

To: The Board of Directors, European Bank for Reconstruction and Development  
CC: [kosovostrategy@ebrd.com](mailto:kosovostrategy@ebrd.com), [RadonjiB@ebrd.com](mailto:RadonjiB@ebrd.com), [RoussoA@ebrd.com](mailto:RoussoA@ebrd.com), [peterscj@ebrd.com](mailto:peterscj@ebrd.com),  
[nagyp@ebrd.com](mailto:nagyp@ebrd.com), [kobakova@ebrd.com](mailto:kobakova@ebrd.com)

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Dear Board Members,

The draft Country Strategy for Kosovo is currently under public consultation until April 18<sup>th</sup>, and is scheduled for approval by the Board on May 1<sup>st</sup>.

While we are also preparing a submission on the content of the country strategy, we need to bring to your attention certain important procedural matters which will seriously impact on the quality of the document if not corrected:

1) The draft Strategy (p.8) states that “*The Bank has not yet carried out a detailed Assessment of Transition Challenges at the sectoral level in Kosovo*”. Why has the bank written a draft Country Strategy without carrying out such an assessment? How can it be sure that the proposed course of action is the correct one?

2) Assuming that the Board receives the draft Strategy and the Report on the Invitation to Comment at least 7-10 working days before the approval date, this schedule allows insufficient time for bank staff to seriously take into account the input from the consultation process before submitting the draft Strategy to the Board, and appears to indicate that the bank has no intention of making serious changes to the document as a result of the public consultation, thus rather denying the point of the consultation.

Considering the particularly complex situation in Kosovo and the need for the bank to promote best practices in public participation in decision-making and transparency, it would be advisable to ensure that the views of Kosovar civil society are properly discussed and incorporated into the Strategy. This is all the more so given the following particular features regarding Kosovo that need to be seriously considered in determining the priority directions of the strategy, among them:

- poverty level<sup>1</sup>
- unemployment level<sup>2</sup>
- corruption level<sup>3</sup>

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<sup>1</sup> In 2009, slightly more than one-third of the population (34 percent) lived below an absolute poverty line of €1.55 per adult equivalent per day, and 12 percent lived below the extreme poverty line of €1.02. – “Consumption Poverty in the Republic of Kosovo in 2009”, Statistical Office of Kosovo, The World Bank Europe and Central Asia Region Poverty Reduction and Economic Management Unit May, 2011

<sup>2</sup> Kosovo’s unemployment rate is estimated at 46 percent in the 2009 Labor Force Survey (Statistical Office of Kosovo 2010) and 48 percent in the World Bank’s Country Economic Memorandum (World Bank 2010). The employment rate is only 26 percent (World Bank 2010).

<sup>3</sup> Based on the Corruption Perceptions Index 2012, Kosovo remains among the countries with the highest level of corruption. Kosovo is ranked number 105, in the same place as Algeria, Armenia, Bolivia, Gambia, Mali, Mexico and Philippines.

[http://www.transparency.org/news/pressrelease/20121205\\_corruption\\_is\\_still\\_hindering\\_the\\_prospect\\_of\\_kosovo](http://www.transparency.org/news/pressrelease/20121205_corruption_is_still_hindering_the_prospect_of_kosovo)

The European Court of Auditors found that the almost €700 million in EU funds spent in Kosovo between 2007 and 2011 to improve the rule of law and rein in corruption have produced dismal results. <http://euobserver.com/foreign/118071>

European Union prosecutors have indicted eight judges in Kosovo, including the former head of the city court in the capital, Pristina, and, in a separate case, the former head of Kosovo’s anti-corruption taskforce. <http://www.europeanvoice.com/article/2012/august/kosovo-s-former-anti-corruption-chief-indicted/74961.aspx>

- high air pollution levels<sup>4</sup>
- unreliable national energy strategy, lacking a proper analysis of alternatives to lignite<sup>5</sup>
- 98% of Kosovo's electricity generation is lignite-based
- unsatisfactory track record of meaningful consultation and public participation in decision-making in Kosovo
- failed privatization processes of socially-owned enterprises and public enterprises<sup>6</sup>

Given that the sector-level transition challenges have not yet been assessed and that there is not sufficient time to take CSO comments into account with the currently planned schedule, **the Strategy in our opinion needs to be withdrawn from the Board schedule for 1<sup>st</sup> May, updated, subjected to a second stage of public consultation, and then approved once the inputs have been taken into account and appropriate changes made in the strategy and changes reported back to the CSOs that commented on it.**

We thank you for your time and look forward to your response.

Yours sincerely,

Nezir Sinani  
 Energy Expert  
 Kosovo Civil Society Consortium for Sustainable Development (KOSID)  
 +377 44 906 609  
[nezir.sinani@kosid.org](mailto:nezir.sinani@kosid.org)  
[www.kosid.org](http://www.kosid.org)

Ionut Apostol  
 EBRD Campaign Coordinator  
 CEE Bankwatch Network  
 +4031 438 2489  
[ionut@bankwatch.org](mailto:ionut@bankwatch.org)  
[www.bankwatch.org](http://www.bankwatch.org)

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<sup>4</sup> According to a 2012 World Bank report, these cause annually 835 early deaths; 310 new cases of chronic bronchitis; 22,900 new cases of respiratory diseases among children (most often asthma); 11,600 emergency visits to country's hospitals; Over 100 million euro in direct costs connected to this problem, all of which have been paid from the pockets of the already impoverished Kosovar public. <http://siteresources.worldbank.org/INTKOSOVO/Resources/KosovoCEA.pdf>

<sup>5</sup> The University of California Berkeley has looked into Kosovo's Sustainable Energy Options and has concluded that depending solely on lignite for the country's energy needs is not sustainable and needs to be addressed immediately: <http://coolclimate.berkeley.edu/sites/all/files/Kosovo20May2012.pdf>

<sup>6</sup> Kosovo's Institute for Advanced Studies looked into one of the largest privatization processes carried out in Kosovo and provides an overview on the issues related with the process: <http://www.kosid.org/wp-content/uploads/2012/09/KEDS.pdf>