

CONTEXT IN KOSOVO, CHALLENGES AND OPPORTUNITIES

Shpetim Rezniki, PhD
European University of Tirana

ABSTRACT

The end of "supervised independence" in 2012 and the closure of the International Civilian Office (ICO) submitted successfully, and so far 98 countries have recognized Kosovo's statehood. Governmental institutions, in particular the central level, continue to strengthen their operations, while decentralization of power in the municipalities is strengthens local governance and democratic development. Kosovo has a fairly well developed framework of laws and policies, although their implementation often stagnate. During the past three years began initial reforms within the judiciary. There has been progress in the administration of competitive elections and this work is carried out mainly in accordance with international standards, although the risk remains that the irregularities in the elections to promote conflict. However, at international level, and progress towards achieving, Kosovo still lacks official recognition from many countries. This has hampered Kosovo's membership in the United Nations and other international organizations and has become the European Union to adopt a policy of "neutral status" on Kosovo, which hinders its possibilities in promoting comprehensive development of the country. This non-state run by the will of Serbia to recognize Kosovo's independence and to discontinue its support illegal structures governing Serb majority municipalities. Recent reports about the process of negotiations between Kosovo and Serbia indicate the possibility of normalizing relations, but progress is being achieved with difficulty. So far, the system "parallel" government in the Serb-majority areas remains a factor of instability.

Keywords: Finance, Economy, Management, Political, Accounting.

INTRODUCTION

Despite institutional reforms are still shortcomings in implementation, although in general there is an adequate framework of laws and regulations. The independence of the judiciary and the rule of law remains weak, while continuing inefficiency within the system makes the judicial branch not play its role effectively as a counterweight to the executive branch. Members of the Legislature (Assembly or National Assembly) have limited autonomy, and political landscape remains dominated by the executive branch and the leaders of political parties. Kosovo Assembly has inadequate capacity for analysis, to design legislation and to provide oversight (law enforcement). Progress on the transfer of powers and responsibilities from central hampered by municipal administrations that have disabilities in the provision of efficient public services, but also by civil servants who follow political interests in the burden of the electorate. The education system in Kosovo does not address the educational needs and requirements for training the youngest population in Europe, and this weakness in the system is an obstacle to the development of the state comprehensive.

Kosovo remains the poorest economy in the region and face high levels of poverty, mass unemployment (which on average is estimated to be 45%, in contrast to the example of

Macedonia and Albania with 37% to 14%), heavy dependence on imports and very small sector export, and lack of energy. Gross national income (GNI) per capita estimated at \$ 3.520, and thus Kosovo is ranked 93 in the world, behind Macedonia, Albania, Serbia and Bosnia and Herzegovina.

The economy continued with a growth rate of 3-5% for nearly a decade until 2011. Statistical Agency of Kosovo (KSA) estimated that during this three-year (2013-2015) the economy will grow on average 4.7%, which is the highest average rate among the economies of Eastern Europe. However, the pace of growth at all is not enough to have significant effects on poverty and unemployment. For example, the World Bank accounts that Kosovo would have to at least double the growth rate and achieve at least 12% growth per year for a decade to reach the current level of Gross Domestic Product (GDP) of Montenegro Black per capita. In short, the gap in income between Kosovo and other countries of Eastern Europe are likely to remain deeply opposed to greater growth.

Kosovo is making steady progress and significant macro-economic restructuring of the first phase (price liberalization, reforms in trade and foreign exchange and privatization) and in the second phase (competitive policies and reforms the enterprise, the banking system, infrastructure and financial reforms outside the bank). The country is quite stable economic performance, although the budget deficit in 2011 was increased to 4% of GDP. The collection of taxes has improved by 4% during 2012, compared with the same period a year ago. However in 2012 the Kosovo Government spending exceeded revenues, which result in a deficit of over 2%, and the Ministry of Finance (MoF) accounts that costs will continue to exceed revenues over the next three years. This rapid increase in public spending for now is the main force behind the growth of investment drivers. Private investment has remained at 20-22% of GDP for the past five years, while public investment increased from 5% to 12% of GDP.

Economic activity is concentrated mainly in the services sector which is expanding as a result of the high level of remittances and the large international presence in Kosovo. Still there has been substantial investment in the productive sector trade goods.

Achievements of USAID

Although continue development problems, USAID can be proud of the progress which has helped to achieve. In an environment where the implementation of USAID programs done through extremely good relations work, the Agency since 1999 has implemented a broad portfolio of projects which focus on the establishment of democratic institutions, the development of economic institutions and the private sector , improving the ability of the government in managing the energy sector, the reconstruction of the education system and community infrastructure.

The main technical assistance was provided to help draft the constitution, the establishment of a constitutional court and the establishment of the electoral system. Also with the help of USAID is well established methodology for reducing the old court cases. USAID Kosovo has helped revitalize civil society through assistance and training resource center for non-governmental organizations (NGOs). USAID has assisted in the establishment of the Administrative Office of

Northern Mitrovica (MNAO) is the first local institution of the Government in the north of the country. Assistance is given to the establishment of two independent networks before television in Kosovo.

With the help of USAID and starting from a low base, great strides have been made towards the establishment of new economic policies and fiscal, to set the stage for the transition from command economy to a market. Budgetary and taxation systems and comprehensive pension system was created and became operational. Created modern banking system, the Central Bank was established and settled capacity for banking supervision. USAID established a commercial bank, American Bank of Kosovo, to help investment, to increase access to finance and create employment (gave loans worth \$ 64.5 million for business development, which resulted in 11,000 locations new job). A year and a half later sold USAID successful undertaking of Austria's Raiffeisen Bank, and proceeds from the sale gushed scholarship fund (Fund Kosovo American Education KAEF) that enables inhabitants of Kosovo to carry out post-graduate studies in the United States. A strengthening capacity of the Ministry of Finance primary. Were installed modern processes of budget and treasury, with efficient and transparent financial management that enables electronic direct crediting of all government payments. He founded the tax administration (\$ 1.2 million collected taxes since January of 2012). It establishes the legal framework for the core functioning market economy. Together, these new economic institutions, these regulatory frameworks and financial systems contributed to post-conflict recovery and offer prospects for continued economic revitalization. Initial improvements were implemented to institutions working with energy. And most importantly, whose privatization is expected to soon become the energy distribution system is powered through intensive assistance of USAID.

Since 2010, USAID in partnership with the Government of Kosovo has reformed education system that improves grades 1-9 pupils' skills and increases the possibility of employment, an intervention that is generally understood as the improvement of the labor market. USAID also has built or rehabilitated a large number of community infrastructure such as schools (and thus reduced work shifts), hospitals and health clinics, water supply and road systems. Masters in US institutions, and 12 minority students is providing scholarships for undergraduate study. Vulnerable groups such as the displaced families, women and children are targeted for special attention.

Economic Growth

Creating an environment for sustainable economic growth and to improve competitiveness has been the main focus of USAID's support to Kosovo of transition from crisis to long term development. USAID intends to continue providing strong support for this sector (OZh2: Increased investment and increased employment in the private sector), working closely with the Government of Kosovo to face challenges and to mitigate obstacles by building a healthy economy and broad based.

GoK institutions that are responsible for maintaining macro-economic stability have done admirable work to ensure that Kosovo will remain one of the countries with greater fiscal stability and financial in the region. After concentrated investment period USAID, now is a challenge to the achievements of these institutions be consolidated and protected from

unexpected shocks, so that reforms are fully implemented in a transparent and accountable, and improve budget management.

Has been significant progress in the "Index of doing business" World Bank where Kosovo has progressed from 128 in the 98 country in 2012. This progress was achieved after many attempts by the Government, with great technical support from USAID i. However, when we analyze the situation in the neighborhood and competitiveness, it is clear that Kosovo still has work to do because Macedonia ranked 23, 51 Montenegro, Albania and Serbia 85 86. Now the challenge is to make improvements in general regulatory environment and Kosova to create a strong private sector and foreign direct investment allure.

For example, Kosovo still suffers from excessive government regulation of private economic activities through licenses, permits and other processes prohibitive at central and local level that increases the cost of doing business and making Kosovo less competitive in attracting new investments. A specific example relates to inspections. In international practice, inspections are used to protect public health and safety. However, in Kosovo there general principles that establish the parameters for the use of inspections, and several government agencies carry out inspections in such a way that goes beyond their health and safety (allegedly left a legacy of the socialist system of the past). Further, agencies do not coordinate their inspections and do not share information that would help write the processes. Major challenge is the elimination of the regime of inspections which represents unnecessary burden, takes unnecessary time, is costly and is contrary to the policy of encouraging private economic activity. Another example concerns the construction industry and land use. Although new construction law has introduced several positive changes in terms of reducing the procedures for obtaining building permits, along with transparent calculation of the fee for permits and other improvements, municipal-level authorities continue to face problems in implementing the requirements new. Many municipalities have no regulatory urban plans for their parts, so in those parts of businesses and citizens cannot predict how the land should or can be used. Of course, we challenge is clarifying regulatory procedures at the local level so that the business of construction and extensions to help in an organized manner. Obviously securing property rights is a major part in this barrier.

CONCLUSIONS

As stated above, Kosovo average unemployment rate of 45%. Youth unemployment is around 70%, which is a recipe for trouble, especially given that more than half the population is under the age of 25 and about 21% of them are aged from 15 to 25 years. The World Bank calculates that 34% of Kosovo's population lives below the poverty line (45 € or \$ 60 per month). Faced with this reality of unemployment and poverty, will not tepronim is to say that the stability and development of Kosovo prospects depend mainly on the creation of jobs.

Now, over 98% of businesses are family businesses, micro, small and medium enterprises (MSMEs). A recent report by UNDP revealed that the Kosovo market is unbalanced. The report highlighted the establishment of enterprises in the environment already saturated with firms of low tertiary or service sector firms. To transform this lower trend growth in the sector more dynamic and comprehensive private, the report recommends, among other things, push the growth of businesses in the micro and small sized ones, and included improving access to

finance for businesses new and expanding businesses, particularly those run by women and rinjtë11. Encouraging proliferation medium enterprises and small enterprises with growth potential, will be a major challenge which has an impact for example on adding value, improving access to credit, streamlining the regulatory framework, and increasing the efficiency in the course of trade within and outside Kosovo.

During addressing unemployment and the need for more powerful enterprise and sustainable, there must be special emphasis on increasing agricultural productivity, given that 60% of Kosovo's population lives in rural areas and is mostly poor. The challenges faced and the circumstances must be overcome include limited access to credit and markets, greenhouses inadequate, weak chain "from farm to fork", and the poor quality of farm inputs (seeds, fertilizers and pesticides) and of food safety infrastructure. Use of the euro simplifies monetary policy but also obstruct the growth of exports which are based on monetary exchange rates tempting. In short, Kosovo's businesses must compete with products, services and business experience. Obstacles include scale (which was discussed above), financing, links to markets, integrating at the company / industry / supply / market, historical stagnation / cultural to modern business dynamics, and group cooperation actors / stakeholders. Report USAID above states that "Kosovo entrepreneurial culture has power to unorganized. Businesses come and go, without using regional or sectoral groupings". The challenge will be willing capitalization growth sectors, in order to increase employment needed for Kosovo.

Despite significant support from USAID and the international donor community and broadly opposed to natural resources, Kosovo seriously challenged by the lack of energy that remains one of the biggest barriers to economic growth. A recent study USAID has calculated that the cost of doing business is about \$ 456 million a year as a result of the need to invest in generators, demolition equipment and time spent bosh13. Another analysis of USAID characterizes the lack of continuous supply of electricity as "obligatory obstacle" to growth.

Since 2008 with considerable assistance from USAID and other donors, the performance of Kosovo's energy sector has steadily improved since losses are reduced. However, the main issue is that Kosovo's productive capacity is not adequate to meet current needs, and is poor for future requirements of growth which is projected to be 5% of GDP per year. Government, with assistance from many donors including the World Bank and USAID, is planning the construction of a new power plant, but production of electricity is not expected to begin for several years.

Challenge over the next five years is successful inclusion of other donors and Kosovo subjects dealing with energy, in developing comprehensive energy strategy and strengthening key institutions, such as the Energy Regulatory Office (ERO), the Independent Commission for Mines and Minerals (ICMM) and the Ministry of Environment and Spatial Planning (MESP) and Kosovo, in accordance with international best practices and environmental, utilize numerous minerals which are used for energy but also those that are not used for energy, water and forest resources.

As far as minerals that are not used for energy, a recent report for heavy industry in Kosovo has identified the lack of policies and government regulations, and lack of coordination, consistency and transparency, for example in the collection of taxes on natural resources, as major obstacle to

the further development of key industries. In addition, the report highlighted the lack of legal and policy framework that encourages the use of industrial waste from local industry to address environmental concerns, and so will be able to support the local markets. Given the uncertain environment of work, the report shows an example of how a local steel plant zinc imports although zinc found in Kosovo, along with the equipment needed for electrolysis. Avoiding the loss of such economic challenges by creating more favorable policies and favorable regulatory environment will be a major challenge. Kosovo's private sector is aware of the potential of the state in these areas and this sector wants to be part of it. There is a risk that without appropriate policies and regulations, the development will be done without paying attention to the type of sustainable management that would support economic stability.

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