

# Strategy for development cooperation with

## Kosovo

June 2005 – December 2006



REGERINGSKANSLIET

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# Strategy for Sweden's development cooperation with Kosovo 2005-2006

## 1. SUMMARY

This strategy establishes the direction of Sweden's development cooperation with Kosovo for the period 2005-2006. Kosovo is one of the poorest parts of Europe, and its political future is uncertain. The aim of Swedish development cooperation with Kosovo is to contribute to the development of peace and stability by strengthening Kosovo in its efforts to achieve closer integration with the rest of Europe. The two principal sectors for the cooperation are *democracy and good governance* and *sustainable economic development*. Areas of cooperation will be sought and given priority where opportunities exist for building alliances with other donors, as well as where Sweden has comparative advantages. Sweden's development cooperation with Kosovo will be increasingly provided in the form of extensive sectoral interventions with a long-term perspective. The total volume of Swedish assistance is expected to be approx. SEK 100 million per year.

## 2. BACKGROUND

### 2.1 The political and socioeconomic situation

Six years after the conflict of 1999, Kosovo is still under international administration. The United Nations Interim Administration Mission in Kosovo, UNMIK, was established by Security Council Resolution 1244 on 10 June 1999. UNMIK rests on four pillars, each of which is responsible for a given administrative area. The UN heads the pillars for police and judicial matters and for civil administration. The Organisation for Security and Cooperation in Europe (OSCE) is responsible for the democratisation and institution building process, and the European Union (EU) for reconstruction and economic development. As of the spring of 2002, Kosovo has a president, a parliament and a government, the Provisional Institutions of Self-Government (PISG). The UN administration is gradually transferring its powers of authority to this provisional government. In many important respects, however, power is still in the hands of UNMIK pending a decision on the future status of Kosovo. Local elections have been held at both the municipal and the central level.

Under the international community's present strategy for Kosovo, the UN-administered Standards Process, local authorities and UNMIK must work together to achieve certain specified goals by the summer of 2005. If and when these goals are achieved, negotiations on Kosovo's future status can start. The process suffered a serious setback in mid-March 2004 when 19 people died in violent rioting and more than 4,000 – mostly Serbs – were forced to flee after their homes were set on fire. During the riots, a number of buildings of historical and religious importance were also attacked, primarily Serbian Orthodox churches. These outbreaks of violence came as an unfortunate reminder that political stability and security for all are still remote concepts in Kosovo. The situation on the ground is still distinguished by discontent and intolerant nationalism, which to a great extent can be explained both by the lack of a clear perspective on Kosovo's political future and by inadequate economic and social development. Organised crime is widespread.

There is a not insignificant risk that further violence and rioting may break out during the period covered by the strategy. Kosovo is now entering a phase of uncertainty. There is much to suggest that discussions on Kosovo's future political status will begin in the autumn of 2005. The ethnic Albanians, who make up approx. 90 per cent of Kosovo's estimated two million inhabitants, are anxious to see Kosovo become an independent state. Economic stagnation, increased unemployment and further problems with electricity supply may also spark further unrest. Should violence break out once again, the international community is a possible target. The Nato-led Kosovo Force, KFOR, still has ultimate responsibility for maintaining security in Kosovo, together with the UNMIK Police and the local Kosovo Police Service (KPS). A continuing international military presence appears crucial to the success of more long-term efforts in the development cooperation field. What happens in Kosovo is also of considerable importance for regional stability.

To a great extent, the Albanian majority population and the Serb minority in Kosovo live apart. An estimated one-third of the Serb population live in northern Mitrovica, while the remaining two-thirds live in enclaves in Albanian-dominated rural areas. Since 1999, lack of security and limited opportunities for the free movement of citizens have led to increased enclavisation among Serbs and other minorities. Ethnic division was a major factor in the elections to Kosovo's parliament in October 2004. Most Kosovo Serb political parties boycotted the elections and less than one per cent of the Serb minority cast their votes. The Kosovo Serbs were urged not to vote both by the Serbian government in Belgrade and by some leaders of the Serbian Orthodox Church. The minorities are guaranteed a certain number of seats in Kosovo's political assemblies but are significantly underrepresented in the administration. Belgrade-sponsored parallel structures are to be found in the Serb communities in such areas as the judiciary, health care, pensions and education. Most of the Kosovo Albanian refugees who fled during the conflict years of 1998 and 1999 have returned to Kosovo and rebuilt their homes. The return of the ethnic minorities, however, is proceeding at a much slower pace. The process is being hampered by a lack of security and a lack of access to employment, education and health care.

Kosovo's per capita GDP, USD 790 in 2003, is among the lowest in Europe. Growth stems principally from foreign aid delivery and remittances from Kosovars living abroad. Domestic income comes primarily from customs and tax revenue at the borders. The economy is characterised by low productivity and a lack of income-generating production. Exports amount to only 3.7 per cent of imports, and unemployment stands at 38-50 per cent. Uncertainty over future status has made it difficult for Kosovo to obtain international loans and credits, which in turn hampers foreign investment and economic development. The level of international development assistance, meanwhile, is declining. Another inhibiting factor is the lack of a reliable energy supply. Kosovo's extensive deposits of lignite, however, mean that there is plenty of development potential in the energy sector. The agricultural sector, which accounts for about a third of Kosovo's GDP and employs two-thirds of the labour force, has considerable growth potential and is a particularly important sector for the development of the poorest rural areas. Uncertainty over the ownership of land and enterprises remains an unsolved problem. The present title register is defective and compliance with the law is inadequate. The privatisation process has

been delayed by such factors as a lack of political will, legislative problems and the uncertainty over Kosovo's future status.

Absolute poverty in Kosovo has increased, and currently applies to some 15 per cent of the population. Poverty and unemployment are most visible in rural areas, where low-educated women, young people and minorities (chiefly Roma/Ashkalia) are particularly vulnerable. Rural areas are also suffering from a severe 'brain drain' as a result of an extensive influx of people to the area around the capital, Pristina. Income gaps and other social indicators have increased between different parts of Kosovo, and many municipal administrations lack the means to offer basic social services. A political process has been launched to decentralise and reform the power structure so that greater responsibility is transferred from the central to the local level.

Kosovo still has no poverty reduction strategy, but detailed studies of poverty in Kosovo are planned both by the World Bank and by the Economic Strategic and Project Identification Group (ESPIG). These studies represent a starting point for the formulation of a development plan for Kosovo.

In terms of the Human Development Index (HDI), Kosovo is at the intermediate level (0.68 compared to 0.95 for Sweden in 2004). The school attendance rate among children in Kosovo is high, particularly at the primary level. The literacy rate among adults is an estimated 94 per cent. Overall, the level of education in Kosovo is rising, but the education sector is in considerable need of long-term development assistance so as to improve the infrastructure and the quality of the teaching, both of which are generally poor. Demographic studies show that birth-rates are falling, but that given the present rate of increase Kosovo will nevertheless double its population within 40 years. The child mortality rate is among the highest in Europe, and the health care sector in Kosovo is facing a severe crisis. Life expectancy continues to decline, but the rapid downward trend noted since the mid-1990s has slowed and living conditions are improving.

The Provisional Institutions of Self-Government are the first democratic structures in post-communist Kosovo. Comparatively fair and democratic elections have been held on a number of occasions since 2000. Kosovo, however, is still far from having effective democratic governance. A lower election turnout, weak internal democratic processes among the political parties, and an unclear division of responsibility between the central and the local level are some of the principal challenges facing Kosovo. Democratic and economic development are threatened by the widespread corruption that is to be found at various levels in society. Popular participation in the political process is limited, and vulnerable groups in society are not sufficiently well represented.

Respect for human rights has increased, although the situation in many areas is still problematic. Discrimination of ethnic minorities is commonplace in the judicial system, in education and in health care. Freedom of movement among the minorities is also limited. Inefficiency in the judicial system has meant that people have little respect for these institutions. Civil society has an important part to play in disseminating knowledge and heightening awareness about human rights, and in providing a channel through which ordinary citizens can make their voices heard.

There is a pronounced lack of equality between women and men in Kosovo. On average, men earn four times as much as women and are represented in the labour force to a far greater extent. The proportion of girls attending school is far lower than the proportion of boys. Domestic violence against women has increased over the past five years. Also, human trafficking is a severe problem in Kosovo. Kosovo is both a point of origin and a transit point for the trade in human beings, but is increasingly becoming a final destination as well. The number of registered cases has declined somewhat, possibly because the criminals involved have found new ways of circumventing the law. Violence against the victims has increased, and there are many children in their number. The legislative instruments for combating human trafficking are inadequate and only a few offenders have been convicted and imprisoned.

Kosovo is in dire need of environmental assistance. The pollution of soil and waterways is a serious problem. Population growth and economic growth will increase the pressure on Kosovo's natural resources and pose a threat to biodiversity. Improved sanitary conditions and better home environments would appear to be an effective way of raising living standards for the poorest sections of the population. Investments and training in the forestry sector are of the utmost importance for protecting the environment and creating conditions for economic growth.

Legislation and strategies concerning gender equality and environment work in Kosovo are either in place or under development. The most important task now is to enforce the legislation that has been adopted and implement the strategies decided upon.

#### *2.1.1 Conclusions*

As most of the humanitarian needs arising from the conflict have been met, Kosovo now faces challenges of a more long-term nature, i.e. the construction of a democratic society governed by law and the establishment of a sustainable economy. The lack of sufficient social and economic progress, along with a growing distrust of Kosovo's political leadership and administration, contributed significantly to the development of the intolerant nationalism that led to the outbreaks of violence in March 2004. Economic development, measures to stimulate employment and efforts to strengthen people's faith in local authorities are factors that closely affect the chances of sustainable peace and stability both in Kosovo and elsewhere in the region. By contributing to stability and economic development, Sweden's development cooperation programme can actively improve the prospects both for the return of refugees and for peaceful coexistence between the various ethnic groups. In the quest for a sustainable democratic society achieved through economic development, the building of institutions and the strengthening of the judiciary, the various instruments and mechanisms applied in the European integration process are of key importance, both as a driving force and as policy guides.

## **2.2 Standards for Kosovo and the Stabilisation and Association process**

At present, two international processes are under way in Kosovo, both seeking to create efficient public institutions and structures in Kosovo. The Standards Process is UN-administered and requires the Kosovar society to meet certain basic requirements before discussions on Kosovo's status can begin. These requirements are set out in Standards for Kosovo, a document jointly formulated by UNMIK and the PISG. It

was launched at the end of 2003 and was followed by a plan of implementation in April 2004. This plan is an important tool for creating the political conditions for peace and stability in Kosovo. A progress review is planned for mid-2005 to determine whether the time has come to begin discussing the future status of Kosovo.

The Stabilisation and Association process (SAP) constitutes the framework for the EU's relations with Kosovo and the Western Balkans as a whole. The process is based on the perception that closer economic and political ties with EU are essential to political stability and sustainable economic development in the region. The SAP incorporates a wide range of instruments, such as bilateral Stabilisation and Association Agreements between the EU and the countries in the region, preferential terms of trade, extensive Community Assistance for Reconstruction, Development and Stabilisation (CARDS), economic and political conditionality requirements, including an annual review mechanism to monitor compliance, and regional cooperation.

One of the SAP instruments is the array of technical working parties set up by the European Commission in collaboration with each of the countries in the region and with Kosovo. These working parties enable the Commission's experts to consult with their local counterparts on the reforms needed in order to achieve the ambitions of moving closer to the EU. In Kosovo's case, the working party is called the SAP Tracking Mechanism (STM). Legal provisions and guidelines adopted by the PISG are scrutinised to ensure that they correspond to European standards and contribute to the process of European integration.

To strengthen SAP, the EU has established European partnerships with each country in the region and with Kosovo. These partnerships define the most important priorities for each country's EU integration, based in part on the European Commission's annual review report. The countries themselves respond by drawing up their own programmes for allocating national budget and CARDS funds so as to support the development of closer ties with the EU. This approach makes it possible to plan long-term financial assistance for the reform process. The aim of the European Partnership with Kosovo is to provide guidance that will enable a secure, democratic and multiethnic Kosovo to take its place in Europe. The partnership programme identifies priorities in the short and medium term. To a great extent, the short-term objectives involve implementing the above-mentioned Standards for Kosovo.

### *2.2.1 Conclusions*

Standards for Kosovo and the European Partnership are key guidance documents for Kosovo's path to political and socioeconomic stability. They set out priorities and policy directions for Kosovo and actively promote long-term processes that lead to favourable political developments and, in time, closer integration with the rest of Europe. Democratic institutions, an efficient judiciary and economic development are crucial to the proper management of conflicts. The STM represents an important process for political dialogue and for the assessment of progress in the SAP. These processes afford a natural point of reference for Sweden's development cooperation with Kosovo.

### **3. DEVELOPMENT COOPERATION TO DATE**

#### **3.1 Sweden's Development Cooperation with Kosovo 1999-2004**

In 1999-2004, Sweden disbursed over SEK 810 million in development assistance to Kosovo. Directly after the conflict, Swedish support focused mainly on humanitarian aid and reconstruction measures, primarily to improve infrastructure and facilitate refugee return. Interventions directly associated with the conflict declined in number during the 2002-2004 strategy period but continued to make up the bulk of the assistance. Support to local government and administration, democracy and human rights, the environment, agriculture, business development and culture has gradually increased. Also, Kosovo has been incorporated into regional aid programmes, including efforts to combat human trafficking.

Support for refugee return has been provided within the framework of Integrated Area Programmes. This form of support, consisting of reconstruction of houses, income-generating activities and social programmes, has been implemented by the Lutheran World Federation (Church of Sweden), Caritas and Erikshjälpen. During the period 1999-2004, some 3,400 families have been able to return to Kosovo as a direct result of support given under this programme. The violence in March 2004 was a major setback for multiethnic relations in Kosovo and is to some extent hampering the return process among minority refugees. Nevertheless, refugees are continuing to return on a voluntary basis, albeit on a much smaller scale than before.

In the infrastructural sphere, extensive assistance has been provided to the railway system, district heating and electrical power distribution. Sweden's capital-intensive investments have been supplemented by management and organisational support. In general, Swedish assistance has been well received, and the strategic recommendations contained in the programmes have largely been complied with and implemented.

Support for civil society in its efforts to promote democracy and human rights has principally been channelled through three Swedish organisations, of which the Kvinna till Kvinna (Woman to Woman) Foundation has sought to strengthen the position of women in the Kosovo society, the Swedish Helsinki Committee for Human Rights has supported media development, and the Olof Palme International Centre has supported young people, IT training, training programmes for political parties, and research initiatives. These implementing organisations work in their turn with local NGOs and institutions, and indirectly with local authorities. Sustainable results have primarily been achieved where project aims have been kept at a reasonable level and where stakeholders not directly involved in the projects have been informed of outcomes. The chances of these organisations finding assistance from sources outside the donor community are still very limited.

Support to public administration has largely been provided via cooperation between the Statistical Office of Kosovo (SOK) and Statistics Sweden (SCB), focusing in particular on the development of agricultural and economic statistics. Swedish support has also been provided to the land surveying authority in Kosovo, *inter alia* for the purpose of establishing a property register. Assistance has also been provided to the Ministry of Finance and Economy for the purpose of establishing and implementing a modern financial management system for Kosovo's municipalities. The chief problem

in this sector has been limited absorption capacity in Kosovo's public administration. To a great extent, however, the project goals in the programme have been achieved, one successful example being the transfer of know-how in the land surveying field.

Sweden has supported the development of private business by means of a micro-credit project in rural areas, where minority communities have also been included. As yet, this project has not been fully evaluated.

Assistance in the environment field has primarily been provided via the Regional Environmental Centre (REC) and via secondments of experts to the Ministry of Environment and Spatial Planning. This support has focused both on the central level, by developing an environmental strategy and an environmental action plan, and on the local level, by taking steps to heighten awareness among ordinary citizens. Hitherto, results have been very favourable, not only as regards the preparation of documents but also with regard to local ownership of the various processes.

The reconstruction of traditional buildings of cultural importance in Kosovo has been undertaken by Cultural Heritage without Borders. Assistance in this field has included both efforts to heighten awareness in the community and training programmes for local managers and employees at institutions for the preservation of cultural heritage. The reconstruction work and training programmes have been successful and proved valuable to the recipients.

The OSCE mission in Kosovo is the organisation's largest, with over 200 employees. Sweden has placed personnel at the mission's disposal. At present, they comprise nine Swedes working with matters related to human rights, institution building and media issues. Sweden has also placed election monitors and election observers at the disposal of the Council of Europe for duty in Kosovo.

### *3.1.1 Conclusions*

During the strategy period 2002-2004, Sweden's development cooperation has been of relevance in meeting certain specific needs in Kosovo. The various projects have yielded good results. Swedish assistance in such fields as the rule of law, institution building, property registration, the return of refugees and the environment has been closely in line with the Standards for Kosovo, STM and the European Partnership. Sustainability and attainment of the long-term goals have not reached the desired level, however. This is due primarily to the development situation in Kosovo, marked by a lack of internal development planning, a limited absorption capacity in Kosovo's institutions and the uncertainty over future status. Swedish assistance, like that of other aid donors in Kosovo, has in part been too unfocused and spread among too many areas.

## **3.2 Other donors**

Over 30 aid donors have been involved in the task of reconstructing Kosovo since the conflict of 1999. The largest donor is the EU via the European Agency for Reconstruction (EAR) and the EU member states. The largest bilateral aid donor is the US, followed by Germany, Sweden and Switzerland (2004). A number of multilateral organisations are active in Kosovo, including the UNDP and other organisations in the UN family such as UNICEF, the UNHCR and the UNFPA, as well as the World Bank



and the IMF. In all, over EUR 2.5 billion has been allocated to Kosovo since the 1999 conflict.

In Kosovo, the EU's CARDS programme is implemented by the EAR. Its current action plan focuses on institution building, the promotion of good governance, and economic development. The aim is to support the transformation of Kosovo into a market economy and promote closer integration with the region as a whole and with the rest of Europe. The EAR is administering a growing portfolio in Kosovo totalling EUR 875 million (51.5 million in the 2004 budget year). A further EUR 197 million has been earmarked for the promotion of regional cooperation in the Western Balkans.

The World Bank has had only limited opportunities for involvement in Kosovo due to the uncertainty over Kosovo's future status. Through its Post Conflict Fund, however, it has contributed some EUR 80 million in grants up to 2004. The World Bank has also organised meetings for the mobilisation of funds and donor coordination, and provided policy guidance to the government in Kosovo. At present, the World Bank is operating under its new Transitional Support Strategy, which focuses principally on supporting economic growth and boosting employment, and on reforming the energy and mining sector. The budget for this transitional strategy is EUR 13 million.

The US is by far the largest bilateral donor, and has disbursed approx. EUR 400 million up to 2004, mainly channelled via USAID. Present development assistance aims principally to stimulate private business development, to help finance the agricultural sector, and to encourage the development of the judiciary, promote human rights and strengthen civil society. The annual budget during this strategy period is approx. EUR 25 million, which corresponds to about half the budget for the previous strategy period.

Most aid donors have increasingly concentrated their assistance on administrative institution building and on stimulating economic development. Many focus on supporting the agricultural sector and on developing the local level. A clear tendency within the donor community is a closer focus on the regional perspective, which also encompasses Kosovo, and concentration on sectors that supplement previous aid initiatives. Increasingly, donor programmes are now supporting domestic structures and institutions in Kosovo. A significant decline in the volume of aid provision can also be observed at the present time. For 2003, Kosovo was expected to receive around EUR 200 million in development assistance. The education and health care sectors continue to be under-financed.

### *3.2.1 Conclusions*

Donor assistance to Kosovo has in part been poorly coordinated and largely project-oriented. There has been a pronounced lack of clearly articulated ownership, of strategies and of a holistic, integrated approach. Relatively little effort has been made to coordinate donor programmes, which is directly attributable to the lack of a clearly defined development agenda, low capacity among local institutions and a problematic organisational structure in UNMIK. This has made it difficult to achieve long-term results despite the scale of the development assistance, and external input has not had the desired impact. There are welcome signs, however, that donor coordination is becoming an increasingly important concern for the Kosovo government, and that

appropriate structures are gradually being developed. The PISG is also engaged in formulating a national development plan for Kosovo.

The lack of a robust institutional structure for donor coordination means that extra caution is required, as well as careful planning and analysis, before new decisions on Swedish development assistance can be taken. The reduction in the number of donors makes coordination easier and also facilitates a sectoral concentration of development cooperation with Kosovo.

#### **4. GENERAL CONSIDERATIONS**

Kosovo is still experiencing a situation where there is a risk for new outbreaks of violence and open conflict. It is essential, therefore, that development programmes are designed in such a way that they serve the cause of peace in the region. For the international community, the goal is a multiethnic and cohesive Kosovo. Development cooperation must emphasise equal treatment for all, integration, and the participation of all ethnic groups in community life.

Kosovo's own priorities and development plans are crucial to the shaping of Swedish aid programmes. Swedish cooperation must be in line with and linked to the Standards Process and the SAP, the goals of which are to create conditions for lasting peace and development and the further integration of Kosovo into the rest of Europe.

Kosovo is building up new institutions. As power is gradually transferred from UNMIK to the PISG, there will be an increasing need for both short-term and long-term capacity development of local institutions. This need is to be found at both the local and the central level. Supporting the construction of law-based institutions and supervisory bodies is a matter of particular importance.

Kosovo is one of the poorest parts of Europe. The poverty situation there has clear implications for short-term stability and also represents a challenge in terms of long-term development. Economic development and poverty alleviation, especially in rural parts, are key areas on which development cooperation must focus in order to reduce the risk of future conflicts.

Swedish development cooperation with Kosovo should be seen in a long-term perspective and programmes should be sensitive to the risk of conflict in the area. Flexibility and an open dialogue are crucial in pursuit of a favourable aid situation distinguished by national ownership. Donor coordination must be intensified so that certain sectors do not become overloaded with donors supporting virtually the same kinds of activities. A clear and distinct concentration of Swedish development assistance is essential. At the same time, Sweden must take into account its partners' capacity for absorbing large volumes of aid.

The risk of corruption in Kosovo means that extra care should be taken in considering the various options and forms for Swedish development cooperation. In each case, it is important to analyse the most effective methods for disbursement and financial control.

## **5. GOALS AND GUIDELINES FOR THE SWEDISH DEVELOPMENT COOPERATION**

### **5.1 Goals**

Based on Kosovo's own priorities, Swedish development cooperation must seek to strengthen Kosovo in its quest for closer integration with Europe and support moves to achieve lasting peace and stability. The EU integration process is a central driving force for development and poverty reduction in the region. Kosovo's implementation of the European Partnership and the EU's STM process represents the framework for the cooperation. Interventions should target areas where Swedish competence is acknowledged and in demand.

In order to achieve the above objectives, Sweden shall concentrate its development cooperation effort on two principal sectors:

- 1) Democracy and good governance
- 2) Sustainable economic development

In the sector for democracy and good governance, priority must be given to efforts to establish a functional, transparent and democratic public administration and to strengthen the principle of the rule of law in society. In the sector for sustainable economic development, special attention is to be given to the situation of the poor in rural areas and to the possibility of improving their economic status.

### **5.2 Guidelines**

Sweden must ensure that its development cooperation with Kosovo is in line with the SAP and the European Partnership. Swedish assistance is to be coordinated with that of other donors, especially the European Commission and the CARDS programme. Where necessary, Sweden is to provide direct financial support to the STM process.

In order for Swedish support to the two above-mentioned sectors to be sustainable, a long-term approach will be needed as well as careful planning of the programme activities. Accordingly, the present strategy perspective extends beyond 2006. The focus of Swedish assistance must be switched from project-oriented funding to programme and sectoral funding. In Kosovo, the need to view development from a holistic, integrated perspective is of key importance. Sweden should identify a more limited range of cooperation areas in close collaboration and dialogue with the local administration and international actors, and with civil society in Kosovo.

Sweden should actively promote closer coordination of donor activities and also seek to ensure that principal actors such as the EAR are given a leading role. Sweden should also support the preparation of national development plans that take into consideration the need for closer integration with Europe, for economic development and for poverty alleviation, and should encourage major donors to support this process.

The situation in Kosovo makes it essential that Sweden adopts a conflict perspective when selecting, planning and implementing its development cooperation activities.

Kosovo shall be integrated into regional programmes where possible. Supporting the participation of Kosovo in regional fora is of benefit both to regional stability and to long-term capacity building.

Emphasis will be given to anti-corruption measures in the dialogue with all actors in Kosovo. Particularly close attention will apply in connection with procurements and major financial commitments. Along with gender equality and the environment, corruption is identified as an issue that is to be given special attention in the dialogue between Sweden and cooperation partners.

Equality between women and men should be mainstreamed into all areas of development cooperation. Sweden already has a leading role in the debate on gender equality in Kosovo as a result of being an active dialogue partner vis-à-vis both local actors and the international community in Kosovo. Initiatives should be taken to heighten awareness and people's understanding of the importance of gender equality issues. Sweden is to proceed in its work from a gender-conscious view of conflict, violence and security, based on Security Council Resolution 1325.

The sustainable use of natural resources and care of the environment must inform all areas of cooperation. Sweden is an important partner to Kosovo's Ministry of Environment and Spatial Planning and has provided funding for the development of an environmental strategy and an environmental action plan. Based on this work, Sweden will consider supporting strategically important areas so that the formulation of guidelines for sustainable development can continue. The poverty perspective and support to civil society are other important aspects of the effort to promote a better understanding of environmental issues.

Sweden's development cooperation with Kosovo must also adopt a children's rights perspective based on the UN Convention on the Rights of the Child.

In recent years, Sweden's financial framework and disbursements to Kosovo have amounted to approx. SEK 100 million per year. During the 2005-2006 strategy period, Swedish development assistance to Kosovo is expected to remain at approximately the same level.

## **6. AREAS OF ACTIVITY**

### **6.1 Democracy and good governance**

The goal for this area of activity is to help build up a democratic society based on an efficient judicial system and respect for human rights. Public administration in Kosovo is in considerable need of general funding so that it can cope with its greater share of responsibility and perform its duties. The strengthening of a democratically functioning civil society in which vulnerable groups are given the opportunity to express their opinions and exercise their rights is essential if Kosovo is to develop into a pluralistic, democratic society based on popular participation. In addition, Sweden must continually be on the lookout for initiatives that promote peaceful coexistence between ethnic groups in Kosovo.

#### *6.1.1 Public administration*

Swedish support will be provided to the public administration in Kosovo at both the central and the local level. Assistance should be directed at strengthening the capacity of the PISG, particularly through the provision of further funding to government agencies working with areas of strategic importance, such as land surveying and statistics. The PISG's funding requirements will grow as new areas of responsibility are gradually transferred to it from UNMIK. The newly established Ministry of Communities and Returns will need support in the initial stages of its development.

The possibility of engaging in cooperation with other donors on large-scale programme funding is to be further explored. Among other initiatives, sectoral support in the decentralisation sector – support to the decentralisation process and the strengthening of Kosovo's municipalities – should be looked into.

#### *6.1.2 The judiciary*

There is a manifest need to build up the judicial system in Kosovo and to strengthen civil society's faith in it. The development of national anti-corruption programmes and the strengthening of the ombudsman system are two areas requiring action for the purpose of building up public confidence. The prison and probation service in Kosovo is in great need of support in the form of capacity development, and few donors have hitherto contributed to this sector.

#### *6.1.3 Civil society and human rights*

Civil society is still severely underdeveloped in Kosovo. Kosovo's independent organisations need support if they are to have an impact in the political, economic and social spheres. Sweden's assistance to this sector will continue to be channelled via the Swedish framework organisations that are active in the region. The bulk of this assistance is to go to the promotion of women's rights, children and young people, minorities, and efforts to combat human trafficking. Gender equality and women's rights need to be paid greater attention at all levels of society in Kosovo. Support will be given to the implementation of the Kosovo Gender Action Plan. Funds will continue to be channelled via NGOs to minorities wishing to return to Kosovo.

### **6.2 Sustainable economic development**

The goal for this area of activity is to help Kosovo achieve the kind of sustainable economic development that is crucial both to its short-term stability and to its long-term development. Support to private-sector development, economic development and job creation activities should be combined with measures in the environment and forestry fields aimed at promoting sustainable development and protecting Kosovo's natural resources. Economic development in rural areas has been identified as an area of particular importance for combating poverty and promoting peace. The possibility of contributing to the preparation of a national development plan in Kosovo is to be examined.

#### *6.2.1 Economic development*

The financial sector is to be examined further, in the course of which further Swedish support for the issuing of micro-credits should be considered. The main focus will be on economic development in rural areas. Other areas of interest for Swedish support include funding to job creation activities and small and medium sized enterprises. In addition, Sweden should examine the prospects for engaging in cooperation and co-

financing with other donors in this sector in order to turn previous experience to account and create conditions for programmes on a larger scale.

#### *6.2.2 Environment and natural resources*

Sweden is to consider supporting areas of particular importance for sustainable development in the environment field. Further support may be provided for the development and implementation of the national environment strategy, and for participation in regional environment programmes. Swedish support is also to be made available for measures designed to ensure that forestry resources are used in a sustainable way. The possibility of extending this support to the sectoral level is to be further considered.

### **6.3 Other areas**

As the direct reconstruction and humanitarian phase in Kosovo is now over, Swedish support to infrastructure and house reconstruction will be gradually phased out during the strategy period. This will include phasing out cooperation in the railway, district heating and electrical power distribution sectors. Support for the reconstruction of cultural buildings will also be phased out. There will, however, be scope for interventions aimed at strengthening the sustainability of the programme via information and local capacity development. In the health sector, Sweden is to continue supporting regional programmes that seek to curb the spread of HIV/AIDS.

Refugee/emigrant return is of crucial importance not only for Kosovo's political development but also for its economic development. This may present opportunities for both new investments and knowledge transfers. UNMIK, however, has frequently pointed out that the health and psychiatric care services in Kosovo are deficient and that this is an obstacle to return. Swedish support, therefore, will target this sector as well.

## **7. FOLLOW-UP**

The implementation of this strategy will be subject to continuous follow-up by Sida and will be discussed in Sida's semi-annual reports. These reports are to provide the basis for the twice-yearly consultative meetings between the Ministry for Foreign Affairs and Sida.

## **ABBREVIATIONS**

CARDS	Community Assistance for Reconstruction, Development and Stabilisation
EAR	European Agency for Reconstruction
ESPIG	Economic Strategic and Project Identification Group
EU	European Union
FN	United Nations
HDI	Human Development Index
IMF	International Monetary Fund
KPS	Kosovo Police Service
OSCE	Organisation for Security and Cooperation in Europe
PISG	Provisional Institutions of Self-Government
REC	Regional Environment Centre
SCB	Statistics Sweden
Sida	Swedish International Development Cooperation Agency
SOK	Statistical Office of Kosovo
STM	Stabilisation and Association Process Tracking Mechanism
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNMIK	United Nations Interim Administration Mission in Kosovo
UNHCR	United Nations Refugee Agency
USAID	United States Agency of International Development



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