

Strategy for development cooperation with

Kosovo

January 2009 – December 2012



REGERINGSKANSLIET

Government Offices
of Sweden

Strategy for Swedish development cooperation with Kosovo, 2009-2012

Summary

The present cooperation strategy is intended to govern Swedish development cooperation with Kosovo in the period 2009–2012. The overall objective of Swedish development cooperation with Kosovo is to facilitate EU integration and to contribute to the country's stability and economic growth.

Kosovo is the poorest country in South Eastern Europe. Unemployment levels are high and growth is sluggish. The state and its institutions are fragile. Regional cooperation, including relations with Serbia and the Kosovo Serb minority, are critical to stability and economic development. Closer EU approximation is predicated on good relations with Kosovo's neighbours, long-term growth, comprehensive reform and deeper democracy. Economic development is a key factor in promoting prosperity and the favourable socioeconomic development of Kosovo's citizens. Despite formal recognition by a number of states, Kosovo's status in international law remains uncertain.

Swedish development cooperation with Kosovo will address the following sectors: Environment and Climate, Education, and Democratic Governance and Human Rights. Support will be extended to the private sector within the framework of the Environment and Climate sector. Promotion of democratic governance will include support for civil society. The choice of sectors is based on Kosovo's own priority objectives and needs, and on dialogue with other donors.

As far as possible, Sweden will encourage local ownership of the development agenda through more extensive use of Kosovo's own

structures when planning, implementing and following up development measures, while continually guarding against the risk of corruption. As far as possible, Swedish support is to be concentrated in integrated programmes based on Kosovo's own development strategies in sectors of relevance to Swedish development cooperation. These must also promote Kosovo's capacity to implement its own strategies.

Swedish development cooperation is to be undertaken in close consultation with other donors, in particular with the European Commission, and coordinated with the Commission's Instrument for Pre-Accession Assistance (IPA).

In volume terms, Swedish development cooperation with Kosovo for the period 2009–2012 will total SEK 80 million per year. Cooperation will be governed by a general agreement between Sweden and Kosovo.

Part 1. Objectives and direction of cooperation

1. Objectives and priorities

The overall objective of Swedish development cooperation with countries of Eastern Europe is stronger democracy, equitable and sustainable development and closer approximation to the EU and its fundamental values.

Development cooperation will thereby contribute to the achievement of the overall objective of Sweden's Policy for Global Development, namely to contribute to equitable and sustainable development on the basis of a rights perspective and the perspective of poor people on development.

EU approximation is a prerequisite for the creation of long-term prosperity and economic development. Swedish development cooperation must support Kosovo's efforts to move closer to the EU and the commitments set out in the European Partnership.

The over-riding objective of Swedish development cooperation with Kosovo in 2009–2012 is to facilitate EU approximation and to contribute to the country's stability and economic growth.

Swedish development cooperation is to be based on Kosovo's own priorities. Kosovo's Medium Term Expenditure Framework reflects the country's priorities for EU approximation and it can also, to some extent, serve as an instrument for coordinating donor inputs. Kosovo's overall goal with regard to the country's development is "an economically sustainable Kosovo, being a multi-ethnic state on its path to European integration and meeting the highest standards of accountability and transparency"¹. Four priority areas have been established: (1) economic growth, (2) implementation of the status settlement plan drafted by UN chief mediator Martti Ahtisaari, (3) good governance, and (4) social stability and poverty reduction.

The strategy is also based on the Swedish Government's three thematic priorities: democracy and human rights, environment and climate, and promoting gender equality and the role of women in development.

Swedish development cooperation with Kosovo will target three sectors: Environment and Climate, Education and Democratic Governance and Human Rights. Development cooperation in these sectors will include support for private sector development and civil society in Kosovo. Support for Kosovan implementation of the status settlement plan will be extended within the scope of the Democratic Governance and Human Rights sector.

¹ Mid Term Expenditure Framework 2009-2011, 12 June 2008, p 9.

Swedish development cooperation will be undertaken in close consultation with other donors, in particular with the European Commission, and coordinated with the Commission's Instrument for Pre-Accession Assistance (IPA). Cooperation with the European Commission both at local level and in Brussels will be further developed in accordance with the Paris Declaration on Aid Effectiveness.

The Swedish Government's thematic priorities will serve as a platform for dialogue.

An overall process objective for the strategy period will be to seek to make use of Kosovo's own structures when planning, implementing and following up development initiatives. Where conditions allow, support will be extended to integrated development programmes. Sweden will combat corruption through specific measures at programme and project level when preparing, following up and evaluating initiatives.

The Swedish thematic priorities are to serve as a guide to the planning and preparation of interventions. Support for democracy and human rights will be provided mainly within the framework of programmes and projects in the Democratic Governance and Human Rights sector, as will support for the promotion of women's role in society. Sweden enjoys a high degree of credibility in the gender equality sphere and will continue to pursue gender equality goals as a matter of priority. The thematic priority *climate and environment* will be given a prominent role during the strategy period.

2. Direction and scope

Sectors

Environment and climate

Although Kosovo has yet to establish an overall national environmental goal, it has drawn up a national as well as a number of local environmental action plans. The Swedish objectives for this cooperation area are:

- (a) Increased Kosovan capacity to deal with long-term ecological and climate-related problems in accordance with EU norms.
- (b) Strengthened capacity to implement environmental action plans at national and local level.
- (c) Higher productivity in the forestry sector and improved capacity to ensure the sustainable use of forest resources.

In order to achieve objective (a) support can be extended for legislative revision in this area and capacity development within relevant government

ministries. To achieve objective (b), Sweden can extend support – through local government authorities or the Ministry of Environment and Spatial Planning – aimed at expediting the implementation of projects embedded in Kosovo’s national and local environmental action plans.² Both capacity development and investment support focused on the capacity of ministries and government authorities to implement and follow up environmental initiatives may be appropriate. In order to achieve objective (c), Sweden should extend support measures designed to promote sustainable use of Kosovo’s forest resources. Priority will be given to support for private sector forestry development conducive to positive environmental outcomes, job creation and export growth. Support can be provided via local forest landowner associations, business associations and public institutions.

Process objectives will be to extend programme-oriented support to the Ministry of Environment and Spatial Planning, and to structure a programme for the forestry sector. Working in cooperation with development banks, Sweden will help to ensure that Kosovo commences implementation of environmental investment projects in such areas as water and sanitation, including energy efficiency, in the above areas. Cooperation with an investment bank normally involves the bank assuming a leading role in project. Sweden can contribute here by funding feasibility studies and providing other technical support, the combined effect of which will be to create conditions conducive to the implementation of socially and environmentally sustainable initiatives.

Education

The Government of Kosovo has established the following objective for the education sector:³

- Development of an effective education system for all that contributes to economic growth, and to the empowerment of the citizens of Kosovo.

Sweden’s objectives for this cooperation area will be:

- (a) Increased Kosovan capacity with regard to planning, implementation and follow-up of the sector plan for education.
- (b) More women and men who are professionally active in areas for which they were professionally trained.

² Kosovo Environmental Action Plan (KEAP) and a selection of Local Environmental Action Plans (LEAP).

³ Draft Medium Term Expenditure Framework 2009-2011, 26 May 2008, p. 70.

The Government of Kosovo regards education as a key factor for economic growth. To achieve objective (a), Sweden will contribute to the elaboration of a solidly established, fully resourced plan for the education sector. In addition, Sweden can support the establishment of effective systems for following up results and donor coordination. It is expected that support will be extended to the Ministry of Education with a view to strengthening capacity in areas such as strategic planning and financial management. Sweden will also support implementation by Kosovo of its own strategies, and contribute skills and expertise in various areas, including gender equality. The proportion of girls and minority children among school-leavers is expected to rise, in accordance with Kosovo's strategy for the sector. Support for academic exchanges between Swedish and Kosovan universities and institutions of higher education will be extended on a trial basis. To achieve objective (b), funding of individual projects is envisaged, including support to schools for the vocational training forming part of Kosovo's strategy for the sector.

Support will be channelled mainly through the Ministry of Education, local government authorities, educational institutions, as well as NGOs.

The process objective here is to support Kosovo's efforts to establish and implement a sectoral programme for education in cooperation with other donors. Efforts should be made to coordinate funding and performance follow-ups with other donors.

Democratic governance and human rights

Kosovo's specific objectives in this sector are to "align Government policies with the EU, initiate the Functional Review of the civil service, improve the functioning and operation of the Kosovo Tax Administration and ensure transparency in the operation of all public and private enterprises and agencies of Government"⁴.

Specific Swedish objectives for this cooperation area will be:

- (a) To strengthen Kosovo's civil service by ensuring that relevant institutions function democratically, efficiently and in accordance with EU regulations.
- (b) To strengthen the ability of civil society to take a more active part in the development of society.

To achieve objective (a), support will target spatial planning, property administration and statistics. The prospects here for close coordination with the European Commission are good. Also on the agenda is regional support – provided in collaboration with other countries in the region –

⁴ Mid Term Expenditure Framework 2009-2011, June 2008, p 10.

for the development of statistics in the environmental and gender equality fields. In the sphere of property administration, Sweden should continue to provide broad-based support, possibly including development of activities such as land surveying, property taxation, spatial planning, as well as special support aimed at clarifying property ownership rights, in accordance with the status settlement plan.

Achieving objective (b) will involve providing support to civil society in an effort to expand opportunities for people to monitor and debate democracy and human rights matters, including minority and gender equality issues. Support – channelled through Swedish NGOs – may be extended to a number of smaller organisations in Kosovo. Boosting women’s participation in decision-making processes is a priority objective for this support. Other initiatives supporting implementation of the status settlement plan may also be considered. Support aimed at safeguarding the cultural heritage of ethnic groups is expected to continue during the strategy period.

The process objectives here are to work in the form of programmes to a higher extent in the fields of property administration and statistics. Through other channels than development cooperation, support to the European Union Rule of Law Mission in Kosovo (EULEX) and multilateral organisations such as the Organisation for Security and Co-operation in Europe (OSCE) is foreseen.

Forms of cooperation

The feasibility of adopting a programme-based approach in cooperation with other donors should be tested when assessing new contributions. An over-riding aim with regard to Swedish development cooperation with Kosovo is that it should be implemented in close collaboration with the European Commission.

Sweden will seek to coordinate funding and follow-up procedures with other donors with a view to promoting aid effectiveness and a focus on results.

The bulk of Swedish support will be channelled via Kosovo’s public administration at central or local level, and through multilateral and non-governmental organisations. Support to civil society will mainly be provided through Swedish NGOs.

Sweden attaches major importance to regional cooperation in the Balkans, and regards the Regional Cooperation Council (RCC) in Sarajevo as the principal actor responsible for coordinating this cooperation. Sweden will support Kosovo’s efforts towards regional integration as part of the objectives of the Stabilisation and Association process (SAP). This can be effected in all cooperation areas through exchanges and study visits and

support to regional organisations, or through other initiatives aimed at promoting cooperation, exchanges of knowledge and greater understanding. Collaboration with the RCC will be undertaken.

Consideration will be given to initiatives within the framework of the strategy for financing development loans and guarantees in connection with environmental projects and programmes (environmental loans).

Dialogue issues

In view of the absence of a national development plan, close dialogue with the Kosovan Government and other parties in the country is particularly important. The dialogue will primarily be linked to initiatives funded by Sweden, that is to say in the environmental and climate, education and democratic governance spheres. To ensure greater effectiveness, dialogue and funding must work in concert. The Swedish Government's thematic priorities will serve as a platform for dialogue. The Kosovan Government and the European Commission are vital partners in the dialogue, whose objective will be to promote aid effectiveness in accordance with the Paris Agenda.

Scope (volume)

Kosovo is one of the poorest countries in Europe. In July 2008, the international community pledged continued strong support for Kosovo's development.

In volume terms, Swedish development cooperation with Kosovo for the period 2009–2012 is expected to total SEK 80 million per year. A cooperation agreement is expected to be concluded between Kosovo and Sweden.

3. Implementation

A number of factors could affect Kosovo's development as well as implementation of the present strategy. The non-recognition of Kosovan independence by some member states will have a bearing on the premises for the European Commission and a number of multilateral organisations, as well as the prospects for Swedish development cooperation. Development in northern Kosovo is difficult to predict given the country's unclear international legal status. Thus far, the impact of the financial crisis in Kosovo has been limited.

Cooperation with other donors, including multilateral actors

Swedish development cooperation will be undertaken in close dialogue with other donors, in particular the European Commission. Priority will be given to cooperation with the European Commission and its Liaison

Office in Pristina. Sweden will be engaging in close dialogue, both in Pristina and Brussels, on pre-accession assistance and ways in which this can be supplemented by Swedish development cooperation. Cooperation with other donors is particularly important when planning and implementing programme-oriented support. Cooperation with the Nordic countries should be continued and, if possible, intensified. Opportunities for complementarity should be exploited.

Sweden cooperates with multilateral organisations within the framework of the present cooperation strategy. The European Commission is, and the World Bank may become, important cooperation partners during the strategy period. The European Bank for Reconstruction and Development (EBRD) is also a potential cooperation partner in, for example, the environmental investment sphere.

Alignment, harmonisation and coordination

Sweden will pursue its development cooperation objectives in accordance with the terms of the Paris Declaration on Aid Effectiveness and the principles embodied in the EU Code of Conduct on Complementarity and Division of Labour. An overall process objective for the strategy period is to make use of Kosovo's own structures when planning, implementing and following up development initiatives. Restrictive factors include the risk of corruption and problems arising from lack of institutional capacity in Kosovo. Sweden will continue to support structures within Kosovo for the coordination of development assistance.

4. Follow-up

Follow-up will for the most part make use of data and information contained in EU progress reports and official statistics. Follow-up systems must be available to measure and document development in the implementation of programme-based initiatives. Other sources, such as project reports and reports and studies financed by other actors, may also be used. The cooperation agreement provides for an annual joint review of results and forward planning of the development cooperation. Corruption and high staff turnover in the public sector, which could potentially undermine long-term results, are important follow-up issues. A review of Swedish development cooperation in Kosovo will be undertaken at the beginning of 2011. The review will assess whether there are grounds for changing or adjusting the direction and volume of support.

Part 2. Background

1. Summary country analysis

In response to the open conflict in Kosovo in 1998–1999, the United Nations Interim Administration Mission in Kosovo (UNMIK) was set up in 1999, under Security Council Resolution 1244. UNMIK's duties included the establishment of Provisional Institutions of Self-Government in Kosovo (PISG). The Provisional Institutions have since gradually taken over many of UNMIK's responsibilities in the public sector. In February 2007, a plan to settle Kosovo's final status, drafted by UN special envoy Martti Ahtisaari, was submitted to the UN Secretary-General. The plan proposed that Kosovo be given independence under international supervision, and advocated greater local self-governance and protection for minorities. However, the status settlement plan was rejected by Serbia and the UN Security Council failed to reach agreement on the issue. The Kosovan parliament nevertheless adopted a declaration of independence on 17 February 2008, along with an assurance that it would implement the status settlement plan. The country was swiftly recognised by most European countries and the US. Sweden recognised Kosovo on 4 March 2008.

Although a constitution was adopted by the Kosovan parliament on 15 June 2008, international uncertainty over Kosovo's legal status as a state remains. Serbia, along with five EU member countries⁵, strongly supported by Russia, have still not recognised Kosovo's independence. At present, the constitution is applied only in areas under the control of the Kosovan Government. The Kosovo Serb minority has set up parallel governing structures of its own. Financed by Serbia, these include a separate parliament in the city of Mitrovica in northern Kosovo. The UN, which continues to maintain a presence in the country, has declared itself neutral with respect to Kosovo's declaration of independence. In October 2008, the UN General Assembly voted to approve a resolution tabled by Serbia seeking an advisory opinion from the International Court of Justice on the legality in international law of Kosovo's declaration of independence. The Court is expected to announce its opinion in 2010. In the meantime, the international community is committed to implementation of Resolution 1244.

Implementation of the status settlement plan is predicated on a continued political, international presence in Kosovo. At present, the EU bears primary responsibility for ensuring a more focused international presence. Although the EU has an executive mandate within clearly delimited areas, primary responsibility for Kosovo's future development rests with the

⁵ Cyprus, Greece, Romania, Slovakia and Spain.

people of Kosovo. The International Civilian Office (ICO) has been established to further this development. The Office assists an International Civilian Representative 'double-hatted' as EU Special Representative (ICR/EUSR). The ICO's aims are to ensure full implementation of Kosovo's status settlement and support Kosovo's European integration. It does so by advising Kosovo's government and community leaders. The ICO's principal is the International Steering Group (ISG), of which Sweden is a member. In addition, a civilian mission, the European Union Rule of Law Mission (EULEX), has been launched. Its primary task is to assist and support the Kosovan law enforcement institutions. EULEX has executive powers to fight serious organised crime and war crimes. 2008 saw a gradual transfer of spheres of responsibility from UNMIK to EULEX and Kosovo, and an ensuing reduction in UNMIK's presence to about 500 personnel. UNMIK's main remaining task is to support external relations with countries and organisations which have not recognised Kosovo.

A number of international actors in addition to the EU and the UN maintain their largest missions in Kosovo, although Kosovo hasn't yet gained membership of any international organisation owing to its disputed legal status. Since 1999, Nato has maintained a security presence through the Kosovo Force (KFOR), which keeps approximately 14,000 troops on the ground in Kosovo. KFOR's mandate is to maintain safety, security and freedom of movement for all, regardless of ethnic origin. Sweden provides a contingent of around 250 personnel. In addition, the OSCE has established a countrywide regional organisation in Kosovo, composed of 800–900 personnel. The European Council is represented by a liaison office, as are the World Bank and the IMF. Also present on the ground are large number of UN bodies, including the United Nations Development Programme (UNDP), Unicef and the International Organisation for Migration (IOM).

Like other countries in the Western Balkans, Kosovo is included in the Stabilisation and Association process (SAp), a framework for EU approximation. As not all EU member states have recognised Kosovo, the country lacks a clear EU perspective. EU dialogue with Kosovo takes place within the framework of the Stabilisation Tracking Mechanism (STM); no Stabilisation and Association Agreement (SAA) has been concluded with Kosovo. According to the Thessaloniki Agenda, Kosovo is a potential candidate country for EU membership, and therefore eligible for IPA, trading rights and other benefits, despite the absence of an SAA. The EU provides advice and support through the European Partnership and follows developments in key areas.

With a per-capita GDP of EUR 1,300, Kosovo is one of the poorest countries in Europe. It is considerably less developed than the other

countries of former Yugoslavia. The country has an estimated population of 2 million people, half of whom are under 25 years of age. It is estimated that approximately 15 per cent of the population live in extreme poverty. Emigration, particularly among young people, is substantial. Approximately 90 per cent of the population are Kosovo Albanians, while 5 – 8 per cent are Kosovo Serbs. Other ethnic groups are: Roma, Ashkali and Egyptians – collectively known as the RAE group – Turks and Bosniacs. The RAE group is the most vulnerable; their members are often poor and socially and politically marginalised.

Economic development is crucial to Kosovo's continued state-building and stability, both domestically and within the region. Ever since the conflict in 1999, Kosovo's economy has been heavily dependent on international aid. In 2008, international donors accounted for approximately EUR 374 million (9.8 per cent of GDP). Numerous donors have been active in Kosovo, without there being a common development agenda or mechanism to coordinate aid flows and programmes. Aid projects have often overlapped, while important sectors have gone entirely without support. A substantial proportion of total aid has gone to foreign experts, while only a smaller fraction has been used to finance investment.

The country's economy is mainly based on trade/services and remittances from the Kosovan diaspora (11.9 per cent of GDP). The economy is dominated by the service industry (60 per cent), followed by agriculture (25 per cent) and mining and manufacturing (15 per cent). Over half the population rely on small-scale agriculture for their immediate support. Kosovo has a massive trade imbalance; exports make up a very small proportion of imports. Kosovo is a member of the Central European Free Trade Agreement (CEFTA) and has signed a number of free trade agreements with neighbouring countries.

Unemployment in Kosovo is estimated at around 40 per cent. Among young people it is thought to be in the order of 80 per cent in some areas. Over half of all women are unemployed. Despite equal access to education, women's participation in working life declined sharply in the 1990s. In light of high unemployment rates and unpromising prospects it may be assumed that young people will continue to seek opportunities abroad.

Although the financial sector is stable, access to credit for business start-ups is often restricted, especially for women, who own only seven per cent of businesses in Kosovo. Many children are required to contribute to the family upkeep from an early age. Membership of international financial institutions is one of the keys to the country's economic development. Kosovo has applied for membership of the IMF and the World Bank. The privatisation process of state-owned enterprises in the energy, telecoms

and communications sectors will be of decisive significance for Kosovo's sustainable economic growth.

If Kosovo is to develop towards a democratic society, civil society must be strengthened and the distance between government and citizen reduced. The structure of Kosovan society is highly patriarchal: women are less visible than men in the political debate, in rural areas it is still common for men to vote on behalf of their wives, domestic violence is widespread and girls are forced into marriage against their will. Trafficking in women and children remains a serious problem. There are only two women in the government. Women make up 30 per cent of the members of parliament. There is a network of organisations, composed of members of several ethnic groups, dedicated to upholding and protecting women's rights.

Although corruption and nepotism are deeply rooted in Kosovan society, the problem is no more widespread than in other countries in the region. Examples of areas where corruption occurs are public procurement and employment procedures in the public sector. The healthcare and legal sectors are particularly exposed. Organised crime, notably drug smuggling and arms and human trafficking, is widespread and presents a formidable challenge to Kosovo's under-resourced, inefficient legal system. Although the security situation appears to be improving slowly it remains fragile. Inter-ethnic clashes in Kosovan society are increasingly rare. The main trouble spot is northern Mitrovica, where incidents of violence are regularly reported.

Kosovo's government institutions are weak and in many areas lack sufficient capacity to drive development forward. With the public sector unable to pay competitive wages, highly qualified people are choosing to move into the private sector or opting for jobs with international organisations. There is a shortage of requisite skills in both public and private sectors. The social sectors have been largely neglected since the start of the 1990s, and the health and education sectors remain underdeveloped.

Health indicators, such as infant mortality, are the worst in the region. Education indicators are also poor; six per cent of the population are illiterate. Many schools need to work three or four shifts to ensure that all the pupils receive tuition. Teachers are largely unqualified for their jobs and the quality of education suffers accordingly. The health and education sectors also suffer from the fact that Kosovo Albanians were excluded from participation in public life and state-run education throughout the 1990s, with a severe shortage of skilled labour as a result.

Economic development is hindered by inadequate infrastructure (electricity, water and roads). There is a pressing need for investment. The energy sector has major problems and the shortage of electricity is a key

obstacle to development. Kosovo does not produce enough power to cover domestic needs and large amounts of electricity are therefore imported at great cost. Due to insufficient grid capacity, the country has experienced periodic power cuts lasting several hours a day. In addition, electricity bills often go unpaid, which in turn means less investment in the resources needed to solve the problems.

Kosovo faces extensive environmental problems. Electricity is produced in climate-burdening coal-fired power stations. The mining and metals industries are obsolete, and erosion of agricultural land is on the rise due to illegal logging. The erosion in turn affects access to potable water and increases vulnerability to climate change. Other serious environmental problems are inadequate waste management and disposal, inadequate wastewater treatment, and airborne pollution. As a number of rivers in Kosovo flow into neighbouring countries, the inadequate wastewater treatment facilities are also a regional problem.

In sum, Kosovo currently faces a number of challenges. These include moving ahead with respect to EU approximation, boosting economic growth, securing regional stability and integration into the international community.

2. Summary results assessment

Swedish development cooperation was initially focused on humanitarian assistance and rebuilding infrastructure and homes. Subsequently, the emphasis shifted towards institution-building and support for democracy and human rights.

The previous strategy, which came into force in June 2005, was extended to the end of December 2008. Annual disbursements ranged from SEK 71 million in 2007 to SEK 99 million in 2006. A total of just under SEK 320 million will have been disbursed in the strategy period.

The areas targeted under the current strategy are democracy and good governance, and sustainable economic development. Cooperation has been more limited than anticipated due to Kosovo's weak absorption capacity. The project portfolio has been divided into a large number of smaller initiatives. It has not been possible to take part in any sector programmes as no such have existed.

Sweden has played an important role as a sustainable partner of Kosovo. The time frame of Swedish-funded projects has favoured local ownership and a long-term partnership. Like most donors, Sweden has channelled aid outside formal PISG structures.

In the years after the conflict Sweden contributed to the reconstruction of railways, electricity networks and over 3,000 homes. Despite these and other interventions, relatively few of those who fled Kosovo during the

conflict have returned. Examples of interventions during the immediately preceding strategy period included support for the establishment by Kosovo's land-surveying authority of a property register. Support to the Statistical Office of Kosovo has helped the authority to compile economic statistics for use in calculating national accounts. The work of producing gender-disaggregated statistics was also a positive experience. In these projects, problems arising from lack of or inadequate skills and capacity and the scarcity of qualified labour have been difficult to deal with.

Other favourable results of Swedish development cooperation include support for a national budget system for Kosovo's municipalities. Sweden has consistently pursued gender equality issues both within projects and through dialogue. These efforts have been supplemented by a number of special initiatives aimed at strengthening the position of women in society. According to a results assessment commissioned by Sida, Sweden has played an important part in successfully promoting gender equality in Kosovo. The report adds that support in the environmental field, *inter alia* for the Kosovo Environmental Action Plan (KEAP) has also been successful.

The uncertainty surrounding Kosovo's status in international law in the period between the conflict and the declaration of independence in 2008 made it difficult to demand accountability from the country's institutions. There were no national plans at sector level. Sweden also supported efforts by the Kosovan Government to draw up a national development strategy. Although the strategy was never officially adopted, it was nevertheless a significant initiative thanks to the national consultation process that preceded and accompanied its creation. The results assessment revealed that the Sida-backed projects implemented in the private sector, including micro-financing and forestry-related initiatives, yielded good results.

The prospects of applying a programme and sector support approach are deemed to have improved following Kosovo's declaration of independence. As far as possible, Sweden should engage in programmes that utilise national structures and strategies, and help increase Kosovo's investment capacity.

3. Summary analysis of other donor inputs and roles in Kosovo

The European Commission is the most important donor in Kosovo. Pre-accession support in 2009–2011 will total approximately EUR 350 million. The support provided by the Commission is intended to strengthen legal security, public administration, energy supply, economic development, education, environmental protection, and civil society. EU support to the legal sector will be provided via EULEX. Sweden will have good opportunities to supplement the Commission's programme in Kosovo, *inter alia* in the fields of statistics, environment and education.

Just as Sweden, other donors have had difficulty identifying programme and sector support. However, major donors, including the European Commission, are seeking ways to work within a sector support framework. In the Commission's view, budget support is not a suitable aid modality in the present circumstances.

A number of donors, including the Nordic countries and the World Bank have shown an interest in participating in a programme-based approach to the education sector. This would be the first instance in Kosovo of programme support for an entire sector.

Sweden pledged contribution to a World Bank fund for economic and social development in Kosovo (the Kosovo Sustainable Employment Development Program – SEDPP) at the donor conference in Brussels in 2008. Sweden has no plans to contribute further support to this fund during the strategy period.

In view of the fact that major donors such as USAID and the World Bank are already engaged in extensive undertakings in the energy sphere, Sweden should not become involved in this sector, although it is among the most highly prioritised by the Kosovan Government. World Bank and EBRD activity in Kosovo has been limited as thus far the country has had no access to international credit facilities. The development banks have a potentially important role to play in the sphere of infrastructure investment, e.g. in the environmental field.

4. Summary analysis of Sweden's role in Kosovo

Conclusions concerning Swedish and EU policy decisions and processes of relevance to cooperation

Sweden intends to sign a general cooperation agreement with Kosovo on development cooperation. An agreement on procedure already exists.

The fact that Sweden is a signatory to the Paris Agenda on Aid Effectiveness will have a direct bearing on the implementation of Swedish development cooperation in Kosovo.

EU approximation is the lynchpin of development in Kosovo. Sweden should support the European Commission in its ambition to further socioeconomic development in Kosovo and promote EU alignment.

In the absence of social safety nets, Kosovans will continue to be dependent on financial help from relatives abroad. To this adds a very high level of unemployment. Kosovo has accordingly emphasised the importance of access to the EU labour market in the future.

Coherence for development

Since the armed conflict in 1999, Sweden has had extensive commitments in Kosovo through the Swedish KFOR contingent, in the form of development aid and personnel to the UNMIK police force. In addition, support has been provided for secondments in UNMIK, the OSCE and other multilateral organisations on the ground. Sweden may contribute as many as 100 personnel – mainly police, prosecutors and judges – to EULEX in Kosovo.

Bilateral relations between Sweden and Kosovo encompass the political dialogue and development cooperation, as well as cooperation on migration and organised crime.

Kosovo participates in regional cooperation in the Western Balkans, an interplay of political processes, investment, trade and development cooperation. Regional issues are of major importance to Sweden's collective actions in Kosovo. The Regional Cooperation Council (RCC) has an important role to play in promoting regional coherence.

Other Swedish relations

A small but growing number of Swedish companies are established in Kosovo. However, trade relations are not particularly well developed. The Swedish Trade Council has actively sought to encourage interest in Kosovo within the Swedish business community and a number of promotional activities have been undertaken.

Several Swedish authorities cooperate with their counterparts in Kosovo within the development cooperation framework. Exchanges also take place on a considerable scale between NGOs, mainly in connection with human rights, women's rights and democratisation.

Contacts with other Swedish authorities and organisations must be characterised by openness to cooperation and initiatives that concur with and strengthen measures in the sphere of migration, for example.

Sweden's comparative advantages – conclusions on Sweden's role

Sweden's political involvement in Kosovo has helped to build trust between the two countries. The fact that Sweden is able to apply a long-term approach to cooperation is a decided advantage given the short-term and fragmented character of most development assistance to Kosovo so far. Sweden enjoys comparative advantages in those sectors where its support has been forthcoming, e.g. land surveying, the environment, gender equality and statistics. Sweden has a good resource base and the capacity to transfer knowledge in other areas as well. The forestry sector is one example.

5. Considerations concerning objectives and the direction of future cooperation

Broad-based development is crucial to the achievement of greater stability in Kosovo and essential to the EU approximation process. Increased growth and employment are key issues. Extensive reforms remain to be undertaken to democratise and modernise Kosovo's institutions and public administration. The distance between politicians and citizens is often large and the administration is politicised.

The positive results yielded by previous Swedish development cooperation, *inter alia* in the fields of gender equality and environment, were based on Sweden's ability to adopt a long-term perspective. The increased feasibility of demanding accountability of Kosovo's leaders and officials in view of the country's independence, coupled with the European Commission's plans to place greater emphasis on programme and sector support, have enhanced the prospects of bringing support into line with the Paris Agenda. These factors could also open up avenues for cooperation with other donors.

In the education sector, ownership by the Kosovan Government is clearly established and there are favourable opportunities for cooperation with other donors, both of which create conditions conducive to achieving sustainable results. The number of donors is large. Sweden has played a leading part in the preparations for sector programme support. Investment in the education sector is crucial, both to the enhancement of Kosovo's long-term competitiveness in the European and regional markets, and to efforts to boost employment and deepen democracy.

As there are numerous international actors committed to supporting democratic governance, Sweden should limit its interventions to a few areas. Sweden supports effective, long-term projects in the fields of statistics and property administration and maintains extensive cooperation with other donors in these areas. Civil society plays a vital role in spreading democratic values. The need to increase women's participation and influence is especially clear.

The Kosovan diaspora is a major potential asset for Kosovo's development. Consideration should therefore be given, within the framework of Swedish development cooperation, to the best way of drawing on the development potential of the diaspora.

Programmes and projects in the education sector and support for democratic governance should be directed at creating positive effects conducive to the development of a competitive private sector, employment and economic growth.

To help improve stability in Kosovo, Sweden should extend support for implementation of the status settlement plan, e.g. by contributing to

efforts to strengthen municipalities and minority rights and to preserve the country's cultural heritage.

Kosovo has serious and extensive environmental problems which not only affect the country itself, but also impact the region as a whole. Although EU integration will place heavy demands on Kosovo in terms of environmental protection, environmental policy is not a central government budget priority. Sweden has set the tone for other donors in this sector, thanks to, among other things, its support for the development of a national environmental action plan. The forestry sector has been identified as suitable for Swedish support, as assistance in this area can help alleviate the country's environmental problems. Few other donors are active in this area. Continued Swedish support for the environment and forestry development is justified in light of Kosovo's EU approximation and access to Sweden's resource base.

Private sector growth is essential to job creation and to increase export. It is vital, in view of the large number of international actors active in this sector, that Sweden establish a niche. Support to the forestry sector should therefore be targeted at measures to strengthen the private sector and promote job creation, besides initiatives aimed at improving the environment.

Two sectors crucial to the development of Kosovo's economy are infrastructure and energy. However, these will require large-scale capital investment and strength in dialogue, and support is already being provided here by the World Bank, USAID and the EU among others. Another area of importance for Kosovo's future is the legal sector. The EU, through EULEX, will be a significant actor in this area. Developing Kosovo's agriculture could help reduce the country's present high level of food imports, but here, too, there are a large number of actors. Another sector in need of support is the health sector. However, as there is no clearly defined reform process to support, Sweden should not be active in these sectors.

Sweden should contribute to efforts to strengthen Kosovo's own structures for planning, implementing and following up aid inputs, *inter alia* in respect of donor coordination. This can, for example, be achieved through continued cooperation within the framework of trust funds for development in economic and social areas.

The European Commission is currently the only major donor in the environment sector. Having regard to Kosovo's EU approximation and Sweden's previous financial support for a national environment strategy, the sector has been deemed suitable for Swedish support, despite limited capacity in Kosovo's public authorities. The education sector has not previously received donor support to any significant extent. However,

Swedish support for the sector-wide approach (SWAp) study has sparked interest among a number of large donors. Sweden is therefore well placed to continue to support reform in this sector. Sweden has developed well-established channels in the sphere of democratic governance. As there are many actively engaged donors in this area, Sweden should not seek to expand its involvement here, but merely continue working in those areas where support is already being provided.

In conclusion, Sweden should support Kosovo in sectors where support is directed at strategic development of the country's capacity and stability in anticipation of future EU membership. Sweden has a long history of positive outcomes of support for democratic governance. In addition to this sector, education and the environment have been identified as sectors where Sweden can make a fruitful contribution, but where more work is needed to build up development cooperation.

Should stability in Kosovo deteriorate, there should be a readiness to implement peace-making and conflict prevention measures. In such a case, humanitarian interventions may also be called for.



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