

# **SUSTAINABLE DEVELOPMENT PLANNING IN KOSOVO**

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Over the centuries, the land called Kosovo has been home to many peoples. Often serving as a buffer between hostile groups, it reached its peak as a European political and cultural centre under the Serbians from the twelfth to the fourteenth centuries. Now viewed by Serbians as the cradle of their nation, the maintenance of Kosovo as part of Serbia has become a cornerstone of the appeals of the nationalists and ultranationalists, who have come to dominate Serbia's politics following the dismantling of Yugoslavia.

The war in Kosovo broke out during a situation of increasing ethnic violence, suppression of democracy, breakdown of law and order, systematic human rights abuse by the ruling authorities and a refusal by the Belgrade government to seek, or accept a political solution.

Moreover, it was clear that the Yugoslav government was about to start strong repressive action. As a consequence of this critical scenario, NATO decided to use force.

In undertaking the air campaign, NATO made clear what they expected of President Milosevic and his regime to bring a halt to this situation:

- guarantees to end all military action, violence and repression;
- guarantees to ensure the withdrawal from Kosovo of the military, police and para-military forces;
- agreement to the stationing in Kosovo of an international military presence;
- agreement to the unconditional and safe return of all refugees and displaced persons and unhindered access to them by humanitarian aid organisations;
- credible assurance on the part of Milosevic to work in accordance with the Rambouillet Accords in establishing a political framework agreement for Kosovo in conformity with international law and the Charter of the United Nations.

On President Milosevic's meeting these conditions, the North Atlantic Council, through the Secretary General, on 10 June 1999, agreed to suspend air operations.

Soon afterwards the United Nations Security Council passed Resolution 1244 authorizing the United Nations Interim Administration Mission in Kosovo (UNMIK) to begin the long process of building peace, democracy, stability and self-government in the shattered province.

In a first-ever operation of its kind, UNMIK initially brought together four "pillars" under United Nations leadership:

PILLAR I: Humanitarian assistance led by the Office of the High Commissioner for Refugees (UNHCR);

PILLAR II: Civil Administration, under the United Nations;

PILLAR III: Democratization and Institution Building, led by the Organization for Security and Co-operation in Europe (OSCE);

PILLAR IV: Reconstruction and Economic Development, managed by the European Union.

The United Nations Security Council Resolution 1244 sets out the responsibilities of the International Community during the period of its interim administration of Kosovo. This Resolution, as well as the Military Technical Agreement on the withdrawal of Yugoslav forces and NATO's own operational plan, form the basis of KFOR's responsibilities:

- to establish and maintain a secure environment in Kosovo, including public safety and order;
- to monitor, verify and, when necessary, enforce compliance with the conditions of the Military Technical Agreement and the Ushtria Clirimtare e Kosoves (UCK) Undertaking;
- to provide assistance to the United Nations Mission in Kosovo, including core civil functions until they are transferred to UNMIK.

The head of UNMIK is the Special Representative of the Secretary-General for Kosovo (SRSG). As the most senior international civilian official in Kosovo, he presides over the work of the pillars and facilitates the political process designed to determine Kosovo's future status.

In order to obtain early results on its tasks, UNMIK set up a regional structure with five Regional Administrators and 30 Municipal Administrators. It established central departments to administer public services (education, health, garbage collection etc), which were subsequently converted into Kosovo-wide Administrative Departments in the Joint Interim Administrative Structure (JIAS) system.

The promulgation of the Constitutional Framework for Provisional Institution of Self-Government (PISG) in May 2001, drafted by international and local experts, was a crucial step towards establishing autonomous self-government.

From an analysis of the above, it has been possible to highlight some of the main difficulties and weaknesses faced by UNMIK and the Local Authorities of the region. In particular, the relations between UNMIK and the PISG, party representation, the dialogue with Belgrade and internal disputes concerning the drawing up of the Budget.

Kosovo went through a period of great change during the three years of international administration beginning in 1999, with much reconstruction and many improvements in the daily lives of individuals and families. Some of these changes can be traced back through the calculation and analysis of various human development indicators and indices. In particular, I have specifically analysed in detail poverty, health, life expectancy, equal opportunities education, the Human Development Index, minority communities, the security system and freedom of movement.

Kosovo presents the peculiar characteristics of a situation in transition from a centrally planned economy to a free market system. From a glance at the economic, political and institutional scenario, it is evident that the region is still in an initial phase of the transitional process with an ongoing rise in unemployment.

In 2002 economic growth fell sharply to 3.9% and close to 5% in 2003, as a result of various factors including:

- a decline in foreign assistance and remittances as well as an unplanned tightening up of the fiscal stance;
- high rates of inflation;
- decline in the inflation and consumer price index;
- the absence of institutions necessary for the creating of a market economy;
- a total lack of rules and regulations systems concerning commercial law and industrial relations;
- scarce access to sources of financing and a poorly developed banking sector;
- ethnic and problems of integration;
- damaged roads and infrastructure;
- an unstable political environment due more to the presence of both a provisional government set up by the Resolution 1244 of the Council of Security of the United Nations and a Local Government democratically elected;
- dependence on external aid (from individual countries and multilateral institutions);
- diffidence on the part of foreign investors;
- a high rate of tax evasion;
- an inefficient legal system;

- scarce relations between enterprises and institutions;
- progressive cuts in external aid;
- insufficient production of energy;
- an economy heavily dependent on foreign assistance to finance its many deficits;
- a costly system of transport;
- a tortuous process of deregulation.

From Government reports and documents of International Institutions (e.g. World Bank, United Nations Development Programme, RIINVEST, International Organization for Migration, European Union), a series of indications emerge concerning the actions and interventions required for reaching the general objective of socio-economic development and political growth in Kosovo.

The numerous organizations already at work in the territory were to be included in this intricate framework, so as to render the initiatives as effective and regulated as possible. However, the many organisations operating during the Kosovo crisis and the variety of projects implemented, rendered this phase of collaboration and inclusion in the framework created by the United Nations mission a far from easy process. In many cases the Non Governmental Organizations (NGOs) had planned to implement intervention in an independent fashion or anyway prior to any previous analysis on the ground.

The criticism from various areas directed at the overlapping between both Government Organizations and NGOs, created on the basis of different operating schemes, seems to have reached a similarity of purpose that is more than evident. This lack of cohesion in the planning stage together with an absence of co-ordinating strategies, concerning the management and destination of the resources, can easily explain the difficulties experienced above all in the phases of co-ordination and rationalisation of the aid arriving from different areas.

It is difficult to define the total amount of resources invested in the whole of Kosovo starting from the period when the war finished as there were so many different sources from which funds were obtained to develop projects as well as the procedures for implementing them on the ground.

The territory of the Yugoslav province has absorbed a quantity of investments that is without doubt enormous. From a summary point of view, I have tried to quantify the amount of funds destined for projects/programmes in Kosovo and from the data collected, to delineate even if only in part, the complex but at the same time extremely interesting panorama; in particular, the European Commission Programmes; CARDS Assistance Programme to the Western Balkans; Interreg III B-CADSES; World Bank Programme; UNDP Kosovo Programming Strategy. As regards the projects, the financing Institutions and destined funds for each main area of intervention proposed by the European Agency for Reconstruction (EAR) and by the European Commission, good governance and reinforcing institutions; reconstruction, renovation and economic reform; social development and society, have been examined.

Despite the commitment of numerous International Institutions Kosovo is facing problems related *not* to the lack of funds but rather to an inefficient use of them both by the State, which has relied heavily on foreign donors (not always of a disinterested kind), and by the International Organizations which have operated in Kosovo. After four years of substantial assistance in Kosovo, from international solidarity, the World Bank declared that half the population still lives at a minimum threshold level of poverty. Furthermore, the costs for completed initiatives, are in the region of eight hundred million euros. It would appear that a conspicuous part of international aid has not reached Kosovo or has been absorbed by organized crime networks. The demonstration lies in the fact that most of the firms for reconstruction of Kosovo are not national.

In 2003 the Centre for Applied Studies in International Negotiations published a report on the administration of Kosovo, in which it emerged that:

- the international organisations have favoured the onset of a local culture of passivity, without however, at the same time clearly establishing their own role;
- the unprecedented flows of resources, have favoured the restoring of the water system and the reconstruction of 20.000 houses. However, no new roads have been constructed nor an adequate garbage collection system devised.

This mobility of resources has occurred without any precise planning, or organised strategies, consequently, intervention has been of a haphazard nature and lacking in co-ordination. Of course the scarce results obtained from international aid are not to be ascribed only to administrative inefficiency, but depend also on the actions and proposed initiatives of the people. Manpower is available but there is no work, wealth is available but there is no capacity for enhancement. This explains why planning, guidance and control of the process of reconstruction in Kosovo is still imperative.

An in-depth analysis on the nature of the obstacles that delay reconstruction, their dimension and their collocation and the interdependence between the options and the effective choices of development, appears to be wrought with difficulty and a tortuous path to follow, however, it is the only one.

In this paper I have outlined specific guide lines for the elaboration of an operative plan for Kosovo that can guarantee rational management of the financial and other resources in an imperative perspective of sustainability. In the light of the disparities of the forces in the field and of specific fundamental challenges such as European integration, regionalization and sector strategies, that have already made an impact on endogenous development will, in the long run, continue to influence the prospect of strengthening local economies.

This part of the Paper describes in brief some of the programmes and strategies in which Kosovo, in a wider sense, is included: in particular, specific European Union strategies in South East Europe within the challenge of enlargement and the relations of proximity. Moreover, global trends of socio-economic development are also outlined in order to clarify their implications and to concentrate to a greater extent, on the right policies to adopt and the actions or initiatives to privilege, so as to propose a practical plan for Kosovo and to underline the important role the Regions should play. Particular attention has been given to the advantages for South East Europe and for Italy in the creation of an area of integrated trade, considering that national and international policies seem to indicate a separation between economic development and local development: the former an area for structural macro-reforms and investment flows, the latter for supporting interventions towards governance and administrative reinforcement.

A further series of fundamental opportunities, is connected to the process of economic co-operation, intended in the sense of a process capable of sparking off the internationalisation of enterprises. In this sense, local development, above all, in its internationalised territorial partnership dimension, can become a vehicle of integration and the initial phase of a virtual sequence of social, institutional and economic development. In this respect, the Italian system presents specific characteristics that could constitute similar “comparative advantages” for the implementing of internationalisation processes of local scenarios. The mechanisms and the vitality of decentralised co-operation and the variety of actors that take part in the process; the organisation and widespread distribution of Small and Medium Enterprises (SMEs) in productive districts having strong territorial connotations; the traditional vocation in favour of trade exchanges between trans-national areas geographically and

culturally contiguous constitute an extremely interesting workshop in terms of perspectives, concerning economic co-operation between local systems and, in particular, with the Balkan area. In local co-development policy the role of Territorial Partnerships is important especially in the sectors of economic development; governance of migration; decentralisation and democratic governance; sustainable development and tourism. In the Italian context, instruments finalised to promoting forms of co-operation including economic co-operation by means of Territorial Partnerships are not lacking and range from Interreg-Transfrontier Programmes already in act to specific Laws, as for example Law No. 84 of 21 March 2001, which sanctions the participation of Italy in the reconstruction of the Balkans and in particular in:

- institutions and security reinforcement;
- support for judicial, administrative and economic reform implementation in order to accelerate the process of transition towards a market economy;
- support for enterprises and investment;
- support for decentralised co-operation.

Bearing in mind the progress achieved over the last two years, albeit fragile and not always constant, in accordance with the Thessaloniki Agenda, we need to continue to work closely with the Western Balkan countries to consolidate peace and to promote stability, democracy, the rule of law and respect for human and minority rights. The inviolability of international borders, peaceful resolution of conflicts and regional co-operation are principles of the highest importance. Terrorism, violence and extremism, be they ethnically, politically or criminally motivated, should be unequivocally condemned. Accordingly, in order to reach these objectives in my work SUSTAINABLE DEVELOPMENT PLANNING IN KOSOVO I have analysed the most important steps in several sectors for the processes of economic growth (i.e. stimulating private enterprise, the banking system, agriculture and rural sector), social development (participation of people, labour market policies and improving of the education system, secondary technical/vocational education and adult training, higher education, protecting human, minority rights and gender equality) and institutional improvement (such as public administration and decentralisation, intermediary structures of civil society, the judicial system).

A prudent strategy imposes on economic regional systems reconsideration of specific strengths and weaknesses not only on the front of the domestic market or on that of a relatively uniform Europe, but in a whole continent perspective. The enhancement of strengths will derive, in the future, from comprehending the new and more profitable specifics of the territory and enterprises, on the basis of integrated logic and district enterprises. Best positioning of competitive advantage of a firm or of a region in fact depends, at this point, on comprehending the new economic geography of the continent, and competitive factors such as logistics, technology, services, proximity to client, differentiation of local markets all play a decisive role. In terms of the context of the SMEs of the Southern Italian Regions the economy of the Balkans presents favourable characteristics. Its micro-economic dimension and local policies are fertile ground for Italian entrepreneurs who can easily establish bilateral relations with local SMEs for example in the industrial or agriculture or tourism sector, and export know-how, education and training and organising capacity which is, at the present time, very inadequate. This, on the other hand, is already happening in Regions in which the SMEs are more well established and they have already carried out numerous initiatives in this context: partnerships, twinning projects, projects in common which involve both local institutions and enterprise systems. Accordingly, it is of crucial importance that the Regions of Southern Italy are able to respond in an adequate manner to the opportunities offered by the Balkan.

## MAIN FIGURES

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| ▪ <b>AREA</b>  | 10.908 square kilometres  |
| ▪ <b>POPULATION</b>  | Between 1.800.000 and 2.000.000; population in diaspora between 400.000 and 700.000   |
| ▪ <b>RESIDENTS IN URBAN AREA</b>                             | 35%   |
| ▪ <b>RESIDENTS IN RURAL AREA</b>                             | 65%   |
| ▪ <b>POPULATION GROWTH RATE</b>                              | 20,1% in 2001   |
| ▪ <b>LANGUAGE</b>  | Albanian, English and Serbian   |
| ▪ <b>RELIGION</b>  | Primarily Muslim, but often non-practising. Other religions: Serbian Orthodox, Roman Catholic   |
| ▪ <b>STATUS</b>  | Province of the Federal Republic of Yugoslavia, now Serbia and Montenegro   |
| ▪ <b>FORM OF GOVERNMENT</b>                                  | United Nations Interim Administration led by UNMIK (United Nations Mission in Kosovo) (UNSC Resolution 1244/99) and in cooperation with local PISG (Provisional Institutions of Self-Government) established in 2002 (comprised of Executive, Judiciary and Legislative branches) |
| ▪ <b>PARTICIPATION OF WOMEN IN GOVERNMENT</b>                | 28% in 2002   |
| ▪ <b>INFANT MORTALITY RATE</b>                               | 34-35 per 1.000 live births in 2001   |
| ▪ <b>LIFE EXPECTANCY AT BIRTH</b>                            | 74,1 years in 2001<br>Females 76,64 years<br>Males 71,45 years  |
| ▪ <b>POVERTY GAP</b>   | 15,7 in 2000 (poverty measure in percentage)  |
| ▪ <b>EDUCATIONAL ATTAINMENT INDEX</b>                        | 0,828 in 2001<br>Females 0,898 in 2001<br>Males 0,977 in 2001   |
| ▪ <b>NUMBER OF PUPILS IN PRIMARY SCHOOLS</b>                 | 289,585 (school year 2000/2001)   |
| ▪ <b>NUMBER OF STUDENTS IN SECONDARY SCHOOLS</b>             | 90,077 (school year 2000/2001)  |
| ▪ <b>ENROLMENT OF STUDENTS IN HIGH SCHOOLS AND FACULTIES</b> | 20,277 (school year 2000/2001)  |
| ▪ <b>ADULT LITERACY RATE</b>                                 | 93,5% in 2001   |
| ▪ <b>ILLITERACY RATE</b>                                     | 6,5% in 2000  |
| ▪ <b>FAMILY CONSUMPTION</b>                                  | 1.754,2 (in thousand of Euros) in 2001  |
| ▪ <b>CONSUMPTION</b>   | 2.284,1(in thousand of Euros) in 2001   |
| ▪ <b>INVESTMENTS</b>   | 1.479,2 (in thousand of Euros) in 2001  |
| ▪ <b>IMPORT</b>  | -2.185,7 (in thousand of Euros) in 2001   |
| ▪ <b>EXPORT</b>  | 180.5 (in thousand of Euros) in 2001  |
| ▪ <b>TRADE BALANCE</b>                                       | -1.418 (million of Euros) in 2003   |
| ▪ <b>GDP</b>   | 1.756,1 (in thousand of Euros) in 2001  |
| ▪ <b>NOMINAL GDP (MILLION OF EUROS)</b>                      | 2.163 in 2003   |
| ▪ <b>GDP PER CAPITA (\$)</b>                                 | 904 USD in 2001   |
| ▪ <b>ANNUAL GDP GROWTH</b>                                   | 7,4% in 2002  |
| ▪ <b>ANNUAL INFLATION RATE</b>                               | 6,5% in 2002  |
| ▪ <b>UNEMPLOYMENT RATE</b>                                   | Estimated at 49% in 2002<br>Urban 43,6%; Rural 54,5%  |