

KOSOVO FOREIGN DEBT – THE MAIN PRINCIPLES

On February 26, 2008, the Minister of Finance of Serbia, Mr. Dinkić stated that Serbia should stop paying Kosovo's debt, since it declared independence on February 17th, 2008. The government of Serbia will continue to discuss its position on the issue. According to the Serbian government, the alleged debt in question is estimated to be in the amount of 1,264 billion USD. The issue of debt and its resolution was discussed during the negotiations between Prishtina and Belgrade in the Ahtisaari-led process in Vienna. Almost half of that debt is owed to the World Bank, and the other half is owed to the Paris and the London Club.

Legally, Kosovo has not signed any of these loans and as such, the debt cannot be transferred automatically. The signatory of the debt was the Socialist Federative Republic of Yugoslavia, and then its successors, Federal Republic of Yugoslavia, Serbia and Montenegro, and eventually Serbia. Legally, the Serbian government is responsible for the debt and any stoppage in debt servicing without the agreement with the creditors and the Republic of Kosovo will have repercussions only for Serbia. Nevertheless, the Kosovo authorities should again reiterate the willingness to discuss the issue.

It is recommended that on the issue of debt the government of Kosovo takes actions based on the following principles:

- 1) **Kosovo should express its willingness to take over the servicing of the debt**, which was used for projects in Kosovo. There were a number of projects in Kosovo that were financed by these loans. Kosovo should not deny the obligation, and in the path towards developing a sustainable and a respected state, it should recognize the moral obligation to take over the debt that belongs to Kosovo.
- 2) **Kosovo should take over the debt only after it verifies that the funds were spent in Kosovo.** This can be done through verifying the original loan documentation which currently resides in Belgrade. Since the debt includes many individual creditors, it is unrealistic to expect that this information can be collected from these institutions. Kosovo should not take responsibility for any of the debt if it does not have access to the documentation.
- 3) **Kosovo should be ready to discuss the debt issue with Serbia, as foreseen in the Ahtisaari plan.** There are several cases where two separated countries have discussed succession issues. All the other independent countries of the former Yugoslavia have negotiated debt and assets divisions. More recently, this was the case with the independence of Montenegro. In most of the cases, since the



discussions include also the division of unallocated debt (general loans), the agreement also includes the division of the country assets and other unresolved separation issues.

The principles outlined above ensure that Kosovo is ready to discuss assets and liabilities to respect its responsibilities and obligations, and acts in accordance with the principles of the Ahtisaari plan without hurting its own financial interests.