before it was adopted.

After opposing the plan, Covic on May 17 nevertheless urged Kosovo Serbs to participate in the privatisation process.

He said his government would publish information on Serbia's investments in Kosovo as well as on the debts it is owed by Kosovo companies, "so that UNMIK or the new investors can assume the burden of paying the debts of those enterprises".

Economic analysts expect further disputes between UNMIK and Belgrade when the claims of Serbian companies are discussed in the context of privatisation. The destruction of many documents in the 1999 conflict means there is little hard information on how much investment there had been from Serbia.

Haselock said that while he accepted that Serbian companies might have invested in Kosovo, the Belgrade government was equally obliged to admit "the amount that may have been taken out of Kosovo".

Aside from the financial wrangling between Serbia and UNMIK over investments and debt, many experts fear the privatisation process on its own will not solve many of Kosovo's problems.

Mirko Stimac, of the Belgrade-based think tank G17 Plus, said the mafia would be the prime beneficiary of privatisation, as the province had not yet been "cleansed of organised crime and the grey economy".

"A privatisation process under these conditions only means the legalisation of illegally-earned money," he said. "It will lead to deeper problems, especially when it comes to collecting tax from these new owners."

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