

# A Report on the Governance of four Northern Municipalities

September 2015





## EXECUTIVE SUMMARY

Two years after the November 2013 elections, the mayors of the northern municipalities<sup>1</sup> have not constituted the municipal executive bodies. The only bodies established after November 2013 elections are the municipal assemblies. The municipal assemblies in the northern municipalities have finalized the municipal statutes, which were regarded as legitimate by the MLGA. None of the statutes includes the logo, stamp or symbols of the municipality.

The mayor of North Mitrovica issued two decisions on the basis of the mandate won through the elections of Kosovo. Both of these decisions were regarded as illegitimate by the MLGA: the building of the said “Peace Park” in the Ibar river bridge, and the construction of the “Car Lazar” boulevard. The mayor of North Mitrovica neglected the recommendations issued by the MLGA in both of these cases.

The mayors of Leposavic, Zubin Potok and Zvecan exercise dual functions: they were elected mayors during the local elections in Kosovo, are paid from the budget of Kosovo, and at the same time have accepted functions by the Government of Serbia to lead the parallel structures. The parallel municipalities in Northern Kosovo are called “Interim Administrative Bodies”. These organs issue decisions in sectors such as education, administration, health, urbanization, public service, sports and culture. The mayors elected through the local elections in Kosovo reside on the premises of the parallel municipalities, and refuse to be identified with any sign or symbol of the state of Kosovo.

The Government of Kosovo has not taken any decision regarding the dissolution or transformation of the Mitrovica North Administrative Office. This office was meant to function only through to the formation of the municipality of North Mitrovica.

For 2015, the northern municipalities have a budget 10.8 million euros available from the Budget of the Republic of Kosovo. Of this amount, over 6.2 million euros are planned for salary expenditures. At local level, in the four northern municipalities of Kosovo, there are 1,730 persons who receive salary from the budget of Kosovo. The highest number is from the municipality of North Mitrovica, where there are 747 persons. Most of the said staff receives two salaries for the work that they do, one from the budget of Kosovo and the other from the Government of Serbia.

Besides this, a “Development Fund for the North” was created for these municipalities, which is mainly filled by the customs income from checkpoints 1 and 31 (Bernjak and Jarinje). From January 2014 to mid-July 2015, 6.5 million euros were poured into this fund.

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<sup>1</sup> North Mitrovica, Leposavic, Zvecan and Zubin Potok.

# 1. The parallel governance system in the northern municipalities of Kosovo

The Brussels Agreement of April 19, 2013 between Kosovo and Serbia, which refers mainly to the north of Kosovo, did not lead to the dissolution of the parallel structures of governance in Leposavic, Zubin Potok, Zvečan and North Mitrovica.<sup>2</sup> The agreement addresses mainly the integration of police, judiciary, creation of the Association, telecom, energy and holding of local elections.<sup>3</sup>

Even the November 2013 local elections in the four northern municipalities, and election of local representatives, has not led to the dissolution of the parallel structures.

These structures have an impact in all areas of public life in the northern municipalities of Kosovo. Based on Belgrade's suggestion, these structures have removed the use of the word "municipality" and decided to use "Interim Administrative Bodies" instead.<sup>4</sup> Besides this change, these structures have remained the same in terms of functions and hierarchy, as they were before the 2013 local elections were held.

The "Interim Administrative Bodies" (parallel structures) are led by the mayor, are organized in directorates and departments, and have a budget approved by the Government and Assembly of Serbia, to whom they also report.<sup>5</sup> The Government of Serbia has appointed the same individuals who have won the mayor's mandate in the elections of Kosovo, to serve as mayors of the parallel municipalities of Zvečan, Leposavic, Zubin Potok.<sup>6</sup>

The organizational structure of the four parallel municipalities in northern Kosovo is based on the model of local governance used in

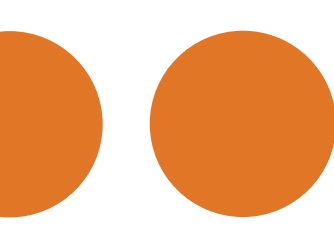
<sup>2</sup> Government of Kosovo. Office of the Prime Minister. The first agreement of principles which regulates normalization of relations. 19.04.2013. Source: <http://bit.ly/1CIGNDN>

<sup>3</sup> Id.

<sup>4</sup> Interview with deputy-Chair of the Municipal Assembly of North Mitrovica, Emir Azemi. The interview was held on 17.04.2015.

<sup>5</sup> Id.

<sup>6</sup> Government of Kosovo. Report on the implementation of the Brussels Agreement. March 2015. P 10. Source: <http://bit.ly/19fMLUI>



Serbia.<sup>7</sup> All of the documents and activities that are organized and sponsored from these organs include the stamp and emblem of Serbia.

The mayors elected through the local elections of Kosovo have not appointed all the heads in the directorates. They have appointed some heads of directorates (budget, healthcare, education and urbanization). In three municipalities in the north of Kosovo (North Mitrovica, Leposavic and Zvecan) the appointees as heads of directorates, also exercise functions in the parallel municipalities.<sup>8</sup>

After more than a year of holding the local elections in Kosovo, the Government of Serbia issued a decision to appoint the mayors elected through the Kosovo elections, in positions of leaders of “Interim Administrative Bodies”. Thus, Vucina Jankovic in Zvecan, Dragan Jablanovic in Leposavic, and Stevan Vulokic in Zubin Potok are mayors elected through elections of Kosovo, and at the same time have accepted to lead the parallel municipalities with the decision from Serbia. For the North Mitrovica, Serbia appointed Aleksander Spiric for the position of the mayor of the parallel municipality, while the mayor elected from the elections of Kosovo, Goran Rakic, has appointed him as his deputy.<sup>9</sup>

The parallel governance municipalities offer civil status services, issuing documents such as birth certificates, identification cards, and other documents. All of these are issued based on the standardized models of Serbia. The parallel municipalities hold regular weekly meetings and draft reports that are submitted to the Ministry for Kosovo in the Government of Serbia. These organs have full control on education, culture and healthcare.

The education curriculum is based on the Serbian model, learning textbooks are provided for free by the Ministry of Education of the Government of Serbia, and the certificates and diplomas are issued based on the ordering number maintained by the same ministry.

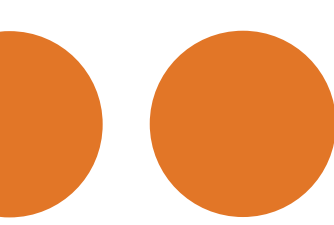
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<sup>7</sup> Interview with Florim Kelmendi. Deputy-Chair for Communities in the municipality of Zvecan. Interview was held on 28.04.2015.

<sup>8</sup> Interview with Albanian representatives in North Mitrovica, Leposavic, Zubin Potok and Zvecan. In North Mitrovica, Emir Azemi was interviewed, Deputy-Chair of the Municipal Assembly. In Zvecan, Florim Kelmendi was interviewed, Deputy-Chair for Communities. In Leposavic, Shemsi Bekteshi was interviewed, Deputy Chair for Communities, whereas in Zubin Potok, Agim Hasani was interviewed, Deputy-Chair for communities.

<sup>9</sup> Government of Kosovo. Report on the implementation of the Brussels Agreement. March 2015. P 10. Source: <http://bit.ly/19fMLUI>





The mayors of the municipalities in the north until now have issued decisions that are not in compliance with the laws of Kosovo and the general principles of the Brussels Agreement.

For instance, the mayor of North Mitrovica (Goran Rakic) has issued decisions to build the “Car Lazar” boulevard along the track of the Ibar River in the northern part. According to the sub-legal acts issued by the Ministry of Environment and Spatial Planning the construction of boulevards should commence only after the regulatory and urban plans have been finalized and approved, and these plans can be approved only after the municipality issues the Municipal Development Plan.<sup>10</sup> North Mitrovica does not have any of these documents approved.<sup>11</sup>

Mayor Goran Rakic neglected the legal notifications from MLGA. The latter claimed that the decision of the municipality of North Mitrovica to raise barriers on the main bridge that connects the north and southern part of Mitrovica was illegal. Despite this notification, mayor Rakic has not taken any actions to implement the decision of MLGA.<sup>12</sup>

The northern mayors elected through the local elections of Kosovo exercise their functions in the premises used by the parallel municipalities. Their time and activity is mainly focused on managing of the parallel structures and offering of services through these bodies.

## 2. Dual salaries in northern Kosovo

There are two main banks operating in northern Kosovo that are registered and certified from the Serbian Central Bank, and not from the one in Kosovo. The bank operators in northern Kosovo are “JugoBanka” and “Dunav Banka”.<sup>13</sup>

The operation of banks in a parallel form has enabled the Serbian community employees to easily receive salaries from Serbia, and at

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<sup>10</sup> Ministry of Environment and Spatial Planning. Administrative Instruction. Key elements of the Urban Development Plan No. 30/3. Source: <http://bit.ly/1VtfV5K>

<sup>11</sup> Interview with Agron Maxhuni, Director of the Legal Office in the Ministry of Local Governance and Administration. The interview was held on 15.04.2015

<sup>12</sup> Government of Kosovo. Ministry of Local Governance and Administration. Legal Notification 25.06.2014. Source: <http://bit.ly/1bpdS0k>

<sup>13</sup> Government of Kosovo. Office of the Coordinator for Northern Strategy. Page 55. May 2011. Source: <http://bit.ly/1KCnvl7>

the same time receive salaries from the Budget of the Republic of Kosovo.<sup>14</sup>

In north of Kosovo, transactions and payment are mainly done with Serbian dinars. Even the salaries from Serbia are received in dinars.<sup>15</sup> Until 2012, all payments from Serbia to the north were carried via mail. This practice was then avoided, and the parallel banking structures were used to distribute salaries.<sup>16</sup>

Dual payments are received from a part of the municipal administration staff, education staff, and some persons from the public enterprises. A considerable number of local Serbs within these institutions refuse to be included in the payment system of the Republic of Kosovo.<sup>17</sup>

Even the Government of Kosovo admits the existence of dual payments in northern Kosovo, and still considers the drafting of the salary scheme as a challenge.<sup>18</sup>

The Office of the Auditor General in Kosovo encountered cases in four municipalities in the North where the public employees do not have regular employment contracts, and even cases in which the auditor could not verify whether the paid staff is actually engaged.<sup>19</sup>

From February 2015 until the second week of April, the Ministry of Finance in Kosovo froze the Kosovo bank accounts utilized in the northern municipalities. This occurred after the four northern municipalities attempted, through the approval of the budget, to legitimate the payment system received from Serbia, by dedicating the right to issue salaries on education and health to the Association of Serb Municipalities which is planned to be formed.<sup>20</sup>

<sup>14</sup> Interview with the Deputy-Chair of the Municipal Assembly of North Mitrovica, Emir Azemi. The interview was held on 05.08.2015.

<sup>15</sup> Government of Kosovo. Office of the Coordinator for Northern Strategy. Page 54. May 2011. Source: <http://bit.ly/1KCnvI7>

<sup>16</sup> Interview with Deputy-Chair of the Municipal Assembly of North Mitrovica, Emir Azemi. The interview was held on 05.08.2015.

<sup>17</sup> Id.

<sup>18</sup> Government of Kosovo. Report on implementation of the Brussels Agreement. January-September 2014. P 12. Source: <http://bit.ly/1Fol4WT>

<sup>19</sup> Office of the Auditor General. Audit Report. 2014. Municipality of. Page 21. Source: <http://bit.ly/1ig47Wg> & Municipality of North Mitrovica. Page 21. Source: <http://bit.ly/1MZKUTU>

<sup>20</sup> European Centre For Minority Issues Kosovo. May 7, 2015. Budgets of northern municipalities of Kosovo. Albanian version. Source: <http://bit.ly/1P41MMF>

In the four northern municipalities of Kosovo, 1,730 persons receive salaries, and this figure does not include the police officers, employees in public enterprises and other sectors, which do not fall under local governance.<sup>21</sup> The largest part of the salaries is received in education system.

Table.no1: Number of persons who withdraw salaries from the budget of Kosovo in the four northern municipalities by sector<sup>22</sup>

Municipality	Administration	Education	Healthcare	Total
Leposavic	81	332	3	416
Zubin Potok	113	207	11	331
Zvecan	76	170	5	251
North Mitrovica	103	404	225	732
<b>Total</b>	<b>373</b>	<b>1,113</b>	<b>244</b>	<b>1,730</b>

The staff that works in the healthcare system in Leposavic, Zubin Potok and Zvecan, have completely refused to be included in the payment schemes of the Republic of Kosovo.

### 3. Kosovo's budget expenditures in the north

Despite the funds that the northern municipalities of Kosovo draw from the Republic of Kosovo in the form of grants for municipalities, they also receive projects from the relevant ministries of the Republic of Kosovo, international donations, and income from Serbia.

Similar to other municipalities of Kosovo, the northern municipalities receive a budget from the Government of the Republic of Kosovo for salaries, goods and services, capital investments, and subsidies for municipal expenditures.

Unlike other municipalities of Kosovo that generate municipal income, the northern municipalities were presented only as spenders of the budget, but not also as institutions that contribute to income. During 2014, the four northern municipalities have generated income of a total 70 thousand euros.<sup>23</sup> This income was generated from the

<sup>21</sup> Government of Kosovo. Ministry of Finance. Report on budget expenditure. January- March 2015. Page 20. Source: <http://bit.ly/1HkFfq8>

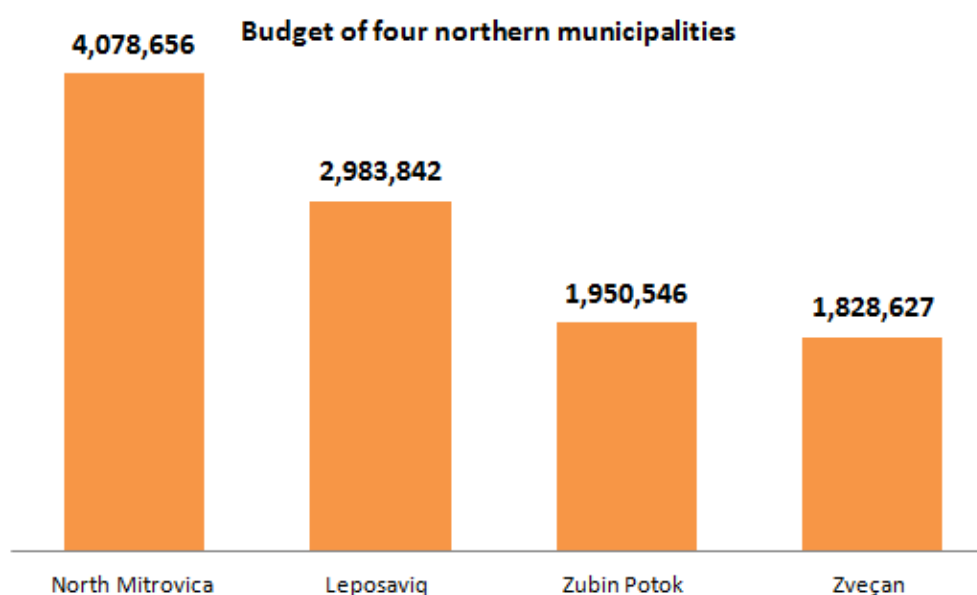
<sup>22</sup> Government of Kosovo. Ministry of Finance. Budget for 2015. The part on municipalities. Source: <http://bit.ly/19buQ1u>

<sup>23</sup> Government of Kosovo. Ministry of Finance. Law on Budget 2014. Page 13. Source: <http://bit.ly/19buQ1u>

Municipal Office for Communities that are headed by Albanians. These offices function outside the premises of the municipality. In Leposavić the office resides in the village Bistrica, in Zvečan in the village Lipa, and in Zubin Potok in the village Caber.<sup>24</sup>

Although these offices were meant only to promote the rights of the non-majority communities, they also exercise the functions of issuing civil documentation, and there is an increase in the number of local Serbs who obtain documents of the Republic of Kosovo, mainly for pension reasons.

During 2015, the budget available for the four northern municipalities of Kosovo from the Budget of the Republic of Kosovo is 10.8 million euros.<sup>25</sup>

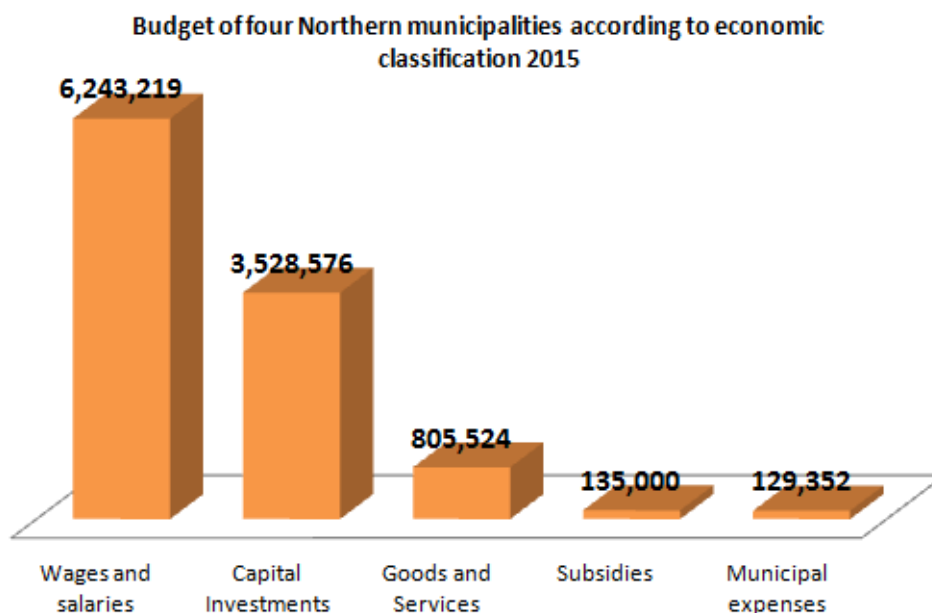


Of the 10.8 million euros of the budget of Kosovo for the northern municipalities, 58% is allocated for salaries, 34% on capital investments, 6% on goods and services, and 1% on each subsidies and municipal expenditures.

<sup>24</sup> Interview with Florim Kelmendi. Deputy-Chair for Communities in the Municipality of Zvečan. The interview was held on 28.04.2015.

<sup>25</sup> Government of Kosovo. Ministry of Finance. Budget for 2015. January - March. The part of municipalities. Source : <http://bit.ly/1HkFfq8>





The northern municipalities never publish reports on the expenditures from the budget of Kosovo. Despite the functioning of the municipal assemblies in the north after the 2013 elections, the municipal mayors have not submitted any reports before the assemblies related to the expenditures of the budget of Kosovo.<sup>26</sup>

## 4. Fund for the North

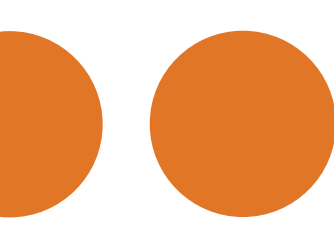
Despite the funds that the northern municipalities of Kosovo receive under the grants line from the Government of Kosovo, they will have an additional separate fund available “Development Fund for the Northern Kosovo”.

The agreement for the creation of this fund for the north was realized on January 17, 2013 in Brussels between Kosovo and Serbia. On July 25, 2013 this fund was incorporated in the law on amending and supplementing the Law on the Budget (no. 04-L-165) approved by the Assembly of Kosovo.<sup>27</sup> Additionally, the Assembly of Kosovo amended the Laws on Kosovo Customs and Tax Administration to enable the functioning of this fund.

The fund enables the northern municipalities to present their development projects and draw money to finance them. The fund is generated from the income collected in checkpoints in

<sup>26</sup> Interview with Deputy-Chair of the Municipal Assembly of Mitrovica, Emir Azemi. The interview was held on 05.08.2015.

<sup>27</sup> Government of Kosovo. Ministry of Finance. Financial report for 2014. Page 31. Source: <http://bit.ly/1HkFfq8>



Jarinja/Rudnice and Bernjak/Tabavije (applied obligations and excise tax, including VAT) and companies which operate and goods destined for the local population of the northern municipalities will be transferred to the Development Fund. In this fund, even Serbia, EU and international donors will be able to contribute.<sup>28</sup>

The fund's management board will be composed of one representative of the European Union Office in Kosovo, one representative from the Ministry of Finance of the Government of Kosovo, and one representative delegated by the northern municipalities of Kosovo.

The fund has an account in one of the banks that operates in Kosovo. In the border checkpoints 1 and 31 of north of Kosovo, the customs during 2014 have cleared goods in the value of 4.6 million euros and all of these funds were dedicated for the Development Fund in the North. Whereas during 2015, specifically from January through to mid-July 2015, from the border checkpoints 1 and 31, about two million euros were dedicated to the fund for the north. From this, it can be concluded that as of July 2015, the fund for the North has 6,522,299 million euros available.<sup>29</sup>

The kinds of goods that entered the points 1 and 31 according to the Kosovo Customs include mainly food, but there was an increase in trend of the construction goods, textile, mechanical and technical equipment, and very minor quantity of derivatives.

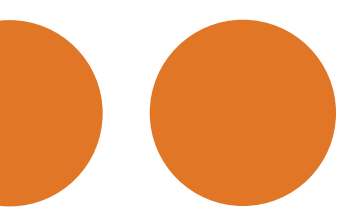
## 5. Conclusion

Since the establishment of the first institutions of Kosovo in October 2000, the municipalities in the north have objected cooperation with the institutions of Kosovo. These municipalities have accepted until 2007 a partial cooperation with UNMIK. After that year, these municipalities have opposed the independence of Kosovo and refused to implement the laws and recommendations of the institutions of Kosovo.

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<sup>28</sup> Government of Kosovo. Report on the implementation of the Brussels Agreement. 2015 and 2014. Source: <http://bit.ly/19fMLUI> and <http://bit.ly/1Fol4WT>

<sup>29</sup> Kosovo Customs. Discussion with Adriatik Stavileci, Spokesman of Kosovo Customs. The discussion was held on 24.4.2015 and on 5.08.2015



This enabled the strengthening and expansion of the parallel administration in the northern municipalities, based on the instructions from the Government of Serbia.

The discussions in Brussels on normalization of relations between Kosovo and Serbia and the achievement of some agreements led to some changes in the north. Local elections were held based on the Kosovo system, municipal assemblies were formed and functionalized, municipal statutes were approved, the fund for the north was created, and there was an increase in cooperation especially among the representatives North of Mitrovica and those from the south.

Until now, the institutions of Kosovo have been powerless against these structures, and their hope for dissolution of these structures relies on Brussels' exercise of pressure to Belgrade to cease support for these structures.

The Government of Kosovo needs to issue a decision for transformation of the North Mitrovica Administrative Office into the Municipality of North Mitrovica. This would make the process of establishment of the municipality of North Mitrovica faster and easier. The continued existence of this office within the competencies of the act under which it was formed, makes the hierarchy of legitimate authorities in North Mitrovica even hazier.

The inability of the institutions of Kosovo to prevent dual salaries in the north encourages the parallel life in this part of the country. The MLGA as a central authority would need to design the official web pages for the northern municipalities, and instruct the heads of these municipalities to publish all of the activities and documents in the relevant areas of local governance.

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