



Kosovo

Country Strategy 2013–2020

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List of Abbreviations

ADA	Austrian Development Agency
ADC	Austrian Development Cooperation
DC	Development Cooperation
EU	European Union
EULEX	European Union Rule of Law Mission in Kosovo
FDI	Foreign Direct Investment
FMAFEWM	Federal Ministry of Agriculture, Forestry, Environment and Water Management
FMDS	Federal Ministry of Defence and Sports
FMEAC	Federal Ministry for Education, the Arts, and Culture
FMEFY	Federal Ministry of Economy, Family and Youth
FMF	Federal Ministry of Finance
FMI	Federal Ministry for the Interior
FMSR	Federal Ministry of Science and Research
HDI	Human Development Index
IPA	Instrument for Pre-Accession
KESP	Kosovo Education Strategic Plan
KFOR	Kosovo Force
MAFRD	Ministry of Agriculture, Forestry and Rural Development
MCR	Ministry for Communities and Returns
MDG(s)	Millennium Development Goal(s)
MEI	Ministry for European Integration
MESP	Ministry for Environment and Spatial Planning
MEST	Ministry of Education, Science and Technology
MTEF	Mid-Term Expenditure Framework
MTI	Ministry of Trade and Industry
NATO	North Atlantic Treaty Organisation
NGO	Non-Governmental Organisation
OECD/DAC	Organisation for Economic Co-operation and Development/Development Assistance Committee
OPM	Office of the Prime Minister
OSCE	Organisation for Security and Cooperation in Europe
TI	Transparency International
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNKT	United Nations Kosovo Team

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Close long-running relations with the Balkan area are an essential element of Austrian foreign policy. EU integration is a declared goal of all countries of the region, with varying degrees of progress with respect to approximation to EU structures. In view of the eventful recent history of the Western Balkans it is of particular concern to Austria, as a friendly neighbour, to support the country on its way to democracy, rule of law and social market economy.

Approximation of the Western Balkan states to the European Union is a formidable challenge. EU enlargement as a peace project, however, is of greatest importance particularly in this region, shaken by decades of conflicts and crisis. Despite long-standing and comprehensive international presence a durable stabilisation has not yet been achieved. All the more important, thus, is the European perspective for the countries of the region. Socio-economic, domestic and foreign policy challenges for the region are significant, but not insurmountable.

Austria entertains excellent bilateral relations with Kosovo, once the poorest region of Ex-Yugoslavia and since the declaration of independence in 2008 Europe's youngest state. Tens of thousands of people from Kosovo are living in Austria, actively contributing to strengthening already close political, social and economic ties. Austria assisted state-building following the disintegration of Yugoslavia and the Kosovo crisis from the very beginning, both on a bilateral basis and as part of international efforts. Austrian business plays a particularly important role as direct investor.

Austrian Development Cooperation (ADC) has been represented in Kosovo with a liaison office since 2003, and with a coordination office¹ of the Austrian Development Agency (ADA), the operative unit of the ADC, since 2008.

This Strategy covers the period from 2013 to 2020. Up to date project lists can be obtained through www.entwicklung.at/en.

Strategic goals of cooperation

Austria has been a decided supporter of a European perspective for Kosovo. Long-standing cooperation in the framework of ADC, Austrian participation in international organisations working in the country, as well as lively political, institutional and cultural relations have greatly contributed to the further strengthening of bilateral relations.

Development cooperation as an integral part of the Austrian engagement in Kosovo aims in particular at supporting the building of sustainable institutions of the young, in many aspects still fragile, state.² The Austrian economy plays a vital role here. The involvement of Austrian companies is to create win-win situations, for the lasting benefit of people in both

¹ Coordination Office for Technical Cooperation/Austrian Embassy Pristina

² One of the main focal areas of the Three-Year Programme on Austrian Development Policy includes a special focus on the OECD/DAC principles regarding international engagement in fragile states and situations. See also the following report: <http://www.oecd.org/dac/incaf/FragileStates2013.pdf>

countries. Equally, synergies are to be exploited with Austrian educational and other public institutions as well as with private initiatives.

The Country Strategy 2013–2020 builds on results and experiences of past activities in Kosovo. The Strategy is based on permanent dialogue and programmatic consultation with the partner country and international stakeholders, in correspondence with the needs and priorities of the country, and ADC's options, expertise and capacities.

Overarching goals of ADC's activities in Kosovo are the following:

- Poverty reduction through ecologically sustainable economic and social development
- Peace and human security through the strengthening of the rule of law, democratic institutions in the framework of good governance and respect for minority rights
- Support for European and regional integration of Kosovo

Austrian Development Cooperation with Kosovo is based on the Development Cooperation Act, the current Three-Year Programme, the bilateral Agreement between Austria and Kosovo on Development Cooperation, and on international commitments of Austria deriving from, among others, the MDGs, the Paris Declaration on Aid Effectiveness and the declarations of the follow-up conferences, and the EU Agenda for Change.

Of great relevance for ADC in Kosovo are of course the strategy papers of the Government of Kosovo such as the Mid-Term Expenditure Framework (MTEF) 2013–2015, the “Program 2011–2014: Vision and Priorities for Economic Development”, and various sector specific national strategy documents. Governmental institutions on central³ as well as local level, civil society and international donors are important strategic Partners of ADC in Kosovo.

Priorities of the Country Strategy

- Priority sector Economic Development focusing on rural areas
- Priority sector Education focusing on Higher Education
- Cross-cutting theme Governance

In addition, principles of gender equality and environmental protection will also be given greatest possible attention during implementation of this Strategy.

Priority sector Economic Development focusing on rural areas

Kosovo is still a widely agrarian country, dominated by smallholder subsistence farming and undercapitalised private enterprises. Poverty reduction and economic development in rural areas necessitate a modern, competitive private sector capable of meeting the challenges of rapidly changing globalised markets.⁴

The improvement of the general business climate and the attraction of domestic and foreign investments require further structural, institutional, social and democratic reforms. Socio-

³ Amongst others – MAFRD, MCR, MEI, MESP, MEST, MTI, OPM

⁴ The special role of the private sector is being acknowledged in several policy papers, lastly in the Busan Global Partnership for Effective Development, as well as the EU's Agenda for Change.

economic stabilisation of the country requires, above all, rule of law, the protection and promotion of economic and social human rights, social cohesion, a modern infrastructure, professional education and an active civil society.

Capacity building for private and public actors to facilitate and promote entrepreneurship is an important aspect of the Austrian engagement, and supported by various financial instruments. Support for small and medium enterprises is an essential prerequisite for growing welfare, local innovations and the creation and the protection of jobs.

Finally, ADC emphasises the need for decentralisation in Kosovo. Support for institutional capacities on the local level is a necessary supplement to measures on central level, and of particular importance for the improvement of economic framework conditions and the responsibility of public administration in semi-rural and rural areas. Bottom-up approaches, following the principle of subsidiarity, have proven to be quite effective and are, therefore, to be continued.

Capacity development measures are meant to adapt local administration services to the needs of the population, in particular in semi-rural and rural areas, to strengthen active participation in planning and decision-making, and to improve access to public services.

Priority sector Education focusing on Higher Education

Kosovo has the youngest population in Europe. The birth rate is slowly declining, the median average age at 27.1 years, however, is still comparatively low (Austria: 43.4 years). Over the coming years, pressure on primary and secondary school systems is expected to gradually fall, the rise in student numbers at universities, however, will continue unabated. Reason for this, besides the high number of young people, is the general trend towards tertiary education. The number of students has risen from ca. 45.000 in 2006 (of which 33.000 in Pristina, Mitrovica North University not included) to 100.000–115.000 in 2013.⁵ Youth has a right to education, employment and fair working conditions. Taking into consideration youth unemployment of around 70%⁶, ADC, via its education programmes, tries to support institutional and structural measures aimed at systemic modernisation and quality improvements in education and research, in order to increase opportunities of graduates on the labour market. Women, national minorities and socially disadvantaged persons, here again, deserve special attention.

Investments in the education system strengthen innovation, productivity and competitiveness of the country, and contribute, via subsequent employment effects, to prevent emigration of skilled people (brain drain). Better educated people mean increased attractiveness as a business location. Innovation as a driving force for economic development is to be strengthened also on a systemic level, so as to prepare the country for the challenges of EU integration.

Austrian cooperation emphasises, in particular, reforms to institutionalise and modernise higher education and research in Kosovo, in order to lead up to European norms and struc-

⁵ Source: MEST and national Tempus office: public universities ca. 76,000–77,000 (incl. ca. 14,000 Mitrovica North), private higher education providers about 35,000 students. Precise data is not available.

⁶ Source: UNICEF Kosovo

tures such as those of the European Higher Education area. Principles of good governance are of primary importance in this respect.

Cooperation with public universities and competent administrative structures in education shall, therefore, continue to be given special attention. The good cooperation in this respect with other relevant Austrian institutions, in particular the Federal Ministry of Science and Research shall be continued.

ADC will strengthen its engagement particularly in the area of quality assurance in education and react flexibly to changing conditions. Capacities on central and local levels are to be improved in a sustainable manner, in line with the provisions of the national Education Strategy KESP 2011–2016 and the EU integration agenda, and building on the experience gathered over the past years. The scope of engagement of ADC, moreover, is to be increased through joint elaboration of alternative modalities of financing and implementation with other partners.

Cross-cutting theme Governance

Governance – transparent, participatory and accountable public administration, policies and processes, and the efficient administration of human, natural and financial resources – forms the basis of sustainable human development. The political and institutional protection of human rights and equal democratic participation as well as the rule of law are prerequisites for poverty reduction, social stability and security.

Progress in these areas results in higher tax revenues, the improvement of the general business and investment climate, and hence strengthens confidence in the future of the country. Only on the basis of such confidence can domestic investments be mobilised, foreign direct investments be attracted, and capital exports, rural-urban migration and brain drain be prevented or reduced.

Transparency and the fight against corruption and mismanagement, and the strengthening of trust in state institutions are important elements of governance. Increased identification of the individual with the community reduces tolerance towards corruption and helps to control power. An active, informed and critical civil society is of special importance.

Respecting the principles of good governance, as spelled out in the government programme Kosovo 2011–2014, is of fundamental importance particularly in still fragile, but consolidating states such as Kosovo.

Special attention will be given, in this respect, also to the support for active participation of women and marginalised and vulnerable groups in political and social decision making processes. Respect for constitutional rights of ethnic minorities and their social, economic and political inclusion, aimed at strengthening political stability, is an important aspect of this Strategy.

Governance is an integral part of ADC engagement in the modernisation of public administration as well as in the improvement of the general conditions for private and civil action.

Cross-cutting issue gender equality

The promotion of equal rights of men and women is, in view of the very unequal participation of women in economic, social and political life, both a goal and an instrument of ADC in Kosovo. Besides the specific emphasis on gender equality in the priority sectors, special attention is put on the complementary promotion of women networks in Kosovo.

Cross-cutting issue environment

Kosovo is faced with serious environmental problems. High levels of air, soil and water pollution represent grave health risks for the population. Environmental aspects are accordingly given due consideration in ADC's sector policies. In private sector development in rural areas emphasis is being put on responsible soil, waste and waste water management, energy efficiency and renewable energy. At the same time, ADC aims at strengthening national capacities in environmental education.

Implementation and coordination

Planning and implementation of ADC cooperation in Kosovo is guided by the principles of relevant international conventions such as the Paris Declaration on Aid Effectiveness and the declarations of the follow-up conferences in Accra and Busan. ADC programmes, thus, support building of public structures and institutions of the partner country in accordance with established principles of alignment and ownership. Capacities on national and local levels are to be strengthened and modernised through comprehensive dialogue and increased transfer of responsibility to local partners, in line with the European integration agenda of Kosovo.

Harmonisation of ADC with programmes of other donors, international organisations (UN agencies, etc.) and the local civil society is a specific concern. Efforts shall not only lead to better coordination in planning, but also play a bigger role in programme implementation and in joint financial modalities. Financial cooperation with the European Commission, Switzerland and Sweden, for instance, could, as good practice examples, be extended to other like-minded countries. In addition to technical expertise, participation in sector and basket financing arrangements or trust fund models can contribute to lower transaction costs and improve project results.⁷

Besides bilateral dialogue between Austria and Kosovo, the exchange in sector-specific working groups attended by Kosovo institutions, international partners and civil society organisations is of great importance. ADC will continue to play an active role in this dialogue and contribute to strengthening of these working groups. Austrian know how shall also be better used in project implementation through instruments of the European Union (IPA, etc.).

⁷ For the year 2013, cooperation with the EU, UNICEF, UNDP, and the OSCE is ongoing or planned. Technical level cooperation takes place with relevant UN-agencies, UNKT, the World Bank, EULEX et al.

The indicative bilateral ADC core budget amounts at present to 2 million Euro, supplemented by other budget lines (regional funds, NGO co-financing, business partnerships) and implementation of funds from third parties.⁸

Coherence and complementary instruments of Austrian Development Cooperation

ADC interventions in Kosovo are directed at meeting the needs of the partner country, and are elaborated in close cooperation with national institutions.

Austria is represented by numerous public and private actors in the country, partly as part of international missions. The Austrian Armed Forces has been the biggest non-NATO provider of KFOR troops for many years.

All activities of public stakeholders of the Republic of Austria in the priority sectors of this Strategy are to be coordinated, as part of a Whole-of-Government approach, in a coherent way.

Special attention is given in this respect to close coordination and cooperation with Austrian Federal Ministries active in Kosovo:

Federal Ministry of Science and Research (FMSR), Federal Ministry of Economy, Family and Youth (FMFY), Federal Ministry for Education, the Arts, and Culture (FMEAC), Federal Ministry of Defence and Sports (FMDS), Federal Ministry of Finance (FMF) and Federal Ministry of Agriculture, Forestry, Environment and Water Management (FMAFEWM).

Moreover, the ADC's coordination office for technical cooperation can act as an information service centre for other Austrian stakeholders, in particular NGOs and business companies, especially in questions concerning ADC's financial instruments (NGO cooperation, business partnerships, etc.), and of other institutions.

Finally, cooperation with international organisations is of increasing importance in planning and implementation of ADC programmes.

This Strategy is liable to adaptation, if deemed necessary by changed circumstances and developments.

⁸ Official ODA funds from Austria for Kosovo amounted to EUR 9.1m in 2011, of which about EUR 2.6m were implemented by ADA.

Facts and figures

Name	Republic of Kosovo
Area	10,887 km ²
Population	1.81m ^① (census 2011: 1.73m without northern municipalities)
Capital	Prishtina/Priština (ca. 200,000) ^①
Population density	177,4/km ^{2①}
Divisions	Two administrative layers – central and 38 municipalities
Languages	Albanian, Serbian on national level, Turkish, Bosnian, Romani locally
Religions	Muslim (mostly Sunni), Serbian-Orthodox; Roman Catholic
Neighbouring states	Albania, Montenegro, Serbia, Macedonia
Life expectancy	70 years ^①
GDP per capita	EUR 2,674 ^⑥
GDP-growth	2012: 4.5% ^① , 2013: 2.9% ^⑥
Poverty rate	34.5% living on less than EUR 1.72/day; in absolute poverty on less than EUR 1.2/day: 12.1% (2012) ^① , (29.7%/10.2% 2011) ^{①⑤}
Unemployment rate	ca. 45% ^① ; real numbers are certainly lower due to the large share of shadow economy – according to the Labour Force Survey of the World Bank/Kosovo Agency of Statistics for the first half of 2012 – 35.1%
Inflation rate	2012: 7.3% ^①
Average salary in the public sector	EUR 368/month
State minimum pension	EUR 70/month ^①
Exports/imports	EUR 319,165,000/EUR 2,492,348 (2012) ^①
FDI	EUR 178.9m (Q1–Q3/2012), EUR 393.9m (2011) ^②
HDI	0.713/rank 87 ^③
TI-Corruption Perception Index	105/176 (2012) ^④
Doing Business Index	98/185 (+28 places since 2012) ^⑤
Gini-coefficient	30 (FY05/06) ^⑤

① Kosovo Agency of Statistics

② National Bank of Kosovo

③ UNDP Kosovo

④ Transparency International

⑤ IFC/World Bank

⑥ IMF

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