



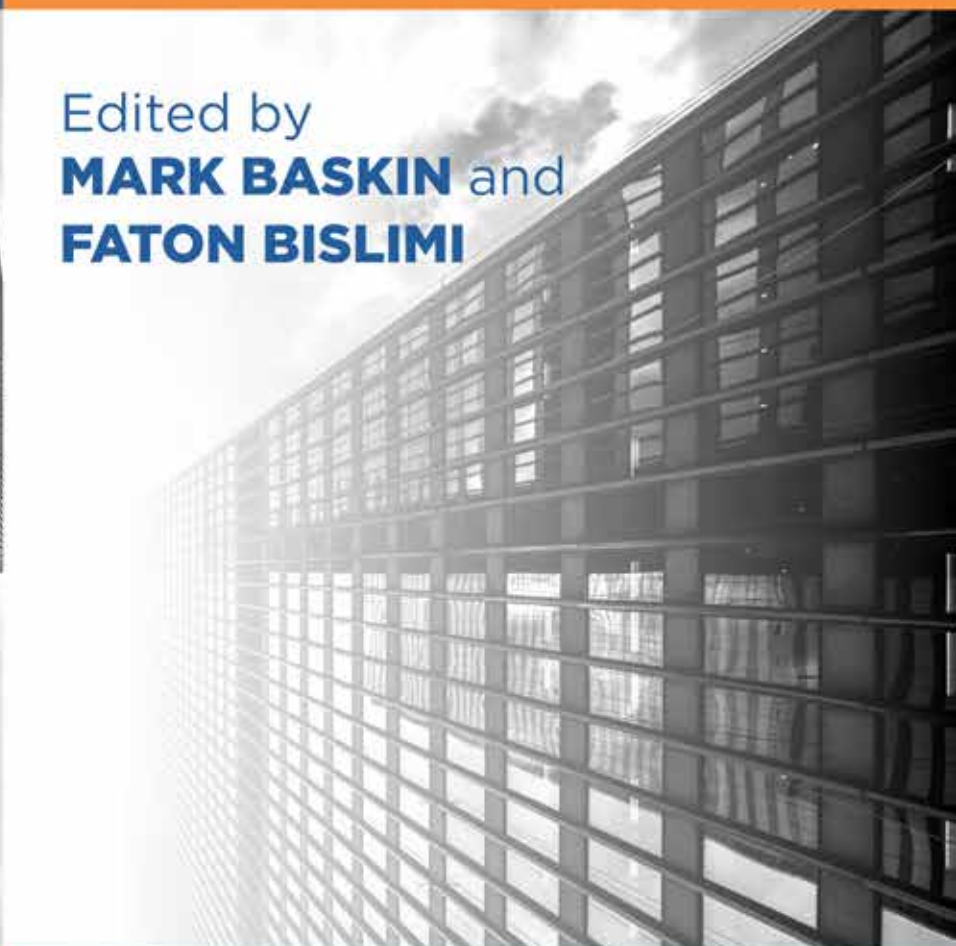
**USAID**  
NGA POPULU AMERIKAN  
OD AMERIČKOG NARODA

**R·I·T**  
**Kosovo**

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# PRINCIPLES AND PRACTICE OF **PUBLIC POLICY** IN KOSOVO

Edited by  
**MARK BASKIN** and  
**FATON BISLIMI**







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**MARCH 2019**

# ***The Principles and Practice of Public Policy in Kosovo***

March 2019

By the Public Policy and Governance Unit Faculty of RIT Kosovo (A.U.K)

Editors: Mark Baskin and Faton Bislimi

This publication is made possible by the generous support of the American people through the United States Agency for International Development (USAID), under the terms of cooperative agreement AID-167-A-14-00007.

2019 The Transformational Leadership Program – Public Service Courses (Public Policy Development and Leadership - PPDL).

The contents are the responsibility of the PPDL Project and do not necessarily reflect the views of USAID or the United States Government.

Str. Dr. Shpetim Robaj, NN,  
Prishtina, Kosovo, 10000  
Telephone: 038 608 608  
e-mail: [ppdl@auk.org](mailto:ppdl@auk.org)  
[www.kosovo.rit.edu](http://www.kosovo.rit.edu)

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## ACKNOWLEDGEMENTS

All the following people who participated in the successful deployment of the PPDL Project deserve thanks and gratitude.

### PPDL Project Team

Ylberina Morina Mala  
Visar Jasiqi  
Peonare Caka  
Artan Venhari  
Blerta Avdiu  
Leonora Çerreti

### PPDL Faculty

Armend Bekaj, MA  
Chad Briggs, PhD  
Faton Bislimi, MPA/ID  
Garentina Kraja, MA  
Luca J. Uberti, PhD  
Mark Baskin, PhD  
Mentor Nimani, MA  
Michael Waschak, PhD  
Robert Muharremi, PhD  
Vjosa Osmani, PhD

### PPDL Teaching Assistants

Alketa Buçaj  
Arzana Myderrizi, TLP Citizen Corps  
Besfort Kosova, TLP Citizen Corps  
Blerta Greiçevci, TLP Citizen Corps  
Blond Gerqari, TLP Citizen Corps  
Donjetë Murati, TLP Citizen Corps  
Dren Puka, TLP Citizen Corps  
Edona Peci, TLP Citizen Corps  
Gent Salihu  
Gresa Statovci, TLP Citizen Corps  
Jeta Aliu, TLP Citizen Corps  
Kaltrina Hoxha, TLP Citizen Corps  
Lavdi Zymberi, TLP Citizen Corps  
Merdiana Leci, TLP Citizen Corps  
Nikola Aksić  
Qëndresë Beqiri, TLP Citizen Corps  
Rineta Hoxha, TLP Citizen Corps  
Rinor Kurteshi, TLP Citizen Corps  
Valmir Ismaili, TLP Citizen Corps  
Vladan Jaćimović, TLP Citizen Corps

### Supporting Staff

RIT Kosovo (A.U.K) and Training  
and Development Institute (TDI)  
Administration

*This project would not have been possible without the generous support of the American people through the United States Agency for International Development (USAID) in Kosovo*

# NOTE FROM THE PROGRAM DIRECTOR

Many reports have been produced regarding the state of affairs in Kosovo's public administration and have emphasized the importance of administrative reform for well-functioning public institutions. Those recommendations are aligned with the USAID's Kosovo 2014-2018 Country Development Cooperation Strategy, which highlights the value in improving Kosovo's educational system and enhancing the skills of public and civil service employees through professional development programs. Mastering the challenges of public policy formulation process is the key driver of progress in public administration and public service. Therefore, ensuring this outcome alone, which includes professional development and capacity building, is an enduring challenge.

In this context, the Public Service Courses component (known also as the Public Policy Development and Leadership Program - PPDL) provided under the Transformational Leadership Program (2015-2019) marked a positive intervention to transform the way professional capacity is delivered to ensure sustainable development. The program's goal was to assist the public servants of the Government of Kosovo to strengthen their capacity for public policy development and leadership at both central and municipal levels of governance. The program was delivered to over 1,000 civil servants of the Government of Kosovo in the course of three years.

In June 2015, the RIT Kosovo (A.U.K.)'s Public Policy unit faculty developed the PPDL curriculum, student materials, and case studies, for the program. The faculty engaged in delivering the program components found that the literature on public policy in Kosovo was scarce. Many participants in the program also raised this concern and observed that the absence of literature on public policy formulation in Kosovo provides a significant impediment to their learning. As we revised the learning material in order to mirror the recent developments in Kosovo, we decided to produce a volume that would leverage the faculty's areas of expertise and bring it together in a comprehensive, well-structured public policy reference book. This volume on public policy, titled ***"The Principles and Practice of Public Policy in Kosovo,"*** represents the first of its kind in Kosovo. Its authors are experienced professionals in policy-making and in the field of public policy. They are faculty members of the RIT Kosovo (A.U.K.), and were actively engaged as PPDL lecturers. This book will be available for free and can be found on the RIT Kosovo (A.U.K.)'s official website.

As the director of the program, I would like to thank the project team, the faculty, the teaching assistants, consultants and all other stakeholders for sharing their insights and expertise in order to bring this publication to a successful completion. This book was made possible due to the hard work of all of the contributing authors, whom I thank sincerely.

**Ylberina Morina Mala**

Chief of Party/Program Director / Transformational Leadership Program – Public Service Courses

PREFACE BY MARK BASKIN

# THE PRINCIPLES AND PRACTICE OF PUBLIC POLICY IN KOSOVO



Over the past 20 years, policy makers in Kosovo have produced a broad and diverse body of analysis on health, rule of law, municipal administration, privatization of property, policing, violent extremism, economic growth, employment, primary, secondary and university education, human rights, social welfare, public administration, energy, environmental protection, trade and customs, property rights, financial services, transportation, culture, and many other issues that touch the lives of all people in Kosovo every day. Often with assistance from international colleagues, they have drafted short term plans, mid-term strategies, legislation, assessments, evaluations and audits.<sup>1</sup> With this context in mind, we hope that public servants and students of public affairs will benefit from this general introduction to the principles and practice of public policy in Kosovo, a study that is grounded in the disciplines of public administration and public policy that have evolved over the past century in democratic governments in Europe and further abroad. The principles in this textbook can help to guide current and future public servants to make and implement policy more effectively.

As noted in the following chapter, we follow general practice in defining public policies as “intentional courses of action designed by government bodies and officials to accomplish a specific goal or objective.”<sup>2</sup> It is important to note that this textbook is about policy and not politics. “Politics” involves those activities related to who gets power and how they get it. It is focused on the selection of individuals and groups (i.e. parties) to win positions of influence and power in society and to form governments. Once in power, governments enact “policies” to address the domestic and foreign problems facing society in order to improve the conditions of living in the country. “Policy making” takes place in national and local government, in the executive, the parliament and judiciary. Politicians and staff in these institutions build coalitions in support of specific types of policy approaches and tools on the current issues of the day.

This textbook has been developed in line with the principles that also guide the reporting of the European Commission, whose 2018 report on Kosovo indicates progress in public administration reform: “[t]he legal basis and institutional structures for a coherent and coordinated policy-making system, including for EU related reforms, are largely in place.

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1 Much of this analysis is available on the web sites of Kosovo Government agencies.

2 Jessica R. Adolino and Charles H. Blake, *Comparing Public Policies: Issues and Choices in Industrialized Countries* (Washington, D.C.: CQ Press, 2011).

Public administration reform is included as a priority area in the government programme for 2015-2018, the National Development Strategy and the National Programme for Implementation of the Stabilisation and Association Agreement” and “[s]ome aspects of inclusive and evidence-based policy and legislative development are in place, but in practice problem analysis and justification for government intervention are often missing” and “[e]ffective public scrutiny of government work is undermined by the lack of clear requirements for both reporting on the implementation of the government’s annual work plan and sector strategies and publishing such reports. Parliamentary scrutiny of the government remains insufficient.”<sup>3</sup> Because Kosovo remains on its European path and its government must continue to nurture its capacity for policy analysis, planning and implementation, the appearance of this book is both valuable and timely.

It is fitting that a book on the principles and practice of public policy emerged from the practice of working with Kosovo civil servants from different ministries, agencies and local government over the past three years. We – the authors – have worked with hundreds of dedicated public servants in Kosovo on the USAID-supported PPD (Public Policy Development and Leadership) program at RIT-K (Rochester Institute of Technology-Kosovo), formerly AUK (the American University of Kosovo). Participants completed a semester-long course that introduced them to the principles and practice of policy making generally, and in Kosovo more specifically. We thank these participants – colleagues, in fact – in our classes for helping us to refine our thinking on how to develop a text that is grounded in both the theory and practice of policy making in Kosovo.

Our task was to go beyond the workbook that had been developed for these courses and to prepare a comprehensive textbook on public policy with specific relevance to policy developments in Kosovo. It is not a cookbook with a list of recipes or templates to be applied in Kosovo. Nor is it a tool box of best practices that may have worked elsewhere and that can be applied to Kosovo. Rather, it introduces practitioners and students alike to evidence-driven policy making that revises theory – or policy – against practice – or the implementation of policy. It emerges from the discipline and practice of public policy in the United States and Europe in which policy analysts “speak truth to power” and policy makers bring power to truth. We have put together an introduction to the principle and practice of public policy in Kosovo that speaks with a common voice on how policy is made.

The text is divided into two sections. The opening chapter provides a general and comparative introduction to public policy that focuses on *what* governments do and *how* they do it and it is grounded in contemporary academic and theoretical approaches to the study of public policy – including national policy making as rational choice, as organizational process, as bureaucratic competition and bargaining, and as organizational anarchy. It describes policy making institutions in Kosovo’s Government and then

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3 European Commission, “Kosovo 2018 Report,” SWD(2018) 156 final, Strasbourg, April 17, 2018, p. 10.

introduces common approaches in the practice and analysis of the different stages and dimensions of policy making: agenda setting, policy formulation, decision-making, implementation, and monitoring and evaluation. Its review of common practices in policy research and drafting will assist policy makers in the executive and legislative branches of government, in local government, and in civil society organizations and non-governmental organizations.

This 'guide to practice' will sensitize the reader to ways of analyzing how government institutions typically address public problems and the underlying dynamics that characterize the policy making process. An understanding of potential political, fiscal and ethical dilemmas will enable politicians and civil servants to work broadly in the public interest. It will illuminate common approaches to policy making and processes of policy making that will hopefully enable policy makers to address substantive issues more effectively and to develop successful policy making strategies that advance local, regional and group interests and the common, national interest of all citizens in Kosovo.

This introduction is followed by a series of chapters that provide practical guides to important issues facing Kosovo. Each chapter provides the background to the issue area that includes some of the main problems facing policy makers; and the overall strategies, objectives and policies undertaken by Kosovo institutions. The chapter outlines the institutions – ministries, agencies, civil society, private sector – that have overall responsibility for making and implementing policy in the area, and the extent of inter-institutional cooperation in policy making. Finally, it concludes by setting out the challenges in the issue area that are currently facing Kosovo's governing institutions

In Chapter 2, Robert Muharremi states that 'rule of law' implies that laws should be prospective, open and clear, and law-making should be guided by clear and general rules. The independence of the judiciary should be guaranteed and principles of due process should be respected. In a system governed by rule of law, the courts review parliamentary legislation and other acts, and courts are accessible. All citizens, rulers and ruled, are subject to the same laws. He points out that rule of law constitutes a fundamental value of the constitutional order of the Republic of Kosovo and that this is embodied in Kosovo's Stabilization and Association Agreement with the European Union. He argues that an effective and efficient justice system, which is independent and accountable, is a critical prerequisite for rule of law. This will depend on the extent to which the justice system translates the idea of rule of law in practice. He then surveys the development of Kosovo's justice system since 1999, outlines its rule of law institutions in the court and prosecution structure, the administration of justice, policy and law-making in the justice sector, the correctional services, international judicial cooperation and justice related public services, such as notaries, enforcement agents and alternative dispute resolution mechanisms. He concludes with a set of critical issues facing Kosovo's justice system.

In Chapter 3, Mentor Nimani analyzes the situation of child labor and social protection in order to identify the causes that drive children to work. He also compares the institutions that aim to provide social protection in Kosovo and Albania, including the legal framework, and national programs and strategies relating to social protection, and responsibility for preventing and eradicating child labor in Kosovo and Albania. He concludes that social protection instruments play an important role in reducing child labor and that more importance on social protection would help to eradicate the exploitation of children. Lastly, he identifies a series of issues and challenges currently facing Kosovo's institutions with regard to strengthening social protection for children.

In Chapter 4, Chad Briggs addresses the public policy challenges for environmental and natural resource management in the Balkans region. Public policy focus on natural resources and the environment emerged in the 1960s, and since then, it has grown into an important area of both study and government action. He suggests that understanding environmental policy in the Balkans requires recognition of the unique challenges in the region that are posed by geography, the political and economic history of communism, and the relative newness and weakness of institutions and collective identity to deal with the problems. While solutions are available for small countries such as Kosovo and Albania, public policy practitioners and students must keep in mind that the lessons and experiences of the United States and Western Europe will play out differently in this region. He outlines the challenges facing environmental management in Kosovo and the Balkans, as well as the institutional community dealing with this policy area. He concludes that environmental policy in the Balkans faces significant obstacles, many of which were inherited from previous governments and the vagaries of geography. He argues that many successful policy changes will originate from ground-up efforts to preserve or police pollution and natural resources, and that national government and international efforts remain vitally important as coordinators of policies. Environmental policies take time to develop and coordinate, but with proper attention to public perceptions of risk and transparency, such small steps can have collectively significant results in protecting the environment of the region.

In Chapter 5, Garentina Kraja argues that Kosovo's foundational documents in security and terrorism policy define security not simply as safety, but also as threats from corruption and organized crime, terrorism, illegally held firearms, unexploded ordnance, the integration of Kosovo's minorities, education, unemployment and poverty. In practice, security entails territorial independence, sovereignty and integrity, constitutional order, sustainable economic growth, human security for Kosovo's citizens and regional stability. She surveys the history of security policy in Kosovo since 1999 when NATO and the United Nations guaranteed the security of Kosovo, and then draws attention to the development of the police and armed forces, as well as the sectoral strategies and reviews of security in Kosovo, and the broad institutional configuration guaranteeing security in Kosovo. She then turns to the problem of terrorism and violent extremism that has

become a much more significant issue since 2012, and then reviews the diverse challenges facing Kosovo, including continued ethnic tension, among other significant matters.

In Chapter 6, Venera Demukaj and Besnik Bislimi demystify the Kosovo economy through a comprehensive description of economic issues and challenges facing the government. They address the two main macroeconomic problems of every country, unemployment and inflation as part of the business cycle, and closely analyze different types of unemployment, the unemployment structure in Kosovo, its macroeconomic implications, and the government's response. They turn to the fiscal, monetary and international trade policies in detail, Kosovo's tax system, as well as the implications of public policies on the level of the budget deficit and the accumulation of public debt. They describe the important role of the Central Bank in economic policy and then analyze Kosovo's financial market. They turn to Kosovo's international and domestic trade and explore Kosovo's large trade deficit in terms of the composition of exports and imports to Kosovo's trading partners and explore some important challenges facing Kosovo's Ministry of Trade and Industry and Ministry of Finance in balancing Kosovo's trade policies so that trade can contribute effectively to Kosovo's economic growth.

In Chapter 7, Faton Bislimi places the development of Kosovo's local government and decentralization in comparative context and cites research from the UN Development Program, among others, that views decentralization and local government as keys to effective political reform in developing countries. Local governance takes place through a primary set of institutions, mechanisms and processes by which individual citizens and groups articulate their interests and needs, mediate their differences, and exercise their rights and obligations. Good local governance results from citizen participation, the cooperation of key actors, good capacity of local actors across all sectors, transparency, and accountability. It is a key link in the chain of public policy making in any society and decentralization can provide minority groups, including Serbs, with opportunities to gain control over important services. He then outlines the legal framework for Kosovo's municipal government and describes municipal elections and institutions. Next, he turns to local government as a service provider and how local and central institutions cooperate and coordinate activities. Lastly, he concludes that local government provides an important link between government and its citizens, as a venue where groups and individuals can express their interests and participate in the provision of services to citizens.

In one important sense, this collection remains a 'living document' or a 'work in progress' inasmuch as all governments and policy systems are also continually evolving in response to changing circumstances globally, nationally and locally. Policy makers in Kosovo and in the Balkans, more broadly, continue to refine the mechanisms of democratic governance and policy making that will both include and serve all citizens. And both students of policy making and policy makers, alike, are inveterate optimists who see the glass half-full, rather than half-empty. It is our hope that this text will contribute to filling the glass of Kosovo public policy above the half-full mark.





MARK BASKIN

# GENERAL INTRODUCTION TO PUBLIC POLICY IN KOSOVO





This chapter provides a general introduction to public policy in Kosovo and to the process of developing clear and concise, evidence-based, written policy memoranda. It is designed for public servants, civil society activists, students and citizens as an introduction to the different stages of public policy in Kosovo. It follows in the tradition of Harold Lasswell's pioneering call for a 'policy science' that focused on *what* governments do and *how* they do it and it is grounded in contemporary academic and theoretical approaches to the study of public policy.<sup>1</sup> It will introduce common approaches to the practice and analysis of different stages or dimensions of policy making: agenda setting, policy formulation, decision-making, implementation, and monitoring and evaluation. It will also briefly review common practices in policy research and drafting that will assist policy makers in the executive and legislative branches of government, in local government, and in civil society organizations and non-governmental organizations.

This 'guide to practice' can serve as a reference that assists in analyzing the context in which government institutions address public problems and the underlying dynamics that characterize the policy making process on these issues. It is not a simple tool box with a list of good practices in policy making and guidance as to when these practices should be applied. Instead, it will explore some dilemmas facing politicians and civil servants who work to make policy that is broadly in the public interest. It will illuminate common approaches to policy making and processes of policy making that will hopefully enable policy makers to address substantive issues more effectively and to develop successful policy making strategies that advance local, regional and group interests and the common, national interests of all citizens in Kosovo.

1. The chapter will begin with a general discussion of what public policy is and the conditions for making policy.
2. It will then turn to a description of key institutions and players in policy making in Kosovo.
3. It will then review the different models of decision making, the policy cycle and policy processes associated with agenda setting, policy formulation, decision making, policy implementation and evaluation of policy.
4. It will conclude, in an appendix, with a discussion of research and drafting of memos and policies.

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1 Harold Lasswell, "The Policy Orientation," in *The Policy Sciences: Recent Developments in Scope and Method*, ed. By Daniel Lerner and Harold Lasswell, (Stanford: Stanford University Press, 1951)

# WHAT IS PUBLIC POLICY?

We follow general practice in defining public policies as “intentional courses of action designed by government bodies and officials to accomplish a specific goal or objective.”<sup>2</sup> More broadly, “[p]ublic policy can be defined ...as a course of government action (or inaction) taken in response to social problems. Social problems are conditions the public widely perceives to be unacceptable and therefore requiring intervention.”<sup>3</sup> This includes a broad range of different types of problems and issues, as we will see in subsequent chapters: rule of law and justice, energy, environment, economic development, employment, security, social policy. And we shall see below that specific policies follow particular trajectories in the type of policy that is made.

The discipline of public policy emerged in the broader field of political science in the second half of the twentieth century. Classically, political science focuses on *how individuals and groups compete for power and authority in society*, i.e., on relationships of power and political decision making. Political scientists explore *the input side* of government: competition for public office; the types of parties and movements in society; ideologies and goals of political organizations; the beliefs, values and attitudes of individuals towards politics; the strategies employed to win elections and control over government; and the rules and the practice of parliaments and executives, regional and local governments.

On the other hand, public policy explicitly explores *how governments use their power*. It is concerned with *the output and outcome sides* of government: how governments decide which policies are most important; will governments raise or lower tariffs; will they rely more on coordination and planning or on market forces in a strategy of sustainable economic growth; what steps are taken to limit air pollution and to ensure the supply of energy that is necessary for economic development; what course of action will it take to ensure that underserved groups in society – e.g., by gender, ethnicity, region, sexual preference – have access to services in society; and what effects do these policies have on different groups in society.

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2 Jessical R. Adolino and Charles H. Blake, *Comparing Public Policies: Issues and Choices in Industrialized Countries* (Washington, D.C.: CQ Press, 2011).

3 Michael E. Kraft and Scott R. Furlong, *Public Policy: Politics, Analysis and Alternatives* (Washington, DC: CQ Press, 2004), p. 4.

The differences in the fields of political science and public policy reflect the differences between the terms “politics” and “policy”, a difference that is rarely noted in most languages, including in Albanian and in Serbian. “Politics” involves those activities related to who gets power and how they get it. It is focused on the selection of individuals and groups (ie., parties) to win positions of influence and power in society and to form governments. It takes place in advancing a set of values or preferences, in campaigns for office, in public demonstrations, and in attempts to win over sympathizers and voters. Once in government, influential politicians enact “policies,” to address the domestic and foreign problems facing society in order to improve the conditions of living in the country. “Policy making” takes place in national and local government, in the executive, the parliament and judiciary. Politicians and staff in these institutions build coalitions in support of specific types of policy approaches and tools on the current issues of the day.

Policy making in Kosovo is that of a small, post-conflict, European state with a specific historical context and tradition in public administration and policy. Whereas Kosovo’s current Government emerged from administrative traditions in the Byzantine and Ottoman Empires, as well as in royalist and socialist Yugoslavia, its current administrative practice has been developing since 1999 with the establishment of the hybrid international-domestic Provisional Institutions of Self Government to “supervised independence” in February 2008 and to more comprehensive independence in 2012.

Policy makers in Kosovo employ the same analytic tools and skills as their colleagues do in other countries – in considering issues and social problems, drafting and passing legislation and in implementing these policies in central and municipal administrations.<sup>4</sup> To be sure, ‘governance’ in Kosovo reflects the prevailing norms, ethics and values in Kosovo society: authoritative government institutions make formal decisions that reflect the inputs of legitimate political parties, civil society organizations, and ordinary citizens. International agencies, such as those of the European Union or the United Nations, can also play a substantial role in assisting the legitimate institutions of Kosovo to make and oversee policy.

An understanding of different approaches to public policy will enable public servants and everyone involved in public decision making to work more effectively in drawing attention to problems that can make the agenda of decision making; to formulate policy proposals and legislative drafts; to practice the bargaining and decision making

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4 See for example, Iniciative Kosovare per Stabilitet, “Guide to Policy-Making and the Legislative Process in the Government of the Republic of Kosovo, 19 June 2016, [http://iksweb.org/en/wp-content/uploads/2016/06/IKS-udhezues-2014\\_ENG\\_40799.pdf](http://iksweb.org/en/wp-content/uploads/2016/06/IKS-udhezues-2014_ENG_40799.pdf) ; USAID Kosovo Legislative Drafting Manual, a Practitioner’s Guide to Drafting Laws in Kosovo, November 11, 2009, <http://www.drejtesia-ks.org/?cid=2,41> ; Rebecca Darts, Adrian Zeqiri, Lars Burema, Jeta Bakija and M. Alejandra Morena, European Centre for Minority Issues Kosovo, “Civil Society Participation in Decision-Making Processes,” 2013, <https://ids.euforneighbourhood.eu/download/civil-society-participation-in-decision-making-process/> and Keit Kasemets, “Policy Making Review Kosovo,” SIGMA Papers, No. 52, OECD Publishing, 22 January 2015, <http://dx.doi.org/10.1787/5js7nr4np0d8-en> ,

that will transform proposals into laws, regulations and directives; to implement the policies according to the letter and the spirit of the legislative intention; to oversee the implementation of policy and to adapt policies so that they can continue to meet the needs of citizens in Kosovo. As the Government of Kosovo develops, the capacity of its elected and career public servants to practice public policy effectively will lead to better governance in service delivery, as well as in the design and implementation of a full range of government routines and programs.

## SUSTAINABLE GOVERNANCE

‘Sustainable governance’ is one way of strengthening institutions for ‘resilient’ governance or self-sustaining institutions that do not fall into crisis with each difficult dilemma. The elements of self-sustaining governance are familiar:

*Institutions:* a self-sustaining government includes formal state institutions, civil society, the private sector, as well as social and cultural institutions. These institutions effectively address social, economic, environmental and political problems facing Kosovo, and can withstand the ‘everyday conflict’ of political competition and policy making without falling into violence, deep corruption or extra-institutionalized participation.

*Making Policy:* a self-sustaining government makes policy in the interplay between the executive, legislative and judicial branches of government. It generally welcomes contributions from interest groups, political parties, technical experts, and civil society to produce broader strategies, laws and programs that are meant to address problems and issues in society and to meet international obligations.

*Implementing Policy:* a self-sustaining government is capable of translating the intended objectives of policy – e.g., regulations, laws and broader strategies – into action within reasonable time frames. To achieve the objectives of policy, it may be necessary to make adjustments for previously unforeseen obstacles or conditions and, possibly, to make adaptations that can reflect a realistic appraisal of changing social, political or economic circumstances in which the policy is being implemented.

*Politics:* Self-sustaining governments rise above an aggregation of private interests and they preside over and represent societies and communities who share some common values and identities. These governments effectively manage the meaningful differences among different groups that lead to conflicting views on all aspects and stages of policy. The governments enjoy diffuse support in society, especially from the same interests who may oppose specific government policies. Such governments can manage their global affairs routinely and effectively.

These terms and definitions are familiar to students of politics and policy making in liberal and democratic states, and they embrace the broader goals that are articulated by norm-setting multilateral institutions, such as the OECD, the World Bank, UN and the EU, and provide the 'language of everyday politics and policy making' among dominant global institutions and individual governments, alike.

**Ethical issues** are never far from view in public policy. To build trust in government, citizens must have confidence that public officials are acting in the best interest of the public. The complexity of ethical decision-making compels officials to consider both the difficult choices they face and the "consequences, fidelity to duty, respect for one's self and one's organization as moral agents."<sup>5</sup> Some dilemmas are always present: should policy makers' chief concern be with the potential beneficial consequences of their policies, as in the utilitarian philosophical tradition of Jeremy Bentham? Or should they "begin from the premise that there are moral obligations or duties...to fulfill apart from consideration of consequences" in the philosophical tradition of Immanuel Kant?<sup>6</sup> Should they be more concerned with the outcomes of policy than with the steps taken to achieve those outcomes? For example, is it appropriate when enhancements to national security in a democratic system come at the price of taking away the rights of minorities who are deemed, *prima facie*, to be 'disloyal'? Or is it appropriate for rulers to employ cruelty in order to maintain order in society? Michael Walzer points out that "a particular act of government may be exactly the right thing to do in utilitarian terms and yet leave the man who does it guilty of a moral wrong."<sup>7</sup> There are many such questions that compel decision makers to look to their own basic values about the best way to serve the public good. Decision makers will make better policy when they are fully aware of such ethical dimensions of the issues at hand.

No matter how these larger dilemmas are addressed in policy making, officials in Kosovo and elsewhere are also expected to act with integrity and to follow generally accepted principles of ethical conduct that will enhance public confidence in the integrity of the Government.<sup>8</sup> Policy making with integrity places the advancement of Kosovo's public interest as a central goal of public action. The conflicting visions on how best to advance Kosovo's public interest among different groups in society makes it important for policy makers from all camps to adhere to common ethical principles of public service. As put by a distinguished U.S. public servant, Ryan Crocker: "I was an Ambassador six times—three times for Republican Administrations, three times for Democratic Administrations. No one elects us. We will, obviously, give policy advice, but when policy is decided we do

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5 Eileen Sullivan and Mary Segers, "Ethical Issues and Public Policy," *Handbook of Public Policy Analysis, Theory, Politics and Methods*, Frank Fischer, Gerald Miller and Mara Sidney, eds., (Boca Raton: CRC Press, 2007), p. 310.

6 *Ibid.*, p. 311.

7 *Ibid.*, p. 319

8 See, for example, *Trust in Government, Ethics Measures in OECD Countries*, OECD, 2000, <http://www.oecd.org/gov/ethics/48994450.pdf>

everything we can to carry it out. I didn't think the 2003 invasion of Iraq was a spectacularly good idea, but once our troops crossed the line of departure that argument was over.”<sup>9</sup>

Professional public servants do not place partial interests or private preferences ahead of the public good. A reputation for integrity helps to strengthen public confidence by ensuring that the behavior of administrators is in line with the Government of Kosovo's public purposes; that public service operations are reliable; that citizens receive impartial treatment on the basis of legality and justice; that public resources are effectively, efficiently and properly used; that decision-making procedures are transparent to the public; and that measures are in place to permit public scrutiny and redress.<sup>10</sup>

As a practical matter, global norm-setters, such as the Organization of Economic Cooperation and Development, have studied and codified ethical principles that underlie good governance: civil servants are expected to treat their work as a public trust and to place loyalty to the Government's Constitution, the laws and ethical principles above private gain. They should not hold financial interests that conflict with the conscientious performance of duty or otherwise use their position to further any private interest. Civil servants should perform their duties with honest effort and impartiality, without giving preferential treatment to private organizations or individuals. They should disclose waste, fraud, abuse, and corruption to appropriate authorities, and endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards promulgated pursuant to this order.<sup>11</sup>

## WHO ARE THE POLICY MAKERS IN GOVERNANCE IN KOSOVO?

Policy is made by professional civil servants and other actors who are outside the formal institutions of Kosovo's government. As in the United Kingdom, Kosovo's “public servants are hard-working and dedicated, and many are as innovative and entrepreneurial as anyone outside government....[and] must be the agents of the changes citizens and businesses want....with a culture of improvement, innovation and collaborative purpose. Public sector staff need to respond to these challenges, working in partnership....”<sup>12</sup> Kosovo's contemporary public service was first established during the UNMIK administration in 1999-2000, and a series of regulations have guided the management of this service from

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9 As quoted in Evans Osnos, “Trump vs. the Deep State,” *The New Yorker*, May 21, 2018. <https://www.newyorker.com/magazine/2018/05/21/trump-vs-the-deep-state>

10 *Ibid.*

11 See, for example, “Principles of Ethical Conduct for Government Officers and Employees” of the U.S. National Institute of Health, <https://ethics.od.nih.gov/principi.htm>

12 “Modernising Government,” Presented to Parliament by the Prime Minister and the Minister for the Cabinet Office by Command of Her Majesty, March 1999

UNMIK Regulation 2001/36 to the Law on the Civil Service of Kosovo and associated by-laws.<sup>13</sup> By law, the civil service “is composed of impartial, professional, accountable Civil Servants and reflects multi-ethnicity and gender equality” and these civil servants are selected “on the basis of merit”.<sup>14</sup> As in the United Kingdom, civil servants are to be guided by principles of legality, nondiscrimination, responsiveness, effectiveness and efficiency, accountability, impartiality and professional independence, transparency, absence of conflicts of interest, and equal opportunities for communities and gender.<sup>15</sup> As of 2018 there are approximately 19,000 public servants at the local and central levels and, if taken together with all public employees in the sectors of education, health, police and the like, there are 83,336 public employees in Kosovo.<sup>16</sup>

Democratic policy making is codified in Kosovo’s constitution, by which “Kosovo is a democratic Republic based on the principle of separation of powers and the checks and balances among them...”<sup>17</sup> It promises “equality of all individuals before the law and ...full respect for internationally recognized fundamental human rights and freedoms, as well as protection of the rights of and participation by all Communities and their members.”<sup>18</sup> It prohibits discrimination “on grounds of race, color, gender, language, religious, political or the opinion, national or social origin, relation to any community, property, economic and social condition, sexual orientation, birth, disability or other personal status.”<sup>19</sup> It guarantees that communities have “equitable representation in employment in public bodies and publicly owned enterprises...”<sup>20</sup> All citizens are guaranteed freedom of association in the right to establish an organization or a trade union that does not infringe on the constitutional order or violate human rights, to have access to public documents, to gather peacefully in protest, and to express opinions without impediment.<sup>21</sup> Legislative initiatives can be taken by the President, the government, deputies in the Assembly or in a petition signed by at least ten thousand citizens.<sup>22</sup> The constitution identifies roles for the key institutions in Kosovo’s Government: the Assembly (Chapter IV), the President (Chapter V), the Government (Chapter VI), the Justice System (Chapter VII), the Constitutional Court (Chapter VIII), Local Government (Chapter X), the Security Sector (Chapter XI) and Independent Institutions (Chapter XII). Among the independent

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13 Draft Strategy on Modernization of Public Administration, 2015-2020, Ministry of Public Administration, September 2015, p. 14, <http://www.kryeministri-ks.net/repository/docs/Strategy-for-Modernisation-of-PA-2015-2020.pdf> and

14 Law on the Civil Service of the Republic of Kosovo, Article 3, paragraph 1.

15 *Ibid.*, Article 5.

16 “Draft Strategy on Modernization of Public Administration, p. 14; and Kosovo Budget for the year 2018, p. 17. <http://www.kryeministri-ks.net/repository/docs/Strategy-for-Modernisation-of-PA-2015-2020.pdf>

17 Article 4, paragraph 1.

18 Article 3, paragraph 2.

19 Article 24, paragraph 2.

20 Article 61.

21 Articles 40, 41, 43 and 44.

22 Article 79.



institutions are the Office of the Ombudsperson, the Auditor General, the Central Election Commission, the Central Bank and the Independent Media Commission.

*The National Assembly:* Parliaments are a central organization in democratic governments. The Assembly of the Republic of Kosovo holds public sessions. It consists of 120 deputies, of which 20 seats “are guaranteed for representation of communities that are not in the majority in Kosovo...”<sup>23</sup> The constitution gives to the Assembly a central role in policy making. Among its many competencies, the Assembly:<sup>24</sup>

- adopts laws, resolutions and other general acts;
- amends the constitution with 2/3 of all deputies and 2/3 of deputies in reserved seats;
- announces referenda;
- ratifies international treaties;
- approves the budget;
- elects and may dismiss the President of the Republic;
- elects the government and expresses no confidence in it;
- oversees the work of the Government and other public institutions that report to it;
- elects members of the Kosovo Judicial Council and the Kosovo Prosecutorial Council;
- proposes judges for the Constitutional Court;
- oversees foreign and security policies;
- gives consent to the President’s decrees announcing a State of Emergency; and
- decides in regard to general interest issues as set forth by law.

In addition to the Assembly, national policy making is centered in the Office of the President,<sup>25</sup> Government<sup>26</sup> and Office of the Prime Minister,<sup>27</sup> which houses the Governance Coordination Secretariat, the Office of Good Governance, the Office on Budget and Finance, and many other coordinating offices and agencies.

*The Government:* As of February 2018, the Government is composed of 21 separate ministries including Foreign Affairs; Culture, Youth and Sports; Justice, Administration and local Self-Government; Education, Science and Technology; Finance, Agriculture; Environment and Spatial Planning; Trade and Industry; European Integration; Internal Affairs; Infrastructure; Health; Rural Development; Labor and Social Welfare; Kosovo Security Force and Internal Affairs, among many others. Among its many competencies, the Government:

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23 Article 64.

24 Article 65

25 See the Constitution, Article 84 for the President’s many competencies, and the President’s web site: <http://www.president-ksgov.net/en/home>

26 See the Constitution, Article 93, for the Government’s many competencies and its web site: <https://www.rks-gov.net/sq-al/pages/fillimi.aspx>

27 See the Constitution, Article 94 for the Prime Ministers many competencies and the Prime Minister’s web site: <http://www.kryeministri-ks.net/?page=2,1>



- proposes and implements the internal and foreign policies of the country;
- proposes draft laws and other acts to the Assembly;
- makes decisions and issues legal acts or regulations necessary for the implementation of laws;
- proposes the budget of the Republic of Kosovo;
- guides and oversees the work of administration bodies;
- guides the activities and the development of public services;
- proposes to the President of the Republic of Kosovo the appointment and dismissal of the heads of diplomatic missions of the Republic of Kosovo;
- proposes amendments to the Constitution; and
- may refer Constitutional questions to the Constitutional Court.

*Independent Institutions and Agencies:* Thirty independent institutions and agencies also play important roles in policy making. Chapter XII of the Constitution provides a basis for the Office of the Ombudsperson,<sup>28</sup> the Auditor General,<sup>29</sup> The Central Election Commission, the Central Bank of Kosovo, and the Independent Media Commission.<sup>30</sup> In addition, the independent agencies that are established by the Assembly also exercise their functions independently from any other authority in Kosovo and all other bodies “exercising legal authority” are “bound to cooperate with and respond to the requests” of these agencies.<sup>31</sup> Much of the policy making in Kosovo takes place in these agencies and public administration reform is engaged in codifying principles pertaining to the “establishment, organization, oversight, accountability, mandate, governance arrangements or the termination of agencies.”<sup>32</sup> These independent agencies make policy on key issues in Kosovo: the Tax Administration of Kosovo, Kosovo Correctional Service, Central Procurement Agency, Kosovo Intelligence Agency, Kosovo Security Council, Kosovo Judicial Institute, Kosovo Accreditation Agency, Kosovo Property Agency, Kosovo Prosecutorial Council, the National Audit Office, Radio Television Kosovo, and many others.

*Municipalities.* Finally, a range of institutions are active in policy making outside of central government institutions: Kosovo’s 38 municipalities vary greatly in size and population and deliver policy at the local level since, “Municipalities enjoy a high degree of local self-governance and encourage and ensure the active participation of all citizens in the decision making process of the municipal bodies.”<sup>33</sup>

<sup>28</sup> See the Constitution, Articles 132-135.

<sup>29</sup> See the Constitution, Articles 136-138.

<sup>30</sup> See the Constitution, Articles 139-141.

<sup>31</sup> See the Constitution, Article 142

<sup>32</sup> Ministry of Public Administration, “Review of Institutions and Agencies of the Assembly and Central Bodies of the Government,” December 2016. <https://map.rks-gov.net/getattachment/1d5a601b-3d46-4028-a5ad-b7ba07d9b109/Review-of-institutions-and-agencies-of-the-assembl.aspx>

<sup>33</sup> See the Constitution, Chapter X, the Law on Local Self-Government, [http://www.assembly-kosova.org/common/docs/ligjet/2008\\_03-L040\\_en.pdf](http://www.assembly-kosova.org/common/docs/ligjet/2008_03-L040_en.pdf), and the Ministry of Local Government Administration, <https://mapl.rks-gov.net/Home.aspx?lang=en-US> Also see Kosovo’s Strategy on Modernization of Public Administration, 2015-2020”: <http://www.kryeministri-ks.net/repository/docs/Strategy-for-Modernisation-of-PA-2015-2020.pdf> and “Kosovo’s Progress on Public Administration Reform,” May 15, 2018: [https://eeas.europa.eu/delegations/kosovo\\_en/44545/Kosovo’s%20progress%20on%20Public%20Administration%20Reform](https://eeas.europa.eu/delegations/kosovo_en/44545/Kosovo%20progress%20on%20Public%20Administration%20Reform)

*Judicial System.* The principle of separations of powers is enshrined in the Constitution: the Government is accountable to the Assembly in its work.<sup>34</sup> The Kosovo Judicial Council's remit is to "ensure the independence and impartiality of the judicial system."<sup>35</sup> The "Constitutional Court is the final authority" for interpreting the compliance of laws with the Constitution and it is "fully independent in the performance of its responsibilities."<sup>36</sup> And in practice, the Court has reviewed a broad range of legislation and policies passed by the Assembly, Government, Independent Agencies, and Municipalities upon referral.<sup>37</sup>

*Security Sector.* Kosovo's security sector "has authority over law enforcement, security, justice, public safety, intelligence, civil emergency response, and border control within its territory."<sup>38</sup> They are "to operate in full transparency and in accordance with internationally recognized democratic standards and human rights....shall reflect the ethnic diversity of the population of the Republic of Kosovo" and are subject to civilian and democratic control.<sup>39</sup>

There is a broad range of domestically organized think tanks, civil society organizations and NGOs who actively contribute to policy making throughout Kosovo. Among the more well-known such institutions are KIPRED, D4D, Forum 2015 of the KCSF, the GAP Institute, the Balkans Studies Group, KCSS, Aktiv, Group for Political and Legal Studies, Kosovo Women's Network, and many, many others, including those that work as partners to international NGOs and contractors who are financed by national governments and multilateral organizations. They sponsor forums, conduct policy-relevant research, work closely with government agencies, and publish individual studies and longer volumes.

Among the *international institutions* that are featured on the Government of Kosovo's web site are the EU Special Representative, KFOR, UNMIK, the European Rule of Law (EULEX) mission and others. They continue to work closely with domestic agencies in helping to shape individual policy areas and broader reforms of policy planning and coordination and to follow up with the implementation and evaluation of Kosovo public policy making.<sup>40</sup> International officials financed both by international organizations and by governments are employed in a variety of agencies and ministries in order to provide support and assistance to Kosovo institutions in policy making.

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34 See the Constitution, Articles 97 and 100.

35 See the Constitution, Article 108

36 See the Constitution, Chapter VIII

37 See the web site of the Constitutional Court: <http://gjk-ks.org/en/>

38 See the Constitution, Chapter XI, Article 125.

39 *Ibid.*

40 See, for example, the EU Special Representative: [https://eeas.europa.eu/delegations/kosovo\\_en](https://eeas.europa.eu/delegations/kosovo_en) and [https://eeas.europa.eu/delegations/kosovo/1386/about-eu-office-kosovo-eusr\\_en](https://eeas.europa.eu/delegations/kosovo/1386/about-eu-office-kosovo-eusr_en) and the EU Rule of Law Mission, EULEX: <http://www.eulex-kosovo.eu/?page=2,16>

# ELEMENTS OF POLICY MAKING

We now turn to some elements of policy making that will help us make sense of the policy making process and of the different stages of policy.

## POLICY COMMUNITIES

Public policy does not magically appear in the form of laws, regulations, directives, programs and evaluations. Individuals and groups work together professionally to identify problems, draft and implement policies, and to evaluate the effectiveness of policy making and impact of laws, regulations and other normative acts. The increasing complexity of contemporary issues, e.g., in energy, environment or security, can empower a wider range of actors with technical capacity to participate in policy making. There are many organizing metaphors from which to choose in identifying the diverse group of individuals that are professionally engaged in particular issues. For example, “iron triangles” or “sub-governments” refer to mutually supportive relationships between executive agencies, special interest lobbying organizations and legislative committees with jurisdiction over a specific functional area. These informal groups usually have a direct economic interest in the alliance and can dominate policymaking on those issues and present a united front to all “outsiders” who seek influence.<sup>41</sup>

We employ the metaphor of a “policy community” to describe “those primarily engaged in studying the policies and procedures being employed in an area, as well as administrators of the major agencies with operating programs....bureau chiefs and officials in operating agencies, academics and consultants...publishers or editors or professional journals...representatives from business firms that are major suppliers of goods and services employed in the area, members of legislative staffs and legislators...who specialize in the subject, and other elected officials and lobbyists with interest in the policies.”<sup>42</sup> It is not

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41 See Hugh Heclo, “Issue Networks and the Executive Establishment,” in Anthony King, ed., *The New American Political System*, (Washington, DC: American Enterprise Institute, p. 102; and Thurber, James A. “Political Power and Policy Subsystems in American Politics,” in B. Guy Peters and Bert A. Rockman (eds.), *Agenda for Excellence: Administering the State* (Chatham, NJ: Chatham House Publishers, 1996), pp. 76-104.

42 Jack Walker, “The Diffusion of Knowledge and Policy change: Toward a Theory of Agenda Setting,” University of Michigan, Institute of Public Policy discussion Paper, no. 55, pp. 4-5.

a formal institution or organization, but a ‘professional community’ involved in these issues and in this sense we could have used the term “issue network” just as easily.<sup>43</sup>

There is a ‘policy community’ in each of the policies discussed in subsequent chapters of this volume that emerge from ministries, agencies, local administration, political parties, non-governmental and civil society organizations, diplomatic missions and multilateral institutions, and media and research institutions. The diverse preferences within each policy community reflect the interests of individuals and groups, each of which brings a different set of assets (e.g., information, connections, and financing) and liabilities in addressing the issues at hand.

Individuals can be ‘members’ of multiple policy communities, e.g., policy communities on the environment and energy, or policy communities on policing and terrorism. Further, the shape and size of these communities can change over time depending on the importance of the issue. Policy communities on strategically central issues and problems are likely to be larger than are those addressing a problem that no longer commands central interest in a manner that reflects the broader priorities and financing of the government. Depending on the issue-at-hand, policy communities can be loosely or tightly organized. For example an intelligence or security policy community will be less open, more tightly knit, and less transparent than will be policy communities on economic development, education or health.

Membership in policy communities varies and the shape of such a community can appear to be informal in some ways since they often cut across executive and legislative agencies and across levels of government, to the business and civil society sectors, as well. However they are nonetheless very real. They generate “pure” and “applied” research on issues, e.g., on the extent to which human activity has generated climate change or on the effectiveness of alternative sources of energy against fossil fuel energies. Researchers and policy makers often work together in a symbiotic relationship that blends knowledge and practice. Advocacy organizations within and outside of government write assessments of “situations” and “problems” that are hindering development. They can draft proposals for legislation or evaluations of a policy area. They look to the government and to international donors for financial support where they will work with professionals in the policy area, as well. They will maintain contact with each other in the capital, with colleagues in municipal administrations and with colleagues in other countries at conferences and round tables and by email, skype and viber, in order to discuss what initiatives have been most successfully implemented under different conditions. They discuss and debate issues and policy problems with a goal of generating information for policy making on the issues of concern.

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<sup>43</sup> Heclo, “Issue Networks and the Executive Establishment.” It differs slightly from ‘communities of practice,’ which are: “groups of people who share a concern or a passion for something they do and learn how to do it better as they interact regularly.” See: <http://wenger-trayner.com/introduction-to-communities-of-practice/>

Individuals can work in the private sector, move to civil society and then again to government, all the time focusing on the same issue. So an understanding of how policy communities generate and diffuse ideas within governing networks and systems provides important insights into how ideas often are not confined to and “owned” by particular institutions and this can enable policy analysts and officials to work more effectively on the issues in which they have expertise.

## TYPES OF POLICY ISSUES

It is possible to examine policies systematically to develop a set of practices that can be applied in different situations. One useful test is to focus on the likely amount of conflict over a given policy. For example, Theodore Lowi famously claimed that “politics determine policies,” by which he meant that different types of issues fit into different “policy arenas” characterized by varying degrees of conflict or consensus in decision making.<sup>44</sup>

TABLE 1: **LOWI'S POLICY TYPES/ARENAS OF POWER**<sup>45</sup>

ARENAS OF POWER – POLICY TYPES					
Policy Type/ Arena	Primary Political Unit	Characteristics of Policy	Patterns of Interaction	Characteristics of Arena	Examples
1. Distributive	Individual, firm	Collective public provision	Log rolling, “unprincipled” alliances or uncommon interests	Consensual, no opposition, non- conflicting elite with support groups	Educational spending; military spending
2. Regulatory	Group	Competition for norms for behavior	Principled coalition, shared interests	Changing coalitions by costs & benefits; pluralistic, multi- centered	Protection of environment; tariffs; licensing; consumer protection; work safety
3a. Protection 3b. Interaction	Individuals 'without their institutions'	Foreign policy, normal administration	Team norms	Highly elitist, no internal conflict	World War II, everyday administrative action
4. Redistributive	Classes, movements, generations	Relation between costs and benefits obvious	“Peak Associations”,	Conflictual elite, polarization between winners and losers; ideological; elite and counter elite	Progressive taxation; social assistance; veterans assistance; social movement

<sup>44</sup> See, for example, Theodore Lowi, “Four Systems of Policy, Politics and choice,” *Public Administration Review*, vo. 33 (1971), pp. 298-310., and Lowi, “American Business, Public Policy, Case Studies and political Theory,” *World Politics*, vol 16 (1964), pp. 677-715; and Hubert Heinelt, “Do Policies Determine Politics?” *Handbook of Public Policy Analysis, Theory, Politics and Methods*, Frank Fischer, Gerald Miller and Mara Sidney, eds., (Boca Raton: CRC Press, 2007), pp. 109-119; and William Zimmerman, “Issue Area and Foreign-Policy Process: A Research Note in Search of a General Theory,” *American Political Science Review*, vol 67, no. 4 (1973), pp. 1204-1212.

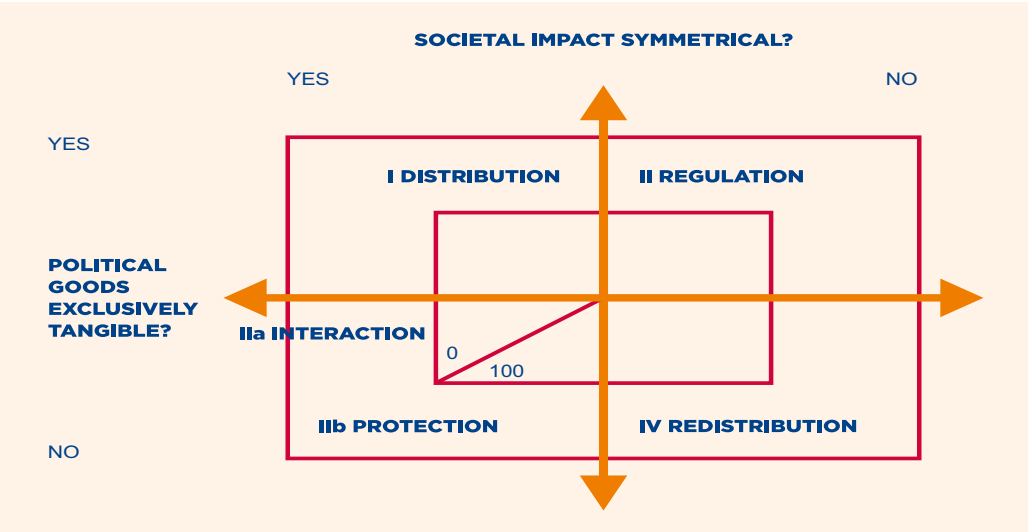
<sup>45</sup> From William Zimmerman, “Issue Area and Foreign Policy Process: A Research Note in Search of a General Theory,” *American Political Science Review*, vol 67, 4 (December 1973), p. 1206; and Hubert Heinelt, “Do Policies Determine Politics,” *Handbook of Public Policy Analysis, Theory, Politics and Methods*, Frank Fischer, Gerald Miller and Mara Sidney, eds., (Boca Raton: CRC Press, 2007), pp. 109-119.

Figure 1 shows four types of policies, each with specific characteristics. The first two policy types are concerned with tangible goods and benefits and the latter two also involve values. The other two dimensions, shown in Figure 1 are whether the impact on domestic groups is symmetrical. When considering whether the policies involve goods that are a.) exclusively tangible and b.) symmetrical or asymmetrical in their social impact, it is possible to derive four types of policy.

- *Distributive Policy* is relatively non-conflictual since all politically relevant players win to a lesser or greater extent. The goods of policy – such as financing for schools or military installations – are ‘distributed’ to all formally endowed players in the policy process. Some entities win greater amounts of financing and other entities win lesser amounts of financing, but all entities win something. This is neither ideologically principled nor based on a coherent set of values, but this process enables all key players to claim a ‘piece of the action’. It is quite popular with political decision makers who can claim to make cross-partisan deals that helps all parties ‘win’. *Distributive policy has a symmetrical impact on citizens and is not concerned at all with values but exclusively with tangible goods.*
- *Regulatory Policy* is more conflictual than *distributive policy* because some groups win and other groups lose. A major electric plant must be located somewhere and thereby create a certain number of jobs in that area instead of somewhere else. The high fixed investment in such a plant means that it is not possible to distribute this good to all players, so some win and some lose. High tariffs on certain types of goods hurt consumers of those goods by raising prices and helps domestic producers of those goods by ensuring that they can compete with international competition. Raising tariffs on steel and aluminum will help those manufacturers compete against less expensive imports while it will compel consumers to pay a higher price for goods produced with steel and aluminum. *Regulatory Policy is only concerned with tangible goods, but has an asymmetrical impact on citizens: some groups win and other groups lose.*
- *Protection/Interaction* refers to the highest and lowest degree of conflict, yet neither is solely concerned with tangible resources. *Interaction* involves policy matters on which there is no conflict at all and which assume a common commitment to procedural norms, e.g., obtaining an ID card or drivers’ license: while they do not involve resource allocation, they do reflect the shared values of all individuals in a particular country. On the other hand, *Protection* involves *issues in which all citizens share a common interest that emerge from non-tangible goods*, i.e., values, and in which they are all in the same boat, such as a national war in which everyone will win or lose together, thereby mitigating internal dissension and conflict on these issues. *The impact of policies associated with protection and interaction is symmetrical on all social groups and these policies are embedded in a set of common values.*
- *Redistributive Policy* presents a potentially risky arena of power for policy makers. Since its impact is asymmetrical on all groups of citizens, there are winners and

losers. Further, it intimately involves values that can be deeply felt. Some examples: the construction of an energy plant that pollutes the region where it operates; tax policies in which the ‘working poor’ bear the burden for gains by the ‘well-heeled’; tax policies in which the ‘well-heeled’ are taxed to pay for social or health programs for the ‘working poor’; immigration policies that restrict certain classes and favor other classes of people; social and political movements for collective human rights based on gender, ethnicity, race or sexual preference that appear to threaten the self-perceived position of other groups; or an anti-war movement where the younger generation is asked to sacrifice collectively for ‘national security’ that remains unclear to the generation that makes the sacrifice. *Redistributive policy can lead to the breakdown or dissolution of heterogeneous political communities when the values and goods at stake are sufficiently high so as to lead different social or ethnic groups in society to ignore the common ground among them to seek separation and independence.*

FIGURE 1: **ISSUE-BASED POLICY PARADIGM**



Policy makers typically prefer to remain in arenas of lower conflict when possible and in arenas where values are shared by the overwhelming majority in society, but this is not always possible. It is possible to design a system where no one set of parties always win in regulatory policy. However, it is not always possible to find the ‘win-win’ trade-off among different groups with deeply held and contentious claims for territory. An awareness of what is at stake in policy can assist decision makers in Kosovo to frame policies that avoid fractious conflict and/or socio-political unrest that is associated with certain kinds of redistributive policy making. They can use their knowledge of the circumstances over the issues to search for common interests and mutual gains among diverse groups in society even on very difficult issues.



## THE “ISSUE ATTENTION CYCLE”

The importance of a policy issue generally changes over time – as the degree of conflict and the stakes of a social problem evolves. Awareness of an ‘issue-attention cycle’ can enhance the search for solutions at all stages of policy making. Anthony Downs’ insightful analysis of US policy making on the environment<sup>46</sup> identifies five stages to the cycle:

1. At the *pre-problem stage*, an undesirable social condition has not yet captured public attention and the conditions can be seriously harmful to a particular part of the population, as in the deprivation of human rights, poverty, or malnutrition.
2. At the stage of ‘*alarmed discovery and euphoric enthusiasm*’, a dramatic series of events – e.g., violent demonstrations, major terrorist attack, earthquake or major storm – makes the public and decision makers suddenly aware of and alarmed at the “evils of a particular problem.” This alarmed discovery is usually accompanied by great motivation to “do something effective to solve this problem” once and for all. At this moment, the optimism that these obstacles pose to progress can be overcome without any fundamental reordering of society if only sufficient effort is devoted to the matter.
3. At the next stage of ‘*realizing the cost of significant progress*’, policy makers see that costs of “solving the problem” is not only expensive but would require major sacrifices of large groups in the population. For example, the problem of traffic congestion greatly increases air pollution at the same time that it increases the individual mobility of citizens. Or powerful American investment firms realize that a consumer protection agency takes steps that reduce their levels of profit, which leads them to organize a campaign to shift attention away from the fate of individual investors and towards lowering the costs of doing business and of maintaining a substantial rate of profits over and against “bureaucratic impediments.”
4. At the stage of *gradual decline of public interest*, public fatigue with the problem sets in as new ‘problems’ emerge to compete for interest and public resources. For example, as efforts to protect consumers from predatory investment schemes that led to the Wall Street crash of 2008 and to eradicate socio-economic inequality fall prey to the realization of the costs and sacrifices of the powerful supporters and constituents of the government, attention of policy makers to inequality becomes increasingly difficult and they shift to other problems.
5. In the final, *post-problem stage*, the institutions that were created at Stage 2 maintain their operations and often succeed in addressing important aspects of the problem notwithstanding a decline in funding for these programs.

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46 Anthony Downs, “Up and Down with Ecology – the ‘issue attention cycle,’” *Public interest*, vol. 28 (1972), pp. 38-50.



The type of policy making activity on such an issue evolves over time – as can be seen in the phenomenon of ‘donor fatigue’ in developing countries.<sup>47</sup> Following a period in which international donors provide abundant resources to address problems relating to recovery from a natural disaster or internal war and express great commitment to addressing the difficulties, they tire of the difficulties in completing the task fully. So their attention turns to new and urgent humanitarian crises or conflicts, which lead them to decrease funding and support for the initial crisis.

An awareness of the issue attention cycle draws attention to the ways in which the objective impact of a problem on society can be separated from the way in which an issue is perceived and the formal attention it gets by policy makers and the public. It also enables domestic policy makers to adapt to the changing levels of funding to address specific policy problems.

### **Illustrative Case Study in Agenda Setting: Poisoned Water in Flint, Michigan, USA**

*The recent water crisis in Flint, Michigan (USA), known sometimes as ‘Buick Town’, provides a good illustration of many of the policy elements and processes that are discussed in this chapter and in this book. Flint lies about 110 kilometers northwest of Detroit and is a typical ‘rust belt’ U.S. city where the decline of manufacturing jobs in the automobile industry in the 1980s led the once prosperous city into bankruptcy by 2011.<sup>48</sup> Its population had dropped from almost 200,000 in 1960 to approximately 90,000 people in 2014, with a racial composition of 57% black and 37% white. The US Census Bureau estimated that 45 percent of Flint residents lived below the poverty line in 2016, and the city ranked first in childhood poverty: an estimated 58 percent of Flint residents under the age of 18 live below the poverty line compared to a national average of 18 percent.<sup>49</sup> After Flint fell deeply into debt, the state of Michigan appointed an emergency manager to take over budgetary control in 2011 with a remit to cut the budget at any cost. This led to decisions aimed at cutting operating costs in the municipality that had a substantial and dramatic down side:*

### **Chronology of the Water Crisis in Flint, Michigan USA**

- *April, 2014: the emergency manager decided to switch the supply of water from Lake Huron near Detroit to the Flint River for a period of two years when new pipes to Lake*

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47 See for example, “UN Makes Biggest Appeal Ever Amid Fears of Compassion Fatigue,” The Guardian, December 4, 2016, <https://www.theguardian.com/world/2016/dec/04/un-biggest-aid-appeal-fears-of-compassion-fatigue>

48 See Holly Yan, “Flint water crisis: How years of problems led to lead poisoning,” <https://www.cnn.com/2016/01/20/health/flint-water-crisis-timeline/index.html>

49 Julie Mack, “Flint is the Poorest City, based on the Latest Census Data,” MLive, September 19, 2017, [http://www.mlive.com/news/index.ssf/2017/09/flint\\_is\\_nations\\_poorest\\_city.html](http://www.mlive.com/news/index.ssf/2017/09/flint_is_nations_poorest_city.html)

Huron near Flint would be ready. This was projected to save \$19 million. A decision was also made not to treat the water from the Flint River with an anti-corrosion agent to protect the lead pipes from the corrosion that would enable poisonous lead to seep into the water. This treatment would cost \$100 per day.

- May 2014: residents began to complain about the smell, taste and appearance of the water, and raise health concerns, reporting rashes, hair loss and other problems.
- January 2015: the city of Detroit offered to re-hook up Flint to its previous water system at no additional cost for the hook up. Flint managers refused because of the \$1 million per month cost of the water and they insisted that the water was healthy.
- July 2015: a leaked EPA (Environmental Protection Agency) memo highlighted the lead poisoning in one household, but the regional EPA administrator said it was “premature” to draw conclusions.
- September 2015: state officials disputed the findings of two reports, which drew attention to the radically increasing lead levels in Flint’s water. One was from a study by Virginia Tech University and the other from a research team led by a local pediatrician.<sup>50</sup> State officials complained that these reports created unnecessary panic among the public.
- October 2015: the Director of the Michigan Department of Environmental Quality admits that they “made a mistake” in Flint and Governor of Michigan decides to re-hook Flint to Detroit’s water supply. Researchers indicate that elevated lead levels in Flint’s water remains.
- In November 2015: Flint residents file a class action law suit against the Governor, the State of Michigan, the City of Flint and other defendants for not using the anti-corrosion agent.
- January 2016: The Governor of Michigan asks for help from Federal Government and says “I am sorry, I will fix it.”
- January – December 2016: the Government of the State of Michigan begins providing free bottled water to all residents in Flint; resignation of several federal and state environmental officials, not including the Governor; e-mails indicate that Governor’s staff knew of the problems; the Republican majority in Congress opposes federal relief; President Obama visits Flint and drinks the water at a public town hall meeting to build confidence; the state provides less support than it will cost to replace the lead pipes in Flint; a Federal Judge orders that all families in Flint have the right to free bottled water; several court cases are launched: felony charges against malfeasance of individual officials and class action on behalf of residents.
- January –July 2017: Michigan Department of Environmental Quality issues a report indicating that lead levels are now within “acceptable levels” in Flint; Michigan Civil

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<sup>50</sup> See an interview with Dr. Mona Hanna Attisha: <https://www.npr.org/sections/health-shots/2018/06/25/623126968/pediatrician-who-exposed-flint-water-crisis-shares-her-story-of-resistance>

*Rights Commission issues a report claiming that “deeply embedded institutional, systemic and historical racism” contributed to the decision to switch the water sources in 2014. The Governor takes a decision to change the water lines, and more indictments for malfeasance are issued.*

- *April 2018: Michigan’s Governor declares that “the scientific data now proves the water system is stable and the need for bottled water has ended” and the state ceases to provide bottled water over the objections of local officials and residents.<sup>51</sup>*
- *By 2017, many US cities had discovered water poisoning as bad as or worse than that in Flint as a result of the policy drama in Flint.<sup>52</sup>*

This short summary of policy making over a water crisis in Flint, Michigan illustrates many of the broader processes in ‘normal’ policy making, e.g., agenda setting; the issue attention cycle; the way in which problems and policies diffuse from one government to another; and how state, federal, judicial, executive, and legislative participate in policy making. It demonstrates larger problems of policy making in the consequences of bad decisions that will not be fully known for decades and in how Flint’s residents may have lost faith in the government officials who are meant to represent and serve them<sup>53</sup>

There are similar cases in Kosovo – as in the lead poisoning in the Roma mahalla in Mitrovica. After 8,000 people from the Roma, Ashkali, and Egyptian minorities were forced from their homes, UNMIK resettled about 600 of the Roma in camps contaminated by lead from a nearby industrial mine. In 2016, a UN human rights advisory panel found that the United Nations Interim Administration Mission in Kosovo (UNMIK) had violated those people’s rights to life and health.<sup>54</sup> It said that UNMIK “was made aware of the health risks [camp residents] had been exposed to since November 2000,” yet failed to relocate them to a safe environment until more than 10 years later and recommended it apologize and pay individual compensation.<sup>55</sup> It will be useful to keep these examples in mind as we turn to policy processes and to the stages of policy making.

51 JaceyFortin, “MichiganwillnolongerprovidefreebottledwatertoFlint,” *New York Times*, April 8, 2018: [https://www.nytimes.com/2018/04/08/us/flint-water-bottles.html?emc=edit\\_th\\_180409&nl=todaysheadlines&nlid=172350380409](https://www.nytimes.com/2018/04/08/us/flint-water-bottles.html?emc=edit_th_180409&nl=todaysheadlines&nlid=172350380409)

52 M.B Pell and Joshua Schneyer, “The thousands of U.S. locales where lead poisoning is worse than in Flint,” Reuters, December 19, 2016, <https://www.reuters.com/investigates/special-report/usa-lead-testing/> , Nick Fox “Thousands of US Cities Have Worse Lead Problems than Flint,” Labors’ Health and Safety Fund of North Amnerica, February, 2017, <https://www.lhsfna.org/index.cfm/lifelines/february-2017/thousands-of-u-s-cities-have-worse-lead-problems-than-flint/>

53 See Flint Residents’ Broken Faith: ‘The People We Trusted Failed Us’, National Public Radio, February 10, 2016, <https://www.npr.org/2016/02/10/466278433/flint-residents-broken-faith-the-people-we-trusted-failed-us> and

54 UN Human Rights Advisory Panel, Case No. 26/08, 26 February 2016, <http://www.unmikonline.org/hrap/Eng/Cases%20Eng/26-08%20NM%20etal%20Opinion%20FINAL%2026feb16.pdf>

55 “Kosovo’s Roma are still struggling with lead-poisoning suffered in UN camps,” August 6, 2017, <https://www.pri.org/stories/2017-08-06/kosovos-roma-are-still-struggling-lead-poisoning-suffered-un-camps> and UN: Compensate Kosovo Lead Poisoning Victims, Human Rights Watch, September 7, 2017, <https://www.hrw.org/news/2017/09/07/un-compensate-kosovo-lead-poisoning-victims>

# THE POLICY PROCESS

## MODELS OF THE POLICY PROCESS

There are different ways to think about how policy is made. Academics and practitioners have looked to approaches from the fields of economics, sociology and psychology on the practice of policy making to find metaphors and patterns for public policy. Approaches focus on ‘rational decision making’, ‘incrementalism’ and ‘organizational processes’, ‘bureaucratic politics’ and ‘garbage can decision making’ are common and useful lenses to the policy process. Each model provides a coherent explanation for different stages of the policy cycle: agenda setting, policy formulation and implementation. While each one provides insights into different parts of the policy process, no one image can wholly explain how policy is made in all policy types and at each stage of policy making or account for all dimensions of policy making. Consequently, it is helpful to consider which models are useful in which circumstances of policy making.<sup>56</sup>

### Rational Decision Making

In one way, we can think of rational decision making as part of our “furniture of the mind,” a comfortable way in which we think about how policy is made.<sup>57</sup> It presents policy making as a linear sequence of discrete and logically made decisions by value-maximizing officials. From the discipline of classical economics, it presumes that individuals possess fixed preferences and values that enable them both to identify organizational objectives and to seek to maximize the attainment of those objectives under all circumstances. The government is placed in a “black box” and acts as a unitary, value-maximizing actor. The appearance of a “problem” that impedes the achievement of those objectives will set policy making in motion: the rational actor (the government) assesses the significance and implications of the problem; takes time to identify a set of all likely options; evaluates each of them in some detail according to a set of objective criteria that emerge from its own preferences and values; weighs the separate costs and benefits from each option; and then selects the option or policy alternative that best enables the government to maximize its values.<sup>58</sup>

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56 Much of the below is taken from two classic studies: Taken from Graham Allison, *Essence of Decision* and John Kingdon, *Agendas, Alternatives and Public Policy*

57 Bob Nakamura in a personal communication

58 An excellent summary of the classic literature here is in Graham Allison, *Essence of Decision*.....

The following are key features of rational decision making:

- policy making is the national government's response to a strategic problem;
- policy makers have sufficient resources, including time and attention span, to identify and evaluate all alternatives;
- the selection of a policy is a one-time, discrete event; and
- the policy makers have employed a version of cost-benefit analysis and selected the alternative with the greatest pay-off.<sup>59</sup>

In practice, policy making frequently departs from rational decision making, especially on issues that fall under expensive, strategic and “synoptic” choices, such as the design of a national road network, the decision to adopt a new system of energy provision or waste recycling, a decision to adopt a weapons system, etc. However, in most areas of policy, decision makers are not in the position to identify and examine every possible option in detail as they are frequently too busy and distracted with other important and urgent matters. They are often forced to make decisions ‘on-the-fly’ based on incomplete information, and cannot always predict the unintended consequences of a particular action. Rational decision making is stymied by power that is dispersed from the office of a senior decision maker to many subordinates who pick up the slack, by the high costs of acquiring useful information, or by the absence of time to do a proper analysis of all possible policy options. In the words of Nobel-Prize winning economist Herbert Simon, policy makers often “satisfice” by settling for the first satisfactory solution, one that appears to be acceptable.<sup>60</sup> This leads us to consider the other three images of the policy process that depart from the optimizing assumptions of rational decision making.

### **Incrementalism, Organizational Processes and ‘Muddling Through’**

Policy makers generally consider alternatives that only marginally depart from previous public policies. They make small, incremental changes to current activities based on options that are well understood and that are economically and politically feasible to policy makers and administrators. Political scientist Charles Lindblom referred to this process as incrementalism or the “science of muddling through.”<sup>61</sup> The inertia and standard operating procedures (SOPs) that typically characterize government bureaucracies make it more difficult to make sweeping changes in government policy. There is usually a stable set of participants in different agencies, ministries, and the civil society organizations that make up the policy community, and policy makers accept the limits on their capacity to collect information and to make big or synoptic changes in policy.

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59 See, for example, A.E. Boardman, D.H. Greenberg, A.R. Vining and D.L. Weimer, *Cost-Benefit Analysis, Concepts and Practice*, 2<sup>nd</sup> Edition (Upper Saddle River, NJ: Prentice Hall, 2001).

60 *Administrative Behavior: A Study of Decision-Making Processes in Administrative Organization* (New York: Macmillan, 1947).

61 Lindblom, C.E. (1959). The Science of “Muddling Through.” *Public Administration Review*, 19, 2, pp. 79-88.

‘Organizational processes’ would predict that current policies and budgets are marginally adjusted annually as long as no major crisis drastically upsets the system. A ‘government’ sits on top of a set of loosely allied ministries, local governments, and agencies. Each unit or organization has its parochial priorities, and the missions of sub-divisions within ministries are often more relevant to their staff than is the mission of the larger ministry. Policy makers focus on the priorities of these units and they seek stability in budgets and operating procedures that will not ‘upset the office cart’ and that will enable them to continue with their SOP.

Most policy makers find incrementalism a practical way to pursue necessary policy reforms as the public’s attention focuses on a range of current issues and problems that are handled sequentially rather than on radical ‘harebrained schemes’ involving changes that can lead to great uncertainty over the conditions in the administrative organization of the agency or the ministry. On one hand, incrementalism leads to slow change and organizational learning, but gradual changes can also lead to a pluralistic, adaptive policy development and management process. The budget in any given year reflects the budget of the previous year most of all: in  $T=T-1$ .

## Bureaucratic Politics

A variant of the organizational process approach focuses on the political negotiations over policy priorities that frequently characterize policy making. This model focuses on the leaders of ministries, agencies, the assembly, political parties, diplomatic community and other influential actors in Kosovo. In addition to their own agencies, these individuals are representing themselves and their own interests as political players. In this image, policy makers engage in negotiations and deal making, and deliver compromises among the power positions promoted within these agencies. And they may be as concerned for their own position as for that of their agency or of the larger government. Where the rational model looks at systematic planning and testing as a process and the organizational process model looks at the avoidance of uncertainty and incremental adjustments to policy, the bureaucratic politics model looks to negotiations and deal-making among powerful brokers in political life. Many big choices in public are subject to negotiations among leaders of parties, committees, ministries, the assembly, the government, international missions and embassies, and others.

Two points are relevant. First, public servants in the policy communities typically do not participate directly in these negotiations – but do provide information and other kinds of support to their leaders who do participate in this kind of policy making. Second, this type of policy making may fall outside the normative range of a text book process of policy making by explicitly inserting political bargaining into policy making and by bringing in personal and organizational interests that are not part of the issues at hand.<sup>62</sup> However, because it provides a realistic image of a particular type of policy process,

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<sup>62</sup> Robert Nakamura, “The Textbook Policy Process and Implementation Research,” *Policy Studies Review*, vo. 7, no. 1, pp. 142-154.

public servants can better understand how they can contribute and improve the quality of this type of decision making.

## Organized Anarchies and Garbage Can Decision Making

A fourth approach to policy making that departs from rational decision making employs the metaphors of ‘organized anarchies’ and ‘garbage can decision making’ from organization theory, and has been applied to the US Congress, Yugoslav policy making, peace operations, etc. In this environment, organizations have problematic preferences, unclear technology and fluid participation.<sup>63</sup> One way of taking this idea that was originally applied to universities and other organizations to create a functioning policy making system is to highlight the following elements of a policy making system:

*The absence of a single compelling central authoritative policy maker.* Among the key actors are domestic and international state and non-state institutions, as well as multi-lateral organizations and financial organizations. Each has distinct values, objectives, strategies and tactics. Further, there is *no stability of personnel*. The senior international and local policy makers change routinely via elections, limited-term diplomatic appointments and deployments, and evolving mandates of multi-lateral institutions. This leads to little historical memory of relatively recent events, and little institutional memory of past policies and practices. In post- conflict governments, such as that of Kosovo, less effort is devoted to understanding the broader context in which policy making takes place than is devoted to ensuring that the Government is “on track” to meet its benchmarks of progress.

*Attention to problems is not constant.* Policy makers turn to broader trends that are tracked in key indicators in a policy area, especially when these trends are dramatized by a random public ‘crisis’. So recent shooting spree at US high schools place the issue of ‘gun control’ in the center of U.S. attention.<sup>64</sup> A Kosovo jihadist’s beheading of a captive soldier in Syria gives powerful meaning to the approximately 300 Kosovars who joined ISIS.<sup>65</sup> *Powerful actors are frequently ‘weak’*: although international actors – embassies, donors and multi-lateral missions – command many more financial, organizational and political resources than do domestic actors in government and civil society, they are relatively loosely knit

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63 See, for example, Michael Cohen, James March and Johan Olson, “A Garbage Can Model of Organizational Choice,” *Administrative Science Quarterly* vol. 17, No. 1 (March 1972), pp. 1-25; John Kingdon, *Agendas, Alternatives and Public Policy* (2<sup>nd</sup> edition, Longman, 2013); Mark Baskin, “The Evolution of Policy Communities in Socialist Yugoslavia: the Case of Worker Migration Abroad,” *Governance* vol 2, No. 1 (January, 1989); and Michael Lipson, “A Garbage Can Model of UN Peacekeeping,” *Global Governance*, vol 13 (2007), pp. 79-97 provides a good, recent summary of the literature.

64 See, for example, Malcolm Gladwell, “Thresholds of Violence, How School Shootings Spread,” *New Yorker*, October 19, 2015, <https://www.newyorker.com/magazine/2015/10/19/thresholds-of-violence>

65 Besar Likmeta, and Nektar Zogjan, “Jihadist’s Beheading Photos Shock Kosovo,” July 31, 2014, <http://www.balkaninsight.com/en/article/albanian-jihadists-beheading-photos-spark-outrage>



and less coherent than are their domestic partners and are not formally endowed to make policy in most areas of government since 2008. All actors must contend with the unintended consequences of ill-fitting policies at each step of the way.

In organized anarchies, policy is made in “choice opportunities” that are determined by the SOP (standard operating procedure) of the government for drafting a ‘strategy’ or passing legislation. Policy making takes place haphazardly by ‘flight,’ i.e., by delaying a difficult decision for later and attaching it to another ‘choice opportunity’ down the road. Or they make decisions by ‘oversight,’ which means to avoid the problem altogether in practice. The result is that many problems are addressed and not solved at all, and policy making involves the maintenance of organizations more than an opportunity to solve social and other problems.

Post-conflict organized anarchies are especially complex for multinational deployments and the weakness of unified structures of authority in the policy making theater. In such organized anarchies, policy making takes place in three streams: a search for problems, a search for policies, and politics which involves changing personnel. Each of these streams follows a distinct logic. For example, in the *problem stream*, some NGOs, ministries, foreign governments and multilateral missions look for certain types of problems, e.g., human rights, security, gender equality, that are seen as important in a government’s progress towards democratic consolidation. They measure the success of policy making on the way these issues are treated in formulation of legislation and in practice. Over the years, for example, the European Center for Minority Issues has developed substantial expertise on issues concerning communities and identity in Kosovo and applies these dimensions to all public problems in Kosovo. Policy makers can trace ‘problems’ by trends in statistics, e.g., growth in unemployment; increases in numbers of migrants entering or leaving the country; overall economic growth; numbers of citizens who depart for Syria to fight for ISIS; the scores on a global exam measuring educational achievement, such as the PISA exams; the increases or decreases in objective measures of air pollution; the numbers recorded of illegal construction; and many other types of summary statistics.

In the *policy stream*, many of the same organizations promote particular solutions, based on global standards for human rights, the application of market principles to economic development, the rights of individuals to self-expression, and the like. Policy organizations generally promote their ‘pet solutions and policies’ to all problems, as would an entrepreneur. Other organizations promote ‘policies’ that emerge from putative global best practices. A number of NGOs in Kosovo deal explicitly with mediation and reconciliation, security studies, economic stability, etc. (e.g., harmonizing the university with the economy, anti-corruption strategies, mediation and reconciliation, ethnic balance, macroeconomic stability). Each of these policies can be applied to a broad range of policy problems. The policy entrepreneurs who promote solutions, such as anti-corruption or mediation and reconciliation, seek to address problems with familiar (to them) technologies and thereby remain active in the policy area.



Choice opportunities – or what John Kingdon called “windows of opportunity” – are provided by politics.<sup>66</sup> Elections and appointments change the ‘people in the room’ of policy making. These new governments, different parties, and different office-holders, will invariably promote slightly different priorities, will display different styles of decision making and propensity to make deals. In Kosovo, a new group of senior diplomats in key embassies and multilateral missions could reflect changes in the interpretation of mandates. The preferences of a minister from AAK will differ from those from PDK even when they are both from the same Government. A ‘window of opportunity’ is opened by a dramatic ‘focusing event’, or crisis. This can include violent demonstrations, a major weather disaster causing severe damage, a terrorist attack, the assassination of a political leader, or a mass killing in a high school. These ‘focusing events’ cause the separate streams of problems, solutions and politics to come together into a ‘garbage can’ that provides the opportunity for whatever is currently percolating in the policy community to be adopted as a new policy.

Some examples of garbage can decision making: following the 9/11 terrorist attacks in New York City and Washington, D.C., American policy makers turned to security and anti-terrorism issues, which provided a new broader paradigm, or framework, for policy making. The March 2004 violence in Kosovo led to the drafting of the Ahtisaari Plan that contained many standard elements from international diplomatic and development practice. The beheading of a soldier cited above led to the substantial enhancement of the ‘anti-terrorism’ policy community in Kosovo. As Kingdon has observed, “decisions are made by those in the room at the time,” and there can be a “poor fit between problems and solutions” that are traveling on different tracks and have been momentarily coupled.

Public servants and activists do well to understand the logic of all five approaches to policy making: rational decision making, ‘muddling through’ (incrementalism), organizational processes, bureaucratic politics and organized anarchies. The elements of each model provide a good handle for different aspects of policy making and/or stages of policy making to which we now turn: agenda setting, policy formulation, implementation, and monitoring and evaluation. An understanding of these process will illuminate ways in which public servants can overcome inertia and take constructive initiatives in order to make policy that is in the interests of the citizens being served.

Table 2 summarizes types (or models) of public policy processes. Each one highlights aspects of real-life decision making in practice, while some sorts of policy areas lend themselves more readily to one or another of the policy making models.

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66 John Kingdon, *Agendas, Alternatives and Public Policy*. Boston: Little, Brown & Co., 1984

TABLE 2: **MODELS OF DECISION MAKING**

	<b>Model 1: Rational Decision Making</b>	<b>Model 2: Organizational Processes</b>	<b>Model 3: Bureaucratic Politics</b>	<b>Model 4: Organized Anarchy</b>
<b>Chief Actors</b>	Government, Prime Minister, President	Bureaucracy/ administration	Political actors, organizational leaders	Government, policy communities
<b>Main Process</b>	Value-maximizing decision	T=T-1	Negotiation	Searches for problems, policies; politics; choice opportunities
<b>Role of Public Servant</b>	Problem identification, policy research, devising options, information on options	SOP, uncertainty avoidance, Problem Management	Information on negotiations, other players, and on issues to link to problem-at-hand	Generating information, framing and re-framing problems and policies
<b>Outcome</b>	Synoptic decision	Organizational Design/ incrementalism	Political deal	Decisions by flight and oversight or by coupling 'problems' and 'policies'

Taken from Graham Allison, *Essence of Decision*, and John Kingdon, *Agendas, Alternatives and Public Policies*, and Cohen, March and Olson, "A Garbage Can Model of Decision Making"

## THE POLICY CYCLE

We tend to think of the policy cycle as a linear sequence of decision making that moves from agenda setting, to policy formulation, to implementation, to monitoring and evaluation, and policy termination.<sup>67</sup> Traditionally, there was a sense in which the politics of the legislative process gave way to the administration in policy implementation, evaluation and termination of policies. Whilst the boundaries between these stages of policy making are usually rather fluid in practice, it is nonetheless useful to survey the stages of agenda setting, policy formulation, implementation, and monitoring and evaluation to grasp more fully the dimensions of the policy process.

### Agenda Setting

The agenda is the list of subjects to which government officials and people close to them pay serious attention. As Thomas Birkland explains, it is the process by which problems and alternative solutions gain or lose public and elite attention. It is the collection of problems, understandings of causes, symbols, solutions and other elements of public problems that come to the attention of members of the public and their governmental officials. All organizations and levels of government have an agenda or collection of issues that are available for discussion and that are actively being considered.<sup>68</sup> There are many

<sup>67</sup> Werner Jann and Kai Wegrich, "Theories of the Policy Cycle," *Handbook of Public Policy Analysis, Theory, Politics and Methods*, Frank Fischer, Gerald Miller and Mara Sidney, eds., (Boca Raton: CRC Press, 2007), pp. 43-62

<sup>68</sup> Thomas Birkland, "Agenda Setting in Public Policy," *Handbook of Public Policy Analysis* pp. 63. (63-77)

dimensions to this selection process of issues under consideration: should the issue be decided upon in municipal or central government or by the executive, legislature or the courts? How is a “situation” redefined into a problem to be considered by policy makers. As we saw in the case in Flint Michigan (pp. 31-33 above), it took almost two years for policy makers from the state and federal governments to address the issue of lead poisoning in the water notwithstanding the efforts to place this in a central place on policy agendas. And the nationally publicized crisis in Flint led groups in many other areas to discover similar problems with lead poisoning in water. The issue of equal education for African Americans lingered for well over a half century before the U.S. Supreme Court’s decision on *Brown vs. the Board of Education* in 1954 overruling the “separate but equal” principle set forth in the 1896 *Plessy v. Ferguson* case.<sup>69</sup> There are many similar human rights issues in Kosovo’s history over the past 100 years.

The understanding of agenda setting as a ‘problem’ in democratic practice came from Peter Bacharach and Morton Baratz’s seminal discussion on the ‘two faces of power’: the first is the ‘coercive power’ of actor A to compel actor B to do things she would not otherwise do, and the second is when A devotes energies to “creating or reinforcing social and political values and institutional practices that limit the scope of the political process to public consideration of only those issues which are comparatively innocuous to A. To the extent that A succeeds in doing this, B is prevented, for all practical purposes, from bringing to the agenda any issues that might, in their resolution, be seriously detrimental to A’s set of preferences.” This leads to the taking of ‘non-decisions’ or decisions to consider only ‘safe’ issues.<sup>70</sup>

This effective ‘mobilization of bias’ against the interests associated with a given issue has led activist proponents of social causes to expand the level of conflict in order to place the issue on government decision making agendas. This is part of an *outside initiative* pattern of agenda setting where the government is forced to place the issue on government agendas from a movement’s success in mobilizing rising public support for an issue. On potentially less dramatic issues, tariffs or subsidies for agriculture, some interests with access to government agencies can place issues on agendas in an *inside-initiative* pattern of agenda setting with little influence from the public in what is a more ‘hidden’ form of agenda setting. In addition, government actors can place an issue on the agenda where public support is already high, as in German unification, for example.<sup>71</sup>

Analysts and activists in policy communities play a substantial role in agenda setting. Their research and analysis can help redefine and transform a ‘situation’ into a significant

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69 “*Brown v. Board of Education*,” 1954, <https://www.ourdocuments.gov/doc.php?flash=false&doc=87> Prior to the 1954 decision on ‘Brown,’ educational systems could be racially segregated in the U.S., but this was shown to be part of a pattern of discrimination in which minorities were not afforded an education at the same standards as that of the majority white population in US communities.

70 Bacharach and Baratz, 1962, *The Two Faces of Power*, *American Political Science Review*, vol. 56, no. 4 (1962), p. 948.

71 Jann and Wegreich, pp. 46-47.

‘social problem’ requiring public redress. Policy makers can draw attention to these problems by financing research, holding public hearings and creating organizations devoted to a specific social problem. Some situations, e.g., the fleeing of migrants from the war in Syria, are easily transformed into dramatic public problems. In turn, different governments have addressed the issue of migration differently: in 2015, the German Government welcomed around a million refugees, whilst the Hungarian Government erected walls to keep them out. Over the past four years, liberal Europeans have viewed migration as an opportunity for humanitarian assistance and populist Europeans have considered it a threat to national survival. Policy makers in each group look for strategic opportunities and venues – local, national, regional – to promote their perspective. They will advance their tried and true approaches to the problem; mobilize reliable constituencies in support of their perspective and approach allies in neighboring countries and in international organizations for support. Winning a place on the agenda is the first step in the policy making stream.

## Policy Formulation and Decision Making

At the stage of policy formulation, problems and issues are turned into policies – in the form of strategies, operation plans, legislation, regulations and other normative acts. Eugene Bardach has outlined an oft-used and practical approach in U.S. graduate programs of public administration and public policy that identifies eight steps in the process of policy formulation.<sup>72</sup> It provides a thoughtful roadmap through the thickets of formulating effective policies to address problems at all levels of government. In steps 1 through 4, analysts define the problem and a method for addressing it, and in steps 5 through 8 they complete the analysis, make a decision, and then market the policy recommendation to key policy makers and stakeholders in the issue.

1. *Define the Problem:* Analysts first must clearly identify the problem in all its dimensions. It is generally important to think in terms of excesses (too much of something) and deficits (too little of something). It is important to think ‘outside the box’ in defining the problem and ensuring that the definition of the problem is fully distinct from possible ‘solutions’ to the problem. It is important to explore all possible causes of the problem in order to devise a useful definition.
2. *Assemble Some Evidence:* The next step is to engage in some initial desk research to confirm the initial definition of the problem. Aside from academic literature, it is useful to review professional and advocacy literature on the issue and to make some comparisons with the way in which the problem is manifested in other systems. At this stage, analysts consider views on all sides of the issue in order to be prepared for a robust debate into the issue. It is essential to review perspectives that are contrary to your own and to prepare for the advocacy task down the road.

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<sup>72</sup> Bardach, E. (2011). *A Practical Guide for Policy Analysis: The Eightfold Path to More Effective Problem Solving*, 4th ed. Los Angeles, CA: Sage.

3. *Construct the Alternatives:* Consider all the different ways you might fix the problem. When constructing a set of alternatives, you should not censor any options. In constructing alternatives, you can: copy an existing policy without modification; copy an existing policy and modify it to fit your needs; build a policy utilizing generic tools; or build a policy from scratch with your team. The alternatives should emerge from the way in which the analyst has defined the problem and be sufficiently specific to enable effective implementation. Typically, analysts devise between 3-5 alternatives that move from a “do-nothing” option to a “do-everything” option that covers the full range of possibilities – rather than merely focusing on the analyst’s particular favorite. The alternatives can reflect different metaphors or approaches to the problem: market based solutions, repairing a broken engine or healing a wounded animal.
4. *Select the Evaluation Criteria:* Criteria are used to measure the outputs and outcomes alternatives. The criteria should be measurable and quantifiable. Some criteria commonly used by policy analysts are: efficacy, cost, equity or fairness, administrative feasibility, legality, possible unintended consequences, impact on the community, sustainability, and political feasibility. The criteria employed generally reflects the hierarchy of values and objectives that guide the agency. While all agencies seek to serve the public, agencies concerned with economic development will select different evaluation criteria (and measures of success) from an agency concerned with anti-corruption or with social welfare. The criteria will enable you to evaluate each alternative across the same metrics in order to determine the best policy option. Therefore, criteria should be chosen and rank ordered in importance based on the goals of policy leaders. It is simpler when each criterion can be easily measured in comparable units (cost) and there is clear decision rule with which to employ it. For example, a cost criterion might be *Measured:* in Euros, together with a *Decision Rule:* Projects that cost less are better options. But policy making is typically not very simple.
5. *Project the Outcomes:* Outcomes should reflect your policy goals. Evaluate each alternative based on the set of criteria you choose. It is useful to ‘game out’ each alternative according to different scenarios – from best case to worst case projections – in order to explore the likely effect of the different policy option. A consideration of what might go wrong is essential in these scenarios, for it is important to avoid the ‘ethical costs’ of an optimism that did not consider what might have gone wrong or who will be held accountable for failure to implement a policy effectively. It may be helpful to compare the scenarios for each option systematically in a matrix that covers the full range of possibilities that the different options can promise. This process may enable you to quickly eliminate some alternatives. However, a clearly best option may not be obvious.
6. *Confront the Trade-Offs:* Some of your criteria are likely to be more important than others and this is determined by the broader values and objectives of your agency – as

these are outlined in the criteria (#4 above) For example, it may be necessary to close an office earlier in order to save money in a lean budget year. Some options may produce better results for one criterion and worse for another. You need to determine which policy alternative fits best with your overall goals given the tradeoffs. Ultimately, you should be able to produce a few clear sentences on the advantages and disadvantages of choosing a particular policy alternative.

7. *Decide*: Choose a policy alternative based on your analysis. By using the above steps you will have a defensible explanation for how the policy decision was made. It is important to be certain that the option, which is chosen, is the right one.
8. *Tell Your Story*: Be respectful of the tradeoffs and the notion that people with different values might put the decision criteria you chose in a different order or might even include other criteria you did not consider. In recounting the decision process it will be important to clearly tell the story of how you decided. Consider three types of audiences for your analysis; those who will spend 30 seconds reading it; those who will spend a few minutes, and those who will devote significant time. Your analysis should provide enough information to satisfy all three types of readers and enable them to understand your decision process and recommendation.

One guide to thinking about effective policy proposals can be found in standard management approach to setting SMART (Specific, Measurable, Attainable, Realistic, Timely) policy goals:

*Specific*: How the problem is defined will help to determine what kinds of criteria and policies will work. For example, is the problem one of spending (cost)? Is it one of illegal use of a resource (law enforcement / rule of law or perhaps significant economic enticements)? Is it concerned with an ethical or distributional fairness issue? The definition of the problem will determine the metrics that can measure the achievements in meeting policy goals.

*Measurable*: Measurable criteria will enable policy makers to assess progress in policy. While cost is easy to compare, fairness is trickier: it is possible to measure the impact on different social groups (ethnic communities, urban vs. rural, gender, etc.) and therefore policy options at that scale are better.

*Attainable*: It is important to select goals that are attainable in a specific budget and policy environment, and this includes considering sustainable financing for personnel and equipment, as well as a general willingness for policy makers to pursue particular types of policy.

*Realistic*: Realism is the handmaiden to attainability (above). It is important to consider those alternatives and policies that reflect the enduring objectives and values of the policy community and of the citizens more broadly

*Timely:* Time in government is often a short political cycle. And because the attention spans of the public and politicians can be very short, it is important to select realistic deadlines for achievement. Some policies should be delivered quickly, while large projects and programs can take much longer.

## Policy Implementation

Policy implementation is what happens between the time a policy is formulated and the ultimate impact on the ground. It is important because the execution of laws, regulations and strategies that make up the policies are almost never simple and straightforward. In reality administrators and policy makers have many choices to make once a policy is formulated.<sup>73</sup> The ideal policy implementation plan:

- sets the goals and timelines for the activities;
- commits resources to executing the policies;
- identifies the individuals and agencies to execute the directives;
- identifies the target populations;
- projects the expected relationships among all the participants; and
- establishes timelines and benchmarks for the work to be completed.

This classic ‘top-down’ thinking assumes that the ‘political’ decisions that have established priorities and identified resources have all been made. There are clear boundaries between the politicians who pass the law and the administrators who execute it. Implementation is viewed as a technical matter that can be completed by ‘instructions’ to the agent chosen for the task because of her technical capacities. This agent will execute the policies in an impartial, rational and scientific fashion and will display high fidelity to the spirit and letter of the legislation that provides the basis for the implementation instructions.

A number of classic studies of implementation have shown that the conditions for ‘efficient implementation’ are often not in place.<sup>74</sup> Sometimes there are technical difficulties in implementing policies: the instructions are not realistic; insufficient financing has been identified and/or the financing is not provided in a timely fashion; intensely held opposition among some stakeholders on the ground impedes even simple progress in executing the policy; or that the multiple goals – e.g., between the efficient supply of resources and equitable distribution of resources – are not easily resolved in practice. This has been the case with U.S. policies intended for occupational re-training and also with socialist Yugoslav policies aimed at creating “Contractual Organizations of Associated Labor”, or COALs, in the 1970s and 1980s. So policies that are formulated with high hopes can be disappointing in practice.

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<sup>73</sup> Jann and Wegreich, pp. 51-52

<sup>74</sup> See, for example, J. Pressman and A. Wildavsky, *Implementation* (U. of California Press, 197\_) and E. Bardach, *The Implementation Game: What Happens After a Bill Becomes a Law*, (Cambridge: MIT Press, 1978).



Poor implementation can result from the absence of clear authority within an administrative system as the model on Organizational Processes (pp. 35-36 above) would predict: the implementer often has imperfect control over important elements of the implementing system; different administrators have common and divergent goals and participants can play games that divert resources (time, equipment, personnel and finance) away from implementation.

Among resource-based difficulties are:

- corruption in procurement;
- diversion of money time and goals from implementation;
- dissipation of resources to create a comfortable environment; and
- waste of resources intended for implementation in order to protect organizational turf against contenders within the administration.

Among the problems with goals are:

- redefinition of the goals of the policy to meet the needs of the implementers;
- addition of new goals to the initial policy;
- ‘piling on’ so many similar goals that it is impossible to carry through to the end because the resources are dissipated early on; and
- policies from higher levels of government that contradict the new policy impede the implementation of local or regional government policies.<sup>75</sup>

One way to avoid these “games” is to view implementation as an integral part of the policy process from the outset. It is important to ensure that the underlying ‘theory’ or conceptual approach of the policy effectively meets the challenges of execution and this can be achieved by seeking views of street-level administrators and implementers as the policy is being formulated. A second idea is to relax the assumption that there are always clear and rigid boundaries between the policy makers and the implementers. And a third thought is to abandon the ‘top-down’ and ‘hierarchical’ thinking underlying classical approaches to implementation and to build in ‘bottom up’ strategies that look to implementers to contribute to the formulation to begin with.<sup>76</sup> Consulting with experienced ‘street-level bureaucrats,’<sup>77</sup> or implementers, about the practicality of the new policy can increase the chances that the policy can be implemented more effectively. It is possible to ensure that sufficient resources are devoted to policy implementation of the policy and that expectations for results are realistically framed. Continuity of leadership in a policy area can improve prospects for implementation. Finally, it is likely that simple policies will be implemented more effectively than will complex policies that turn on many more decision points where ‘spoilers’ can veto the intent of policy in many different ways.

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<sup>75</sup> Bardach, *Ibid.*

<sup>76</sup> Jann and Wegreich, p. 53, and P, for a good, analytic summary of the literature on implementation.

<sup>77</sup> Michael Lipsky, *Street Level Bureaucrats: Dilemma of the Individual in Public Service* (NY: Russel Sage, 2010).



No matter how effective the policy planning, there are real possibilities that the ‘fit’ between the policy and its practice is imperfect and that some form of adaptation will enable the implementation of the policy’s primary objectives of the project. Revisions in aspects of the policy or method of execution may necessarily reflect the changing environment on the ground. Whilst adaptation in the method of implementation can help to achieve the original objective of the policy, it is also possible that the original objective, itself, can change during implementation in order to adapt to the changing circumstances. In these cases, adaptive implementation either achieves the original goals of the project or reflects the evolution of those goals. It requires close consultation between implementers and the committees overseeing the operations and implementation of the project.

TABLE 3: **IMPLEMENTATION POSSIBILITIES**

	Policy Remains Same	Policy Changes
Implementer behavior changes	Top-down implementation	Mutual adaptation
Implementer behavior does not change	Implementation failure	Bureaucratic cooptation

Table 3 shows some possible combinations in the tensions among ill-fitting policy and stubborn implementers. It realistically assumes that in implementation, some forms of adaptation will be necessary to achieve the central objectives of the policy. Each quadrant provides a different image of the process and only one fits the classical model of policy making that emerges from rational decision making.

- In situations where neither the policy nor the behavior of the implementer changes, we find ‘implementation failure’.
- Where the policy changes to suit the routines of the implementers, we have ‘bureaucratic cooptation’ of the policy – in the absence of information on the specific policy that is implemented we can guess that it may reflect a more effective and intelligent adaptation of policy or it may reflect the corruption of policy goals to meet the needs of the implementers.
- Where implementers change their SOPs to a policy that remains constant, ‘top-down implementation’ that is true to the spirit of the policy can result.
- In those situations where the policy norms evolve in the course of implementation and the administrators also change their routines, we find ‘mutual adaptation’.

There is general agreement that the implementation of policy programs provides a most significant test of the effectiveness of policy making in a government. The capacity

to execute laws and regulations according to the letter and spirit of intent will enable services to be delivered, norms to be regulated and rules to be enforced effectively. It is important that the challenges of implementation should be taken into account as the laws and regulations are formulated. As Pulzl and Treib<sup>78</sup> remind us, implementation is a continuum located between central guidance and local autonomy, a political process in which policies can be reshaped, redefined and even overturned. Consequently, it is essential to grasp fully the interdependence of the different stages of policy making – agenda setting, formulation, implementation and evaluation – in order to achieve policy making that serves the general and public interest in Kosovo.

## Monitoring and Evaluation<sup>79</sup>

Monitoring and evaluation (M&E) is essential to the accountability of government agencies for citizens and other institutional stakeholders in government. An M&E plan is a systematic and objective process for monitoring project performance against its objectives over time.

- *Monitoring* uses systematic collection of data on specified indicators, e.g., on costs, procurements, timeliness of performance and quality of work, and the number of beneficiaries of services. This provides feedback for stakeholders, such as members of parliament, staff in agencies and ministries, officials in municipal government and to citizens in order to ensure that policies of government are making progress towards achieving desired results.
- *Policy Evaluation* is the systematic and objective assessment of an ongoing or completed program or project, including its design, implementation and results. Its aim is to determine the relevance and fulfillment of policy objectives, as well as its effectiveness, impact and sustainability of the program or policies that are under review.
- An *Impact Evaluation* assesses changes in the well-being of individuals, households and communities that can be attributed to a particular policy project or program. The central impact evaluation question asks what would have happened to those receiving the intervention if, for example, the Community Development Fund (CDF)-financed project had not been undertaken.

M&E provides an objective method to track the progress in an individual project or of a broader program of activity across municipalities in Kosovo or in national-level

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78 Helga Pulzl and Oliver Treib, “Implementing Public Policy,” *Handbook of Public Policy Analysis, Theory, Politics and Methods*, Frank Fischer, Gerald Miller and Mara Sidney, eds., (Boca Raton: CRC Press, 2007), pp. 89-106

79 This section draws heavily on Mark Baskin, *Handbook on Constituency Development Funds: Principles and Tools for Parliamentarians*, (London: Commonwealth Parliamentary Association, 2016), [http://www.cpahq.org/cpahq/Main/Document\\_Library/Budget\\_Matters/Constituency\\_Development\\_Funds/CDFs\\_Handbook\\_for\\_Parliamentarians\\_Updated\\_2016.aspx](http://www.cpahq.org/cpahq/Main/Document_Library/Budget_Matters/Constituency_Development_Funds/CDFs_Handbook_for_Parliamentarians_Updated_2016.aspx) p. 54-64.

programming. This information can be used to adjust planning and make improvements to individual projects and in broader programming into the next phase of development. M&E can also help to identify malfeasance, such as the misuse of financing or poor quality in the delivery of services, and provide the basis for ameliorative action. Impact evaluations provide an objective method to determine the effectiveness of policies on the community against possible other types of programs or financing. By improving the overall functioning of a policy program, effective M&E and impact evaluation can contribute both to building accountability of the program, the agency, ministry and Government more broadly and to enhancing the legitimacy of public action.

Over the past decades, M&E has evolved to become an entire menu of activities that are performed in many offices within and outside of government. M&E takes place among implementers, planning agencies, program evaluation offices, national audit offices, independent audit agencies, parliamentary oversight committees, civil society organizations, and the mass media. Each agency or organization has its own mandate and different degrees of legal authority in enforcing recommendations that emerge from its evaluations. Some agencies communicate their findings directly to the public, while others direct their findings to other government agencies with broader responsibility for oversight of such programming.

Where does M&E fit into the policy cycle? It is best placed as an integral part of program planning and cycles that begin with the initiation of a project to its implementation. The parameters for the M&E collection of information on policy programs emerge from its overall objective in a logic model. The collection and analysis of information on all phases of project planning can help increase confidence to all relevant stakeholders and audiences that the policy has contributed to the well-being of citizens in Kosovo and is a legitimate policy tool.

Policy programs identify activities and projects, appraise the potential social value of the project, develop financing, implement the project and then evaluate it along several dimensions. Effective M&E takes place during the entire project cycle via systematic information collection on all aspects of project development and this information feeds back into future programming. The 'logic model' depicted in Table 4, which provides one standard framework for M&E, begins from an objective for one type of policy program (e.g., building a clinic, providing public lighting in a neighborhood, or establishing a scholarship program for students). It then identifies the resources and activities that lead to provision of goods and services and to near-term outcomes and medium-term impact on citizens who are beneficiaries. M&E systematically records indicators for resources and inputs, activities, outputs and outcomes during the life of the project, and provides the basis for the broader analysis of impact.

TABLE 4: **EXAMPLE OF A BASIC LOGIC MODEL**

1.Resources /Inputs	2. Activities	3. Outputs	4. Indicators	5. Outcomes	6. Impact
The following resources are necessary:	The following activities are necessary:	The following goods/ services are provided:	Indicators for 1-3 (left) & 5-6 (right) identified:	The following changes, over 1-6 years:	The following changes, over 7-10 years:
For example, equipment, financing	For example, tendering, construction	For example, clinic, scholarship program	(Validate the indicators with beneficiaries and citizens)	For example, more citizens visit doctors, and or go to university	For example, better health or better services locally

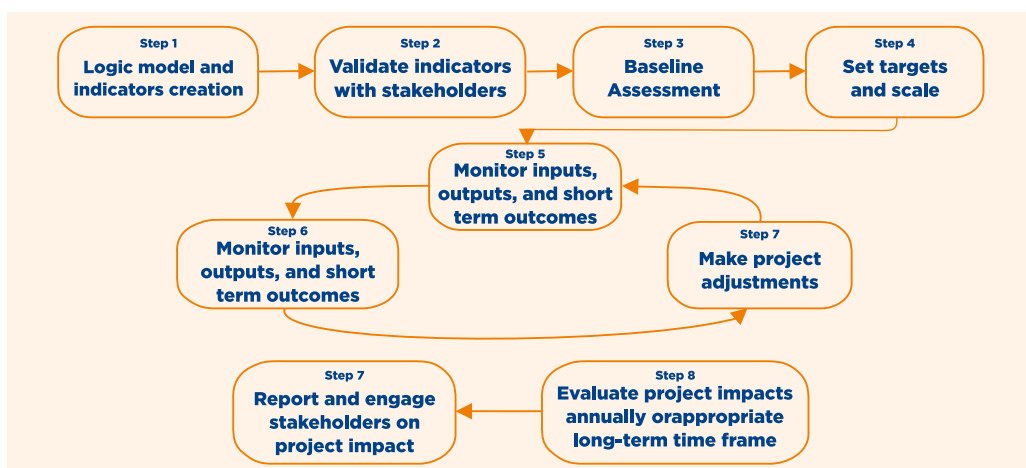
Figure 2 below depicts a comprehensive M&E framework that begins with a logic model and creation of indicators to track the success of the project and in which M&E is essential to the implementation of the project. M&E is built into the policy program or project from the very beginning with the identification and validation of indicators.

The targets for achievement emerge out of an initial baseline assessment, at the outset of the project in the constituency, and on the initial status of all agreed-upon indicators. M&E can be seen as an integral part of policy implementation: data on the indicators are collected through each stage in executing the policy, and provide a basis for consulting stakeholders and making adjustments to the work during implementation. The framework concludes with an impact evaluation and report to stakeholders on the program.

The process of monitoring and evaluation can move up a ladder of escalation. At one extreme, unsystematic M&E can play a modest role in the policy process when official audit agencies do not engage in systematic collection of information on the implementation of a policy.

In these cases, the media and civil society can serve as unofficial watchdogs and pay close attention to policies and examine the probity and effectiveness of public financing. But this collection of information on CDFs plays no formal role in decisions about adjusting implementation mid-stream, future directions for CDFs in constituencies and action taken in the event of apparent malfeasance.

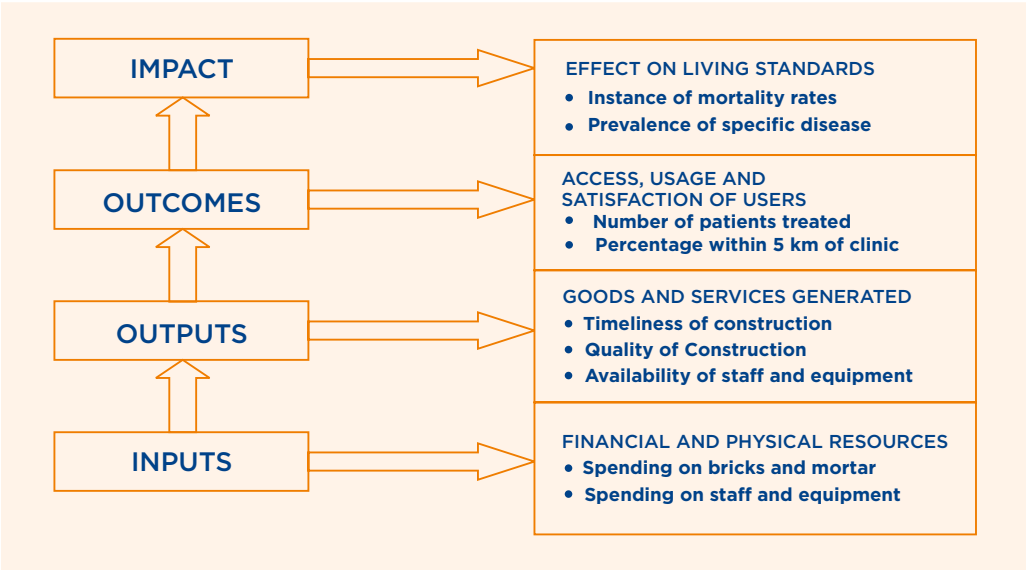
FIGURE 2: **MONITORING AND EVALUATION FRAMEWORK**



Moving up a ladder of policy escalation, M&E can be viewed as part of policy programming and include the systematic collection of information on institutional performance that focuses on the identification of all projects, programs and activities, contracting and the completion of the project. This monitoring can be done by the implementing agency, by an external auditor or by the National Audit Office. When the monitoring begins with the initiation of a policy program, it can establish a base line from which to measure the effect of changes in the policy. The chief concern of monitoring is to ensure that policy implementation is on track, that there is little room for malfeasance, and that the policy programs are completed in a timely and effective manner. Monitors generally ask whether the implementation of policy is taking place in a manner consistent with intent of the policy. Policy makers and implementers can employ this information, mid-stream, to make adjustments to the project and at the end of the fiscal year to make some changes in procedures in implementation of policy. External actors, e.g., CSOs and mass media, sometimes use this information to question the quality of the program and raise other controversial issues.

*Results Based Monitoring and Evaluation* (RBM&E) moves beyond project monitoring to consider broader questions in the effectiveness of programs or policies. Public officials in the assembly, municipal government, executive or international agencies can order such evaluations. Figure 3 shows an example of RBM&E in the construction of a new clinic and it asks about the extent to which the program delivers policy outcomes that would not otherwise be provided. Such an evaluation examines project identification, tendering and procurement of goods and services, efficiency and timeliness of implementation, and the effect that the completed project has on the public. In addition, impact evaluations can systematically evaluate the extent to which policy programming provides benefits to communities and whether this programming is superior to other approaches to the problems that the policy was intended to solve.

**FIGURE 3: RESULTS-BASED M&E ON THE CONSTRUCTION OF A LOCAL OR REGIONAL MEDICAL CLINIC**



RBM&E explicitly draws links between the implementation of a project or program and its results, and thereby addresses the ‘so-what’ question by moving to explore the effects of the policy program on key stakeholders and the target population. It establishes a way to demonstrate whether the goals of the organization are being achieved or not. Do the inputs, activities and outputs provide the results called for in the policy and by policy makers?

When it takes place from the moment a policy program is initiated, RBM&E can draw a link between the implementation of a policy and its results. For example, it will demonstrate increases in the number of children attending a newly built school or increases in the number of patients treated following the initiation of a new health program. Policy makers can employ this information to make adjustments in ongoing policy planning so that the policy remains true to the intent of the legislation. In addition, this information can communicate results to a broader set of internal stakeholders and to public who are expecting results and expecting to see demonstrable impact from government action and public finance. In this way, M&E can help to build greater trust in government.

Typically, such impact evaluations also incorporate into policies the following: a *gender perspective* that takes account the different needs, characteristics and behaviors of the users at whom programs are aimed; an *environmental perspective* that evaluates the positive or negative consequences of the program on the environment; and lastly, its contribution to the government’s achievement of its strategic objectives. Such evaluations support decision-making in the parliament, executive and local government concerning the

policy going forward. They are also intended for public distribution in order to increase the light to heat ratio over a policy that may generate controversy.

## **Participatory Methods: Social Audit and Citizens Report Cards**

Participatory methods of Monitoring and Evaluation can help to ensure good performance in implementation and service delivery especially on the ground in municipalities. A social audit engages external stakeholders, including ordinary citizens into the activity and thereby activates them for constructive support of public action by enabling potential beneficiaries to the evaluation of policies. Typically managed by an external actor, such as a civil society organization (CSO), a social audit is a method through which a policy program or project can be scrutinized at a public meeting. Social auditors gather and collate information about policy development and share the information at a public hearing or town hall meeting. Officials involved in formulating and implementing the policy, can attend the public hearing that provides feedback to the constituency based on the information. A formal report is then drafted to send to public officials concerning the project.

*Citizen Report Cards* or *participatory surveys* that solicit feedback on the performance of the policy program can help to exact public accountability through extensive media coverage and civil society advocacy that accompanies the process. The survey data aggregates scores given by users for quality and satisfaction with individual projects, as well as regional and national programming in health, infrastructure, education and the like. The findings thus present a collective quantitative measure of overall satisfaction and quality of services over an array of indicators.

Participatory M&E can strengthen the popular basis for government activity and assist policy makers in their oversight of service delivery. Public institutions that are open to this participation can also ensure that implementation difficulties are not popularly attributed to malice, corruption or mismanagement. It helps both to demonstrate official transparency in policy making and to make known positive feedback on service delivery in the constituency. And depending on the nature of the social audit and the organization conducting the audit, it can be either highly formal or informal. Such popular feedback can be especially helpful on individual projects in constituencies and bring constituents to participate directly in overseeing these projects.

## **Policy Impact Evaluation**

Policy impact evaluation is generally done under the auspices of the Supreme Audit Institution or the National Audit Office with a goal of evaluating the broader effectiveness of policy making across the country. It assesses changes in the well-being of individuals, households and communities in constituencies that can be attributed to projects and

the policy program more broadly. The central ‘*impact evaluation question*’ asks what would have happened to those receiving the intervention if they had not initiated and implemented the program. It is aimed at providing feedback to help improve the design of projects and policy programs. In addition to providing for improved accountability, impact evaluations allow policymakers to improve ongoing programs and engage in better policy planning. It builds on the organizational reviews and process monitoring in implementation focused M&E and estimates the magnitude of effects of the program with clear causation. Such causal analysis is essential for understanding the relative role of alternative interventions achieving development objectives and service delivery.

In order to measure the impact of policy programming, a well-designed evaluation strategy is necessary. Incorporating an impact evaluation into the policy program requires a well-structured monitoring and evaluation plan with a specific methodological design whose assumptions and expectations are clearly stated. An appropriate design and methodology for the broader M&E process and impact evaluation can be chosen through conversations among members of parliament, staff from executive agencies and local government, and independent researchers. Experimental and quasi-experimental methods that objectively and systematically explore the effects of a policy or program provide the ‘*gold standard*’ for impact evaluations in the current era.<sup>80</sup> The employment of the appropriate data collection methodology is dependent on the project objectives and the desired information required. It can include the collection of project and agency records, surveys, interviews, observation, key informant interviews, paired-group analysis, community group interviews, focus group interviews, cost-benefit analysis, cost-effectiveness analysis and focus groups.

A full program impact evaluation requires substantial amounts of resources. And as democratic governments increasingly employ full impact evaluations to all of its programming, they must develop program priorities, in which a particular policy area – e.g., health, education, policing, environmental protection – is but one government program that may not be at the top of the list. Further, because a full impact evaluation requires considerable analytic skill and staff/research capacity on the part of the organization performing the evaluation, there may be a broader need for capacity development and training to undertake this work. Finally, in a small, post-conflict environment such as in Kosovo, the routine completion of comprehensive impact evaluations is considerably more complicated and in need of innovative research strategies. These mitigating factors suggest that members of parliament and staff in the executive and municipal government may wish to schedule full impact evaluation of a policy program in intervals of five years or even a bit longer in order to ensure the benefits of such feedback into programming without squandering scarce resources.

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80 Abhijit V. Bannerjee and Esther Duflo, *Poor Economic* (New York: Public Affairs Press, 2012)



These considerations underline the importance of full impact evaluations, which fit into the chain of monitoring and evaluation in several ways. First, they help to assess the causal link between policy programming, better service delivery and a higher quality of life. Second, impact evaluations provide baseline evidence for the effectiveness of a policy program, and can be compared with similar interventions. Through this process, impact evaluations assist in establishing credible, cost-effectiveness comparisons. Third, impact evaluations can serve to build the knowledge base of what works in governance. With an increasing demand for evidence of government programming, rigorous evaluations offer a method through which the effectiveness of government can be demonstrated and can build public support for institutions.

## CONCLUSION

In this chapter, we have reviewed the major institutions of public policy making in Kosovo with an eye to the public interest and to help strengthen ethical and inclusive policy making. We have reviewed the standard models of the policy process – rational decision making, organizational processes, bureaucratic politics, and organized anarchies - that can equip policy practitioners with a conceptual map that enables them to find ways to put important issues on the policy making agenda, to formulate and implement policy, and to evaluate the effectiveness and impact of policy programs. Subsequent chapters will shed light on a broad range of policies in Kosovo: economic policy, rule of law, security policy, energy policy, social welfare policy and local governance.

## **APPENDIX:**

# **PUBLIC POLICY MEMO WRITING**

The ability to write coherent memos on issues with which you work will make you more effective both in communicating with internal stakeholders in the government and in policy communities, and with the general public. Public servants and advocates draft assessments, evaluations and propose policy alternatives to peers, supervisors and the public and it is essential to communicate effectively to decision makers who are plagued by information overload. In addition to writing memos, public servants and advocates will be in a position to review and approve the work of consultants, colleagues, academic researchers and policy advocates who are in contact with the government. It is important to be able to direct and oversee this kind of research done on behalf of the government in order that it contribute constructively to the policy process. In this light, the overall approach described in the section (pp. 42-45) on policy formulation provides some important guidelines to this work. It is important that policy memos and proposals go through the following steps as if we were rational decision makers:

1. Identify a problem;
2. Collect some data or evidence on the issue;
3. Explore possible options that address the problem;
4. Establish a set of decision criteria;
5. Explain how the different options will likely play out according to the criteria, by focusing on costs and benefits and/or advantages and disadvantages of all alternative options; and
6. Edit and revise the memo so that it clearly communicates its intent.

There are unique qualities to the policy analysis and memos that help to define and frame the problems and issues on the agenda. Policy analysis is more accessible to politicians and generalists at all levels of government than is academic research. Academic research employs highly technical concepts, equations, and terms of the scientific community, which is generally much less comprehensible to generalists outside the narrow scientific community. Policy researchers pay special attention to adapting their work to the unique needs of the decision-making environment. Writing should be concise, and non-technical, employing charts, graphs, diagrams, and bullet points to make the end product readable for senior policy makers to understand.

There are five qualities of good policy memos:

1. *Clarity and Accessibility.* Memos are usually intended for generalist public servants and politicians who do not possess the same level of expertise as would a colleague who works on any given issue professionally. Consequently, it is important that policy memos be written in a style that is accessible to 'end-users' who are generalists, so that they can use this information effectively.
2. *Objectivity and balance* are the first qualities of excellent research and memoranda. This helps to win the trust of clients and is a comparative advantage over other sources of information. Even when total objectivity is impossible, researchers should provide balanced presentations, which treat competing policy perspectives with respect, understanding, and fairness. It is important that the consultants who conduct policy research within policy communities employ these criteria with objectivity and balance in shedding light on the issues on which they are writing.
3. *Timeliness:* it is far better to be on time with a partial response than to miss the deadline completely and play no role in the decision process. Public policy has many hard deadlines: policy memos must be delivered when it is needed, and deadlines are typically dictated by a government agenda. Paying attention to that agenda leads advocates and public servants to anticipate emerging issues so that the analysis can be undertaken in advance, and enable the analysis to be ready when needed in the political process. In a manner consistent with garbage can decision making (pp. 37-39 above), 'policy entrepreneurs' develop their ideas, expertise, and proposals well in advance of the time the window opens.
4. *Accuracy and Authoritativeness.* The efforts by analysts to ensure that all their work is free from factual error and to employ authoritative sources is a source of credibility. It is important to re-check all data entry, agreement of text to tables, spelling errors, citation accuracy, typographical errors, and the like.
5. *Relevance:* Civil servants and analysts are addressing meaningful questions that are important to the public good. In addition, senior policy makers must be able to trust in the *discretion* of the analysts to keep the nature of their requests and products produced confidential.





ROBERT MUHARREMI

# RULE OF LAW IN KOSOVO

BACKGROUND AND DEVELOPMENT



# 1. WHAT IS RULE OF LAW?

Rule of law is a political idea which is broadly about constraining the exercise of political power by laws requiring that power is exercised based on and within the limits prescribed by law. The details of the rule of law are contested and differ over time and across cultures, and different societies construct rule of law with a view to their cultural, historical and social identities (Domingo, 4).

In European and US political and legal theory rule of law is understood as a political ideal which characterizes a legal system (Raz, 211). Since it is a political ideal, conformity with rule of law is a matter of degree while full conformity is impossible (Raz, 222). However, it serves as an aspirational ideal which requires constant effort to preserve rule of law standards already achieved and to continuously work to improve them where possible. F.A. Hayek provides a widely used definition of rule of law, which captures its very essence. Rule of law means, *“that government in all its actions is bound by rules fixed and announced beforehand – rules which make it possible to foresee with fair certainty how the authority will use its coercive powers in given circumstances, and to plan one’s individual affairs on the basis of this knowledge”* (Hayek, 1944). In its broadest sense, rule of law implies that people should be ruled by law and that they should obey the law, but also that those who have political power are constrained by law and exercise that political power in accordance with law (Raz, 212). Rule of law thus strives to protect from the arbitrary exercise of political power and so to protect individual freedoms (Raz, 219-220).

Raz (214-218) identifies the following principles which can be derived from the political ideal of rule of law:

- (i) All laws should be prospective, open and clear.
- (ii) Laws should be relatively stable.
- (iii) Law-making should be guided by open, stable, clear, and general rules.
- (iv) The independence of the judiciary should be guaranteed.
- (v) The principles of due process should be respected.
- (vi) The courts should have review powers over parliamentary legislation and governmental secondary acts.
- (vii) The courts should be easily accessible.
- (viii) The discretion of crime-preventing authorities should not be allowed to pervert the law.

Rule of law is recognized world-wide as a political idea for how to organize human societies. The General Assembly of the United Nations declared in 2012 that the members of the UN recognize *“that the rule of law applies to all States equally, and to international organizations, including the United Nations and its principal organs, and that respect for and promotion of the rule of law and justice should guide all of their activities and accord predictability and legitimacy to their actions”* (UN General Assembly, para. 2). According to the UN, human rights, the rule of law and democracy are interlinked and mutually reinforcing and they belong to the universal and indivisible core values and principles of the United Nations (UN General Assembly, para. 5). Rule of law at the national and international levels is also essential for sustained and inclusive economic growth, sustainable development, the eradication of poverty and hunger (UN General Assembly, para. 7).

A similar meaning and importance is ascribed to the idea of rule of law in Europe where rule of law is also known under the concept of *“Rechtsstaat”* or *“Etat de Droit”*. The Venice Commission of the Council of Europe, the preeminent international organization which sets and upholds rule of law standards in Europe, considers *“that the notion of the rule of law requires a system of certain and foreseeable law, where everyone has the right to be treated by all decision-makers with dignity, equality and rationality and in accordance with the laws, and to have the opportunity to challenge decisions before independent and impartial courts through fair procedures”* (Venice Commission, 10). However, rule of law must not be understood to mean *“rule by law”* and *“law by rules”* requiring only that acts of public officials are authorized by law (Venice Commission, 10). Even totalitarian states and dictatorships are, in a formal sense, governed by law. Rule of law, in a substantive meaning, requires more than just government by rules because rule of law embodies certain values which reflect ideas about justice. Rule of law, in a substantive sense, as it is expressed in the ideas of *“Rechtsstaat”* and *“Etat de Droit”*, includes the following elements:

- (i) legality, including a transparent, accountable and democratic process for enacting law;
- (ii) legal certainty;
- (iii) separation of powers;
- (iv) prohibition of arbitrariness;
- (v) access to justice before independent and impartial courts, including judicial review of administrative acts;
- (vi) respect for human rights;
- (vii) nondiscrimination; and
- (viii) equality before the law.

Rule of law, in this substantive meaning, is also a fundamental value of the constitutional order of the Republic of Kosovo (Constitution, Art. 7.1). The Constitution (Art. 3.1)



explicitly states that the “Republic of Kosovo is a multi-ethnic society consisting of Albanian and other Communities, governed democratically with full respect for the rule of law through its legislative, executive and judicial institutions”.

The Stabilization and Association Agreement between the European Union and Kosovo, which is the central document that guides Kosovo’s policies and legislation, strongly emphasizes Kosovo’s commitment to rule of law. It states that,

*“in their cooperation in the field of freedom, security and justice, the Parties (i.e. Kosovo and the EU) shall attach particular importance to the consolidation of the rule of law, and the reinforcement of institutions at all levels in the areas of administration in general and law enforcement and the administration of justice in particular. Cooperation shall notably aim at strengthening the independence, impartiality and accountability of the judiciary in Kosovo and improving its efficiency, developing adequate structures for the police, prosecutors and judges and other judicial and law enforcement bodies to adequately prepare them for cooperation in civil, commercial and criminal matters, and to enable them to effectively prevent, investigate, prosecute and adjudicate organized crime, corruption and terrorism” (Art. 83).*

Kosovo’s progress in establishing rule of law is assessed on an annual basis by the EU in its country reports as Kosovo’s prospects of becoming an EU member depend on its progress in rule of law. The EU’s 1993 “Copenhagen Criteria” provide that admission to the EU depends on the completion of certain criteria, one of them being rule of law.

### **Copenhagen Criteria (1993)**

- (i) Stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.
- (ii) A functioning market economy and the ability to cope with competitive pressure and market forces within the EU.
- (iii) The ability to take on the obligations of membership, including the capacity to effectively implement the rules, standards and policies that make up the body of EU law (the ‘acquis’), and adherence to the aims of political, economic and monetary union.

With respect to rule of law it means for an aspiring candidate country that:

- (i) The judiciary is independent and impartial which includes guaranteed access to justice, fair trial procedures, adequate funding for courts and training for judges and legal practitioners.
- (ii) The government and its officials and agents are accountable under the law and that political leaders and decision-makers take a clear stance against corruption.
- (iii) The process by which laws are prepared, approved and enforced is transparent, efficient, and fair. Laws must be clear, publicized, stable, fair, and protect fundamental rights.

Two chapters which are to be addressed during the negotiations for accession to the EU are exclusively dedicated to rule of law, i.e. chapter 23 on judiciary and fundamental rights, and chapter 24 on justice, freedom and security.

Despite efforts to break down the idea of rule of law into more intelligible principles, rule of law still remains a broad concept which allows for different interpretations in questions of detail. Furthermore, given that rule of law is an idea which permeates all aspects of political and social life, it is very difficult, if not impossible, to address rule of law in every political and social space. For the purposes of the present chapter, therefore, the concept of rule of law needs to be narrowed down.

A useful way to analyze rule of law in Kosovo is to focus on rule of law as defined by the EU because this is presently the benchmark against which Kosovo's rule of law is measured and it provides authoritative policy guidance for Kosovo's institutions. This means looking primarily at the justice system, which includes the court and prosecution structure, the administration of justice, policy and law-making in the justice sector, the correctional services, international judicial cooperation and also the public services related to justice, such as notaries, enforcement agents and alternative dispute resolution mechanisms. An effective and efficient justice system, which is independent and accountable, is a critical prerequisite for rule of law and a good indicator of whether and to what extent rule of law standards are upheld. A country may have the best laws and human rights protections on paper, but rule of law will depend on the extent to which the justice system translates the idea of rule of law, as reflected in the "*law in books*," into "*law in action*", thus turning rule of law into reality.

## 2. DEVELOPMENT OF KOSOVO'S JUSTICE SYSTEM

### a. The Justice System under the United Nations Interim Administration Mission

The deployment of the United Nations Interim Administration Mission (UNMIK) to Kosovo marked the beginning of a new era for Kosovo's justice system. United Nations Security Council resolution 1244 (1999) authorized UNMIK to assume all legislative and executive powers over Kosovo, including the administration of justice. The withdrawal of the Yugoslav authorities from Kosovo in 1999 had led to the collapse of the justice system. The vast influx of returning refugees and an increase of criminal activities created a situation where UNMIK was required to take immediate action to rebuild Kosovo's justice system (Strohmeyer, 48). In this initial phase, there were three stages of development, i.e. (i) a period of 'emergency governance', (ii) a period of 'institution building', and (iii) a period of 'consolidation and transformation' (Baskin, 7-8).

During the 'emergency governance', which lasted until the end of 1999, UNMIK set up a basic legal and organizational framework which allowed for the selection and appointment of judges and prosecutors so they could resume judicial functions. UNMIK also determined that the law applicable in Kosovo would be regulations adopted by the Special Representative of the Secretary-General (SRSG) as the head of UNMIK. Where there were no UNMIK regulations, the law which was in force in Kosovo on 22 March 1989 would apply, provided such law was in line with international human rights instruments.

During the 'institution building' period, which lasted until the end of 2000, a 'Kosovo Joint Interim Administrative Structure' (JIAS) was established. JIAS confirmed UNMIK's exclusive authority over Kosovo and integrated the parallel structures of the 'Provisional Government of Kosovo' and the 'Presidency of the Republic of Kosovo' into UNMIK's organizational structure. A Kosovo Transitional Council and an Interim Administrative Council allowed Kosovo political representatives to participate in decision-making under the authority of the SRSG. Administrative departments, which were so far under exclusive UNMIK control, were directed by Co-Heads, one of them being a local representative appointed by the SRSG. During this period, international judges and prosecutors were deployed to Kosovo to participate in investigations and adjudication procedures and initial investments in improving the physical infrastructure of courts were made. The SRSG initially

appointed international judges and prosecutors to the Mitrovica district court and then extended this arrangement to the rest of Kosovo. The deployment of international judges and prosecutors led to the establishment of so-called 'Regulation 69' hybrid international-local courts. The SRSG was authorized to assign investigations or judicial proceedings to international prosecutors and judges or, where a panel was required, to a panel of judges where the majority were international judges. This led to a dual system of justice, i.e. one which was administered by Kosovar judges, and one administered by international judges (Baskin, 20). During this period UNMIK established the administrative department of justice which was responsible for the overall management of the judicial system and the correctional service and which later became the Ministry of Justice.

During the 'consolidation and transformation' period, which lasted until the end of 2001, the justice system was re-organized within the Constitutional Framework for provisional self-government in Kosovo. Until the adoption of the Constitutional Framework, the justice system was administered exclusively by UNMIK through the UNMIK administrative department for justice. Local actors were involved only for consultative purposes and had no powers and responsibilities for the justice system. The Constitutional Framework established the "Provisional Institutions for Self-Government in Kosovo" (PISG) to which UNMIK transferred certain responsibilities for the justice system. However, UNMIK reserved key powers, such as exercising the final authority regarding the appointment, removal from office and disciplining of judges and prosecutors, deciding upon requests regarding the assignment of international judges and prosecutors, exercising powers and responsibilities of an international nature in the legal field, and exercising authority over law enforcement institutions and the correctional service. The courts were responsible for the administration of justice and included the Supreme Court of Kosovo, district courts, municipal courts and minor offense courts. A Special Chamber of the Supreme Court for matters relating to the Constitutional Framework was supposed to be established and to function like a constitutional court, but it never materialized. A Special Chamber of the Supreme Court on privatization issues was established to deal with disputes related to the privatization of socially owned enterprises.

The Constitutional Framework provided for the Office of the Public Prosecutor for Kosovo which included offices of district and municipal prosecutors. The Constitutional Framework included the Kosovo Judicial and Prosecutorial Council which was responsible for advising the SRSG on the appointment of judges and prosecutors, and hearing complaints against a judge or prosecutor. Judges and Prosecutors were appointed by the SRSG from lists of candidates proposed by the Kosovo Judicial and Prosecutorial Council and endorsed by the Assembly. Decisions on the promotion, transfer and dismissal of judges and prosecutors were also taken by the SRSG on the basis of recommendations by the Kosovo Judicial and Prosecutorial Council and on his own initiative.

Although the first government ministries were established in 2001, the Ministry of Justice was established in 2005, after lengthy negotiations with UNMIK regarding the functions of this ministry and the delineation of functions with the judiciary. The Ministry of Justice

was responsible for developing policies for the justice sector, including the prosecution, but it did not include matters related to the administration of the judiciary and courts. This was vested in the Kosovo Judicial Council, which was reformed in 2005 to reflect the establishment of the Ministry of Justice and its responsibilities for the prosecution system. Executive oversight over the correctional services was transferred to the Ministry of Justice in 2006, while international judicial cooperation remained among the 'reserved' powers of UNMIK. Despite the transfer of certain responsibilities to the PISG under the Constitutional Framework, UNMIK thus retained final and exclusive authority over the justice system.

Under the Constitutional Framework a Kosovo Special Prosecutor's Office was established in 2006, which included international prosecutors who were initially responsible for the training and mentoring of local prosecutors dealing with the most serious criminal offences. In the same year, UNMIK established the Independent Judicial and Prosecutorial Commission (IJPC) as an autonomous body of the Kosovo Judicial Council, composed of international judges and prosecutors appointed by the SRSB. The purpose of the IJPC was to conduct a one-time, comprehensive, Kosovo-wide review of the suitability of all applicants for permanent appointments as judges and prosecutors in Kosovo, a so-called vetting process. Serving judges and prosecutors had to apply for re-appointment to judicial functions and were required to pass an examination to be reinstated in their functions. The vetting process was completed in 2010.

## **b. The Justice System after Independence**

Kosovo's declaration of independence and the adoption of the Constitution of the Republic of Kosovo in 2008 marked a new stage in the development of Kosovo's justice system. The new Constitution carried forward most of the institutions of the justice system UNMIK had created, but with significant changes and subject to subsequent reforms. There is no role for UNMIK under the new Constitution, which recognizes the Republic of Kosovo as the only sovereign power in Kosovo. Under the Constitution, judicial power is independent and exercised by the courts. The only regular court which is prescribed by the Constitution is the Supreme Court, while all other courts are subject to regulation by law. The State Prosecutor is an independent institution which is responsible for the prosecution of persons who are charged with having committed a criminal offence. The courts are administered by the Kosovo Judicial Council, and the State Prosecutor by the Kosovo Prosecutorial Council and no longer by the Ministry of Justice. Judges and the Chief State Prosecutor are appointed by the President of Kosovo upon the proposal of the respective Council. The Constitution also established the Constitutional Court of Kosovo with powers to adjudicate on constitutional law issues.

By declaring independence, Kosovo inherited a number of problems in the area of rule of law. Technical and human resources in all institutions were very limited; trust in the judiciary was very low due to allegations of corruption and political interference; the legislative framework was incomplete; a backlog of cases was increasing; and, parallel courts applying Serbian law were operating, especially in northern Kosovo (European

Commission, 2008, 13-14). Kosovo also had to adjust to the deployment of the European Union Rule of Law Mission (EULEX). All laws related to rule of law had to be amended to reflect that UNMIK had no powers, and new laws had to be adopted, such as on the new Constitutional Court, on bar examinations, mediation, notaries, and on the allocation of cases to EULEX judges. The Ministry of Justice assumed responsibility for international legal cooperation, but UNMIK remained a point of contact for cooperation with Interpol, ICTY and countries which do not recognize Kosovo (European Commission, 2009, 9-10).

A major justice reform was initiated in 2010 to reform the court system and to improve the legal framework on the State Prosecutor, the Kosovo Judicial Council and the Kosovo Prosecutorial Council, and to improve salaries for judges and prosecutors. Until then, Kosovo had a complex court system including municipal courts, district courts, minor offences courts, a commercial court, and the Supreme Court. The reform merged these into basic courts and an appellate court and the Supreme Court. In 2011, the Kosovo Judicial Council adopted a strategy to reduce the backlog of cases which by the reference date of 31 December 2008 had reached 161,273 cases (European Commission, 2011, 11). The Kosovo Prosecutorial Council also became operational in 2011. But, despite the reforms, the European Commission noted that allegations of corrupt behavior in the justice system continued, as well as allegations of threats and intimidation (European Commission, 2012, 9). Lack of enforcement of judgments was a further weakness that undermined confidence in the rule of law. A new private enforcement system was introduced in 2013 to address this issue. In 2014, Kosovo and EULEX agreed that in mixed court panels Kosovo judges would be in the majority with the exception of the Mitrovica basic court, where EULEX judges were fully in control. The introduction of the notary system, private enforcement and mediation centers achieved the first results in reducing the workload of the courts. In 2015, Kosovo and Serbia reached an agreement on the integration of Serbian judges into the Kosovo justice system and the recruitment of Serbian judges started in 2016. The purpose of this agreement was to dissolve parallel court structures primarily in northern Kosovo and to ensure a unified court system throughout Kosovo under Kosovo law. In 2015, Kosovo in agreement with the European Union established the Specialist Chambers and the Specialist Prosecutors' Office which are responsible for investigating and adjudicating crimes against humanity and war crimes under international law, which were committed in Kosovo between 1 January 1998 and 31 December 2000 and which were reported by the Parliamentary Assembly of the Council of Europe in 2011. An extension of EULEX's mandate in 2016 limited its powers to deal only with existing cases and not to assume new cases and initiated a 'transitioning' of EULEX to local judges and prosecutors. However, despite all these measures, the European Commission concluded in 2016 that 'the administration of justice is slow and inefficient, and there is insufficient accountability of judicial officials' (European Commission, 2016, 13). The judiciary are still vulnerable to undue political interference and rule of law institutions suffer from lack of funding and human resources (European Commission, 2016, 13). Lack of accountability, inefficiency, political interference and limited resources seem thus to be the policy challenges Kosovo has to address in order to improve rule of law.

### 3. CURRENT RULE OF LAW STRATEGIES AND POLICIES

At present, Kosovo does not have a comprehensive strategy for the development of the rule of law or the justice system as a part of it. Rule of law policies derive primarily from Kosovo's obligations under the Stabilization and Association Agreement with the European Union, and related documents, such as the European Reform Agenda and the EU Commission's annual country reports. These policy objectives are then reflected in general development plans and sectoral strategies.

#### 1. STABILIZATION AND ASSOCIATION AGREEMENT

The Stabilization and Association Agreement (SAA) between Kosovo and the European Union entered into force on 1 April 2016. The SAA regulates the legal relationship between Kosovo and the European Union's member states until full membership in the European Union and determines the reforms which will progressively align Kosovo with EU policies and legislation. The reforms provided for under the SAA are international legal obligations for Kosovo. The implementation of the SAA requires deep political and economic reforms which affect all aspects of life in Kosovo, including the justice system.

##### **Stabilization and Association Agreement, Art. 83**

In their cooperation in the field of freedom, security and justice, the Parties shall attach particular importance to the consolidation of the rule of law, and the reinforcement of institutions at all levels in the areas of administration in general and law enforcement and the administration of justice in particular. Cooperation shall notably aim at strengthening the independence, impartiality and accountability of the judiciary in Kosovo and improving its efficiency, developing adequate structures for the police, prosecutors and judges and other judicial and law enforcement bodies to adequately prepare them for cooperation in civil, commercial and criminal matters, and to enable them to effectively prevent, investigate, prosecute and adjudicate organized crime, corruption and terrorism.



Given the broad language of the SAA, the Government and the Assembly of Kosovo adopted in 2015/16 a National Program for the Implementation of the Stabilization and Association Agreement 2017 – 2021 (NPISAA). The NPISAA is Kosovo's main national policy document for EU membership, including the planning, implementing and monitoring of implementation of all reforms needed for the implementation of the SAA and the further phases of EU accession. It defines a comprehensive mid-term framework of all the reforms which are necessary to fulfill Kosovo's obligations under the SAA and for the gradual approximation of Kosovo's legislation with the EU Acquis.

## **a. National Program for the Implementation of the Stabilization and Association Agreement (NPISAA)**

The NPISAA establishes a comprehensive framework of medium-term reforms (2017-2021) for the implementation of the SAA and the approximation of the national legislation with the EU acquis and its implementation and enforcement. It contains short-term measures (for 2017) and medium-term priorities, namely legislative and implementing measures and priorities. Based on the structure of the Copenhagen Criteria, all measures and priorities are divided into three blocks, i.e. (i) political criteria, (ii) economic criteria and (iii) European standards, which means the approximation of Kosovo's legislation with the EU Acquis. The measures and priorities related to the justice system are part of the political criteria, and specifically Chapter 23 of the EU Acquis.

The NPISAA requires every state body to implement the NPISAA and to monitor its implementation within the scope of its mandate. However, the primary responsibility for its monitoring and implementation lies with the Government, which will exercise this role within the formal Stabilization and Association bodies. The Assembly of Kosovo also plays a significant role, in particular through the adoption of legislation which is SAA relevant. Independent institutions and municipalities are also required to implement the NPISAA within their areas of responsibility.

Chapter 23 of the EU Acquis (judiciary and fundamental rights) requires the establishment of an independent and efficient judiciary, as a step of paramount importance. Impartiality, integrity and a high standard of adjudication by the courts are essential for safeguarding the rule of law. This requires (i) a firm commitment to eliminating external influences over the judiciary, (ii) devoting adequate financial resources and training, and (iii) legal guarantees for fair trial procedures to be in place.

The NPISAA specifies that, under the SAA, Kosovo is required to intensify cooperation with the EU in the area of the judiciary. It must focus on consolidating the rule of law by strengthening the independence, impartiality and accountability of the judicial system. Cooperation with the EU focuses in particular on the administration of justice and the development of adequate structures for the courts and prosecution, and other judicial



bodies, to adequately prepare them for cooperation in civil, commercial and criminal matters and to enable them to effectively prevent, investigate, prosecute and adjudicate organized crime, corruption and terrorism.

The NPISAA sets out that in order to meet the obligations deriving from the SAA and other EU documents and mechanisms, as part of the Chapter 23 of the EU Acquis, during 2017-2020, Kosovo will focus on certain midterm priorities in the justice sector.

**National Program for the Implementation of the Stabilization and Association Agreement 2017 – 2020:**

- review the rule of law sector;
- revise the criminal justice system;
- draft and adopt the Civil Code and accompanying legislation;
- increase the number of notaries;
- implement the Action Plan of the Strategic Plan of the Kosovo Prosecutorial Council;
- Kosovo Judicial Council to adopt a number of regulations, such as on the Commissioner for Oversight of Electronic Communications, judge norms, court fees and the classification of documents/cases;
- Kosovo courts to implement the Administrative Instruction on Anonymization of Final Court Judgements;
- KJC to build the capacity of courts in justice administration;
- improve policy regarding execution of criminal sanctions and ensuring uniform policies in terms of imposition of criminal sanctions; and
- Build the capacity of judges and professional associates in the Fiscal Division of the Basic Court in Prishtina (Department for Administrative Affairs).

The NPISAA is updated every year following broad consultations with state organs and civil society to reflect necessary changes.

## **b. European Reform Agenda**

In order to maximize the economic and political benefits of the SAA, the Government of Kosovo and the EU Commission agreed in 2016 to develop a 'European Reform Agenda' (ERA), which contains short term priorities in the areas of (I) good governance

and the rule of law, (II) competitiveness and investment climate and (III) education and employment.

The ERA does not replace existing national strategies but aims to help prioritizing specific actions which can be carried out in the short term (one year) and to ensure that the Government allocates the necessary resources for these actions. The ERA must be seen in conjunction with the Economic Reform Program (see below) which remains the key overarching policy document on macroeconomic and fiscal reforms.

The ERA states explicitly that in order to fully benefit from the SAA, Kosovo needs to undertake urgent economic reforms, which are supported by the rule of law. Strong and efficient institutions, an independent and well-resourced judiciary and the political will to vigorously fight corruption are crucial for economic development, growth and employment.

The ERA priorities in the area of rule of law for 2017 are the following:

- Reviewing and adopting legislation making mandatory the suspension and/or removal of public officials respectively indicted and convicted for corruption.
- Amending the law on conflict of interest and related regulations bringing them in line with European standards and indicating the exact circumstances in which public officials may take on additional employment and appointments.
- Ensuring the transparency and accountability of funding for political parties, which requires independent audits of political parties' finances for 2013-2015 and to ensure the publication of the financial reports of political parties as foreseen in the law.
- Carrying out an independent review of the accountability mechanisms of all independent institutions, agencies and regulatory bodies, following up on its recommendations, and adopting legislative measures that clearly define the roles, responsibilities and lines of accountability of these institutions.
- Ensuring that the planned legislative package covering civil service, salaries and organization of state administration is prepared in a coordinated way in an inclusive and evidence-based process on the basis of concept notes agreed at the government level.
- Ensuring transparent, merit-based and non-political selection processes in line with the law for all independent institutions, agencies and regulatory bodies as well as in public companies, including and in particular in relation to pending selection processes and ensuring full implementation of the recommendations by the Kosovo Anti-Corruption Agency.
- Implementing the government decision of March 2016 on introducing mandatory electronic procurement, along with the indicated timelines.

- Reinforcing the capacity of the Economic Department and Fiscal Division in the Administrative Department of the Pristina Basic Court, including in the areas of tax and customs, with a view to reducing the backlog of cases.
- Continuing to strengthen the track record on the fight against corruption and organized crime, including through reinforcing the capacity of the Special Prosecution Office to investigate and prosecute high-level cases.

The SAA mechanisms monitor the implementation of the ERA, and the priorities will be updated once a year, as appropriate. A high-level dialogue on the ERA meets bi-annually to review the achievements under the ERA.

### **c. European Commission Country Report 2016**

The European Commission regularly monitors Kosovo's progress in implementing its obligations under the SAA, guided by the ERA. In addition to findings, the EU Commission also makes policy recommendations, which, as of 2017, are reflected in the annually updated NPISAA.

With regard to the justice system, the EU Commission made the following policy recommendations for 2017:

- continue to implement the justice package, including adoption of the remaining secondary legislation;
- strengthen financial resources for the judicial sector and continue to strengthen the capacity of judges, prosecutors and support staff, to ensure proper functioning of the judicial system and the administration of courts;
- replace current provisions included in the laws on the Judicial and Prosecutorial Councils by adopting the law on the Office of the Disciplinary Counsel to strengthen accountability; and,
- step up efforts to reduce the backlog of cases, including by using alternative dispute resolution tools.

## **2. NATIONAL DEVELOPMENT STRATEGY 2016 – 2021**

The National Development Strategy (NDS) identifies a list of the country's top priorities which have to be addressed as part of 'genuine national development policy'. The selection of the priorities and measures is based on two general principles, i.e. (i) the need to ensure highest annual economic growth rates, and (ii) the need to ensure social cohesion and inclusion parallel with economic growth, which means non-exclusion of certain social groups from the benefits deriving from economic growth. The purpose of

the measures set out in the NDS is to address and remedy obstacles to economic growth and inclusive development and the measures are mostly synchronized with the priorities of the economic and institutional reforms necessary for Kosovo's integration into the European Union, as provided for in the Stabilization and Association Agreement. The NDS explicitly states that the 'implementation of the NDS will serve as a vehicle to push forward Kosovo's European integration agenda'. One of the key pillars of the NDS is a 'plan for law'.

### **National Development Strategy 2016 - 2021**

The rule of law and good governance are important matters not only because they provide social justice, but because legal certainty and effective institutions are a pre-requisite for the economic welfare of a country. Building a society based on the market economy requires trust in the justice and impartiality of institutions, as well as their effectiveness in delivering services. Very few would want to live, let alone invest, in a country where the state is not simultaneously the guardian of public interest and of free entrepreneurship, as this is the only way to establish honest competition and a viable business environment. Legal uncertainty oppresses the spirit of entrepreneurship, discourages investment and creates inequity in an open and competitive market resulting in a reduction of economic growth.

Kosovo has made considerable progress in building necessary legal institutions and infrastructure, especially as it had to start from scratch. The country, however, faces considerable challenges in terms of the effectiveness and impartiality of the state in delivering effective and fair services and these challenges impede comprehensive economic growth.

Today, it takes a very long time for the Kosovo courts to solve cases. This increases the cost of the process and discourages citizens and businesses from filing cases to protect their rights and interests. Kosovo has problems with property rights, which also discourage investment and limit citizens' opportunities to get investment loans by using property as collateral. The public procurement system remains flawed and is associated with huge problems that hinder the maximum exploitation of public funds in the service of development. In addition, as part of the state-building process, both the state and the public administration have created many rules and administrative processes, some of which are unnecessary and cause inefficiencies and unnecessary costs, either for the state or for businesses. Inspectorates, on the other hand, as state mechanisms to ensure fair competition in the market, are not sufficiently empowered to perform the task.

The NDS provides for a specific measure (intervention) related to the justice system, to enhance the efficiency of the judiciary in resolving or disposing cases. This measure is expected to significantly expedite the time needed for case disposition, consequently driving down the cost of proceedings for both the public and business and helping to establish an attractive environment for investment.

The NDS must be read in conjunction with the Economic Reform Program, which is a separate development strategy. According to the NDS ‘the two documents are not separate but rather a part of the same package’. The Economic Reform Program will be reviewed annually, while NDS will be subject to external evaluation every 2 years, as a result of its updating.

The Ministry of Finance is required to extend preferential treatment to NDS activities in terms of resource allocation, starting from the allocation of budget ceilings in the Medium-Term Expenditure Framework and then specifically in the annual Budget. The Ministry of European Integration must ensure that NDS measures and relevant activities, especially those reflected in the Economic Reform Program, are involved in the dialogue with the donor community on any programs of additional development assistance. Specifically, the Ministry of European Integration must ensure that sectoral planning documents and other documents required under IPA II and other EU funds are developed on the basis of top Government priorities, as stated under NDS. The Government’s Annual Work Plan must also reflect the activities provided for under the NDS, and the Government’s Coordinating Secretariat (GCS) and the Strategic Planning Office are responsible for monitoring progress with regard to the implementation of NDS priorities, as set out under the Government’s Annual Work Plan.

### **3. ECONOMIC REFORM PROGRAM 2017 - 2019**

The Economic Reform Program (ERP), together with the National Development Strategy, is the key policy document guiding macroeconomic and fiscal reforms in Kosovo. Its policies derive from the National Development Strategy and are aligned with the Stabilization and Association Agreement and the European Reform Agenda. The ERP contains 20 priority structural reform measures represent existing and new strategic priorities that Kosovo has identified as most important in order to address key obstacles to growth and competitiveness. One of the structural reform priorities which is related to the justice system is the increase of judicial efficiency by reducing the backlog of court cases. The main aim of this measure is to improve the judiciary’s efficiency in dealing with economic issues by reducing case backlog and improving the case management system. Improving the efficiency of judiciary by decreasing the backlog of cases will occur through incentives for speedy court settlements, temporary hiring of additional manpower to sort out the cases, and capacity building at the Administration Department’s Fiscal Division

of the Basic Court in Prishtina, which also deals with taxes and customs. This measure is a continuation of ERP 2016-2018 and is based on the NDS and ERA.

## **4. SECTORAL STRATEGIES**

In addition to the general strategies outlined above, there are certain sector-specific strategies which guide policy action and legislation in these sectors, subject to compliance with the general strategies.

### **The Strategic Plan 2016 - 2018 and Action Plan of the Kosovo Prosecutorial Council**

The Strategic Plan determines the objectives designed to execute the Council's constitutional and legal mandate. It also includes the Action Plan for implementing the strategy to ensure achievement of the Council's strategic objectives within the planned period and to ensure reform sustainability.

### **National Backlog Reduction Strategy and Action Plan**

The purpose of this document is to provide an overall strategic vision for addressing the backlog of cases pending in Kosovo's courts. The Strategy guides the development of policies, internal regulations, procedures, standards, and implementation initiatives, interventions, and activities. The overarching premise of this Strategy is to develop a three-pronged approach to addressing backlog reduction through the Kosovo Judicial Council and the courts. The Kosovo Judicial Council provides overall policy development, leadership, and internal and external coordination support for the implementation of the strategy and its associated initiatives and activities. The Secretariat of the Kosovo Judicial Council provides operational, budgetary, technical, administration, and logistical support for the implementation of the Strategy and its associated initiatives and activities. The courts provide day-to-day judicial and managerial oversight of the implementation of the strategy and its associated initiatives and activities.

### **KJC Strategic Plan on Information and Communication Technology 2012 -2017**

The vision of the strategy is that the information and communication technology in place must support the vision of the Kosovo Judicial Council to establish a judicial system that is efficient, transparent, accountable for its work and accessible to all. The main development pillars of the strategy are the following: (i) prepare legal and regulatory foundation, (ii) provide sponsorship and support decision-making, (iii) ensure adequate ICT hardware and software infrastructure and competent human resources to maintain systems and support users interacting with the infrastructure. The main projects planned

as part of the strategy are the Case Management System, Audio Recording System of Criminal Proceedings, as well as enabling and making use of advanced audio and video in seven basic courts in order to facilitate direct protected witness hearings. So far, the Case Management System is in the process of being implemented, while the audio recording system and witness protection systems have yet to be implemented due to the lack of funds for this purpose.

## **The Strategy for Reduction of Cases and Alternative Procedures**

This strategy aims to encourage the prosecution of minor offences cases without further proceedings in court and thus to reduce the total number of cases going to court. This approach means that prosecutors will be able to prioritize and handle more severe cases relating to corruption, economic crime, confiscation and the investigation of senior officials.

## **Rule of Law Assistance Strategy of Kosovo 2016-2019**

This strategy, developed by the Ministry of Justice, aims to improve the conditions for sustainable rule of law and to advance the European integration process through planning, programming, and improving the effectiveness of donor assistance in accordance with national strategic priorities.

## **5. PROCESS**

Strategies prepared and adopted by the Kosovo government have to follow the procedures established in Administrative Instruction 02/2012 on the procedures, criteria and methodology for the preparation and approval of strategy documents and implementation plans. Strategies may be initiated by line ministries and are coordinated by the Strategic Planning Office in the Office of the Prime Minister. The working groups which draft strategic documents must have an inter-ministerial composition to ensure broad consensus and policy harmonization. Public consultations are also mandatory prior to the approval of the draft by the government. Once approved by the government, the strategy is a mandatory policy for subsequent legislation and the adoption of specific policy instruments. A strategy is very often accompanied by a detailed implementation plan which is subject to monitoring and evaluation.



## 4. INSTITUTIONAL FRAMEWORK

The institutions which govern the justice system are represented in all three branches of state power, i.e. the legislative, executive and adjudicative (judicial). The Assembly of Kosovo exercises legislative powers and is responsible for passing the necessary legislation with regard to the justice system. The Government is responsible for the implementation of laws passed by the Assembly of Kosovo and for the development and implementation of state policies. Judicial power is exercised by courts which are independent of the Assembly and the Government. In addition, there are other ‘independent’ institutions which also have a role to play in the justice system. The underlying principle is the separation of powers which guarantees that the judiciary is independent, but subject to checks and balances by the legislative and executive branch. The key actors in the justice system are the Ministry of Justice, the courts, the Kosovo Judicial Council, the State Prosecutor, and the Kosovo Prosecutorial Council. A special role is still played by the European Union Rule of Law Mission (EULEX).

### 1. INSTITUTIONS AND THEIR ROLES

#### a. Ministry of Justice

The Ministry of Justice is part of the government and is responsible for the development of policies and legislation in the area of justice, and for implementing policies to ensure fair and effective access to a justice system accessible to all and without discrimination. It also oversees the notary and mediation system, the bar examination, and the correctional services. It administers seized and confiscated property in cooperation with the prosecution, courts or other competent bodies, and is responsible for international legal cooperation. Although the Ministry of Justice makes policies for the justice system and is responsible for their implementation, it has no authority to interfere in the administration of the judiciary and its adjudicative functions. The Minister of Justice is appointed by and is accountable to the Prime Minister.

#### b. Courts

The regular court system is composed of basic courts, an appellate court, and the Supreme Court. *Basic courts* are the courts of the first instance. All basic courts have a serious

crimes department, a general department and a department for juveniles. In addition, there is a commercial department and an administrative department which operates within the Basic Court in Prishtina for all the territory of Kosovo.

The *Appellate Court* is competent to review all appeals from decisions of the Basic Courts, as a third instance court, following appeals that are permitted by Law and the conflict of jurisdiction between basic courts, and it decides on conflicts of jurisdiction between basic courts.

The *Supreme Court* is the highest judicial authority in Kosovo and has territorial jurisdiction over the entire territory of the Republic of Kosovo. The Supreme Court is a third instance court with the jurisdiction to adjudicate decisions, as provided by law, and requests for extraordinary legal measures against final decisions of the courts of Republic of Kosovo, as provided by Law, to review decisions made by second instance courts on contested issues, as provided by Law, and to define principled opinions and legal remedies for issues that are of significance to the unique application of laws by the courts in the territory of Kosovo.

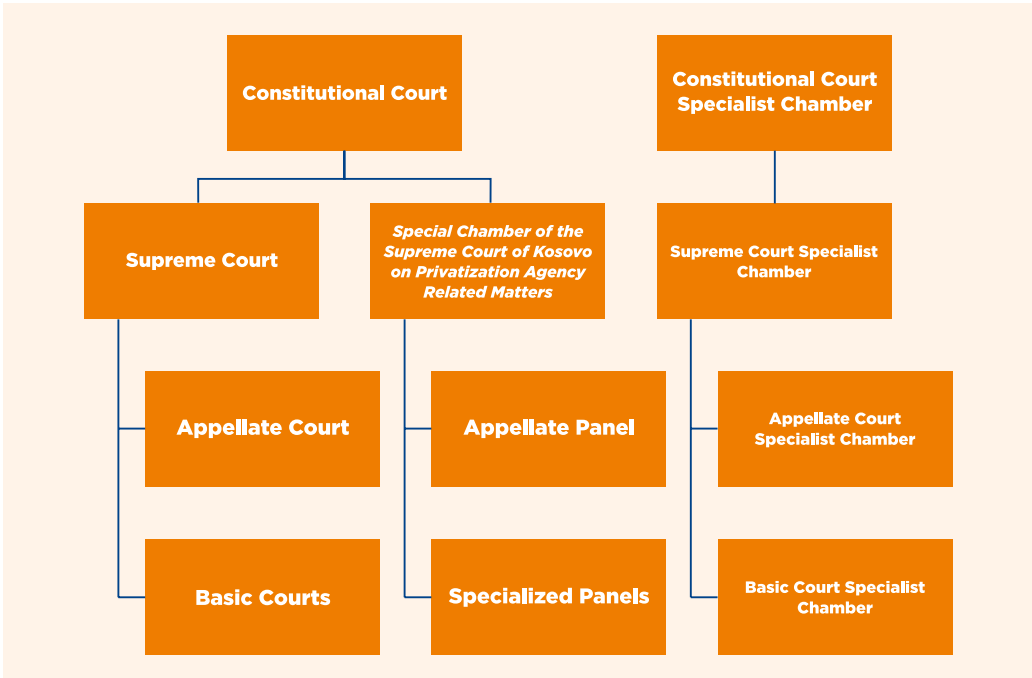
A *Special Chamber of the Supreme Court of Kosovo on Privatization Agency Related Matters* (Special Chamber) has exclusive jurisdiction over all disputes which are related to privatization under the authority of the Privatization Agency of Kosovo. The Special Chamber has five (5) specialized panels and one (1) appellate panel. The appellate panel has exclusive final appellate jurisdiction on all matters within the competence of the Special Chamber. Each specialized panel is composed of one (1) EULEX/international judge and two (2) Kosovo judges presided over by a Kosovo judge. The appellate panel is composed of five (5) judges, two (2) of whom shall be EULEX/international judges. While by name it is a part of the Supreme Court, in fact the Special Chamber is a separate court with its own exclusive jurisdiction and administration which is separate from the Supreme Court. It is also a hybrid court as its panels are composed of a mix of international and local judges.

The *Constitutional Court* is an independent institution which is the final authority for the interpretation of the Constitution and the compliance of laws with the Constitution. It is not part of the regular court system and not subject to the administrative authority of the Kosovo Judicial Council. The Constitutional Court is composed of nine (9) judges who are appointed by the President of the Republic of Kosovo upon the proposal of the Assembly. The decisions of the Constitutional Court, which may include the repeal of a law, are binding on the judiciary and all persons and institutions of the Republic of Kosovo.

A *Specialist Chambers and Specialist Prosecutors' Office* were established in 2015 based on an arrangement between Kosovo and the European Union which is reflected in

amendments to the Constitution and a law. The Specialist Chambers are responsible for ensuring secure, independent, impartial, fair and efficient criminal proceedings in relation to allegations of grave trans-boundary and international crimes committed during and in the aftermath of the conflict in Kosovo, which relate to those reported in the Council of Europe Parliamentary Assembly Report Doc 12462 of 7 January 2011. These include primarily crimes against humanity and war crimes under international law which were committed in Kosovo between 1 January 1998 and 31 December 2000. The Specialist Chambers include a Basic Court Chamber, a Court of Appeals Chamber, a Supreme Court Chamber and a Constitutional Court Chamber. It also has a Registry, which includes a Defense Office, a Victims Participation Office, a Witness Protection and Support Office, a Detention Management Unit, and an Ombudsperson's office within its structure. The Specialist Prosecutors' Office is an independent office for the investigation and prosecution of crimes within the jurisdiction of the Specialist Chambers. All judges, prosecutors and officers of the Specialist Chambers and the Specialist Prosecutors' Office are internationals appointed by EULEX. The seat of the Specialist Chambers is in Kosovo, but it has relocated to The Netherlands where it conducts judicial proceedings. The seat of the Specialist Prosecutors' Office is in The Netherlands. The Specialist Chambers and the Specialist Prosecutors' Office are not under the administrative authority of the Kosovo Judicial Council and the Kosovo Prosecutorial Council. They are legally and factually completely separate from the regular court system and apply Kosovo law only to the extent provided for in the law that established both institutions.

FIGURE 1: KOSOVO REGULAR COURTS AND THE SPECIALIST CHAMBERS



### **c. Kosovo Judicial Council**

The Kosovo Judicial Council (KJC) is an independent institution which ensures that Kosovo courts are independent, professional and impartial and fully reflect the multi-ethnic nature of Kosovo. The KJC is responsible for recruiting and proposing candidates for appointment as judges, their performance assessment, conducting judicial inspections, judicial administration, developing court rules in accordance with the law, hiring and supervising court administrators, developing and overseeing the budget of the judiciary, determining the number of judges in each jurisdiction and making recommendations for the establishment of new courts.

The KJC is composed of 13 members appointed by the Assembly of Kosovo. Seven (7) members are judges elected by the judiciary, two (2) members are elected by the Assembly of Kosovo, two (2) members are elected by the deputies of the Assembly holding reserved or guaranteed seats for the Kosovo Serb community, and two (2) members are elected by the deputies of the Assembly holding reserved or guaranteed seats for other Communities.

### **d. State Prosecutor**

The Office of the State Prosecutor is an independent and impartial institution responsible for the prosecution of persons accused of criminal and other offences as defined by law. The State Prosecution Office consists of the Chief State Prosecutor, who is appointed and dismissed by the President of the Republic of Kosovo upon the proposal of the Kosovo Prosecutorial Council. The Chief State Prosecutor has authority over the entire territory of the Republic of Kosovo, is in charge of the office of the State Prosecutor and has overall responsibility for the management of the State Prosecutor and the supervision of all prosecutors.

The office of the State Prosecutor is organized into the following prosecution offices:

- (i) The Basic Prosecution Offices comprised of a General Department, Department for Minors and the Serious Crimes Prosecution Department;
- (ii) The Appellate Prosecution Office comprised of a General Department and a Serious Crimes Prosecution Department;
- (iii) The Special Prosecution Office; and the
- (iv) Office of Chief State Prosecutor.

## **e. Kosovo Prosecutorial Council**

The Kosovo Prosecutorial Council (KPC) is an independent institution which must ensure that all persons have equal access to justice, that the State Prosecutor is independent, professional and impartial and that it reflects the multiethnic nature of Kosovo and the principles of gender equality in the execution of its functions. The KPC recruits, proposes, promotes, transfers, reappoints and disciplines prosecutors in a manner provided by law. All proposals for appointments of prosecutors must be made on the basis of an open appointment process, on the basis of the merit of the candidates, and the proposals must reflect principles of gender equality and the ethnic composition of the relevant territorial jurisdiction.

The KPC is composed of thirteen (13) members who are elected by the Assembly of Kosovo. Ten (10) of them are prosecutors, one (1) is a member of the Bar Association, one (1) from a law faculty and one (1) a member from civil society.

## **f. EULEX**

The European Rule of Law Mission in Kosovo (EULEX) was deployed in Kosovo in 2008. At present, the powers of EULEX are defined in an exchange of letters between the President of Kosovo and the EU High Representative for Foreign Affairs and Security Policy of 2016 which was ratified by the Assembly of Kosovo as an international agreement. Since 2016, EULEX operates under a 'transitioning mandate'. All criminal investigations and new trials are conducted by Kosovo judges. Only in exceptional cases, the Kosovo Judicial Council may approve panels composed of a majority of EULEX judges, if this is requested by the President of the Supreme Court or EULEX and has the approval of the President of the Kosovo Judicial Council. Also, in exceptional cases, the Kosovo Prosecutorial Council may decide that a case is assigned to an EULEX prosecutor if this is requested by the Chief State Prosecutor and agreed with EULEX. EULEX has to transfer all other cases to Kosovo judges and prosecutors. EULEX is authorized to appoint judges and prosecutors subject to the President's confirmation of the appointment, and endorsement by the Kosovo Judicial Council, or the Kosovo Prosecutorial Council for prosecutors.

## **g. Other Institutions**

There are other institutions which play a role in the justice system. The Academy of Justice is an independent institution which provides training for judges, prosecutors and other legal professionals in Kosovo. Other institutions working with the judicial system include the Kosovo Chamber of Notaries, the Kosovo Chamber of Advocates, and the Agency of Free Legal Aid.

## 2. INTER-INSTITUTIONAL COOPERATION

The Joint Rule of Law Coordination Board (JRCB) is the main inter-institutional body which coordinates rule of law related activities between the Government, the Kosovo Judicial Council, the Kosovo Prosecutorial Council, the EU Office in Kosovo and the EU Rule of Law Mission (EULEX). The JRCB meetings result in conclusions which set out policy directives for the institutions involved. The JRCB monitors the implementation of the conclusions. The EU also provides legal opinions on JRCB related policies and draft laws which reflect the EU's position on compliance with the EU Acquis.

## 3. ROLE OF CIVIL SOCIETY AND PRIVATE SECTOR

Civil society plays a very important role during the policy-making process by monitoring and evaluating the performance of the justice system. The government's rules and procedures require consultation with civil society during the preparation of concept documents and draft legislation. Civil society must have reasonable opportunities to submit comments and these comments have to be reported to the government for consideration before the document is adopted. Civil society organizations also monitor and evaluate the performance of the justice system through reports and assessments which are published. These reports often stimulate public discussions in the media and may also trigger policy decisions. The existing legal framework for public-private partnerships also offers possibilities for justice system related infrastructure and services, such as detention facilities, to be provided by the private sector but so far this mechanism has not been utilized.

## 5. CURRENT PROBLEMS AND CHALLENGES

As already noted, lack of accountability, inefficiency, political interference and limited resources are the policy challenges Kosovo has to address in order to improve the justice system and the rule of law. Kosovo does not have a comprehensive rule of law strategy and the main policy objectives derive from the Stabilization and Association Agreement and related policies. In 2017, the Ministry of Justice initiated a functional review of the justice system to assess overlapping competencies between justice institutions as well as communication and coordination problems. The idea is to use the findings of the functional review to prepare a comprehensive rule of law development strategy.

The integration of Serb judges and prosecutors especially in the northern municipalities of Kosovo based on the justice agreement with Serbia is underway, but its effective implementation needs resources and careful monitoring.

The backlog of cases is a critical problem for the courts. According to the Kosovo Judicial Council, in 2017 the courts had a backlog of 342,590 unresolved cases. The backlog is significant in the Supreme Court and although the basic courts have reduced their backlog somewhat, they still have the largest number of unresolved cases.

Both councils, but especially the Kosovo Judicial Council, were criticized by civil society and representatives of the international community for failing to be effective and accountable in the exercise of their mandate. A key point of criticism is that both councils have adopted regulations and decisions outside the scope permitted by law and without substantive debate. Performance evaluation and disciplinary procedures are lacking despite numerous violations of the code of ethics by judges and prosecutors. The independence of the councils, without adequate accountability mechanisms, lead to the abuse of power and undermine rule of law.

In 2017, in response to the above, the Ministry of Justice initiated a reform of the judicial accountability mechanism which will completely overhaul the current system. The Councils will remain responsible for conducting disciplinary procedures, but they will be subject to checks and balances as the Ombudsperson and the Ministry of Justice will be allowed to request the initiation of disciplinary proceedings and to challenge decisions of the Councils before the court, if they find that the Councils have not acted or if their decisions are contrary to law. A clear and precise catalogue of disciplinary violations for both judges

and prosecutors will be established to ensure that they abide by rule of law standards. The implementation of and transition into the new system will be the most important challenge.

The idea of another vetting process for judges has also been aired as a means to improving the efficiency and accountability of the justice system. However, the idea remains at a very abstract level and further assessment is necessary to determine what value it would add to the vetting process which was completed in 2013.

A further problem is that the government is lagging behind in implementing rule of law related obligations which derive from the European Reform Agenda. In 2017, the government did not complete any of the objectives which were envisaged for that year. The implementation of the European Reform Agenda is critical for assessing Kosovo's EU integration process as it contains the highest political priorities which result from the Stabilization and Association Agreement and which are agreed upon with the EU.

Kosovo has yet to address transitional justice in a comprehensive and systematic manner. The idea of transitional justice reflects accountability and redress for victims of crimes of past political injustice, violence and massive human rights violations, whether in civil wars or through various forms of political abuse by government. The purpose of transitional justice is to adopt and implement policies which recognize the dignity of individuals, redress and acknowledge past violations, and prevent them from happening again (International Center for Transitional Justice, 1). The typical instruments to achieve these objectives are (1) criminal prosecutions, (2) truth commissions, (3) reparations programs, (4) gender justice, (5) security system reform, and (6) memorialization efforts. Kosovo has established a war crimes department within the Special Prosecutor's Office, but limited resources and lack of judicial cooperation with Serbia hinder the effective prosecution of war criminals. The EU criticized Kosovo's institutions for having failed to develop a strategy on transitional justice as the Inter-Ministerial Working Group on Dealing with the Past and Reconciliation, which was established to deal with gross violations of human rights and international humanitarian law during Kosovo's conflict, has ceased to function (European Commission, 2018, 17). The Kosovo Specialist Chambers were established to investigate and prosecute certain human rights violations committed during the conflict but the initiative for this came from the Council of Europe and the European Union. The initiative of the Government and the Assembly of Kosovo in December 2017 to disband the Specialist Chambers and to transfer its powers to local courts provoked serious objections by the international community in Kosovo which strongly rejects this policy. The problems related to the Specialist Chambers may be one of the most difficult Kosovo will face. Even if the Specialist Chambers remain, the implementation of its mandate will be politically controversial and a test for Kosovo's commitment to rule of law. Despite these challenges, a major success for transitional justice is the establishment in November 2017 of the secretariat of the Government Commission on Recognition and Verification of the Status of Sexual Violence Victims during the Conflict and allocated budgetary resources for victim's pensions. Since February 2018 victims can apply for recognition and verification to receive individual financial benefits.



## Case Study: Accountability of Judges and Prosecutors

*The independence of the judiciary is a fundamental constitutional principle and a prerequisite for effective rule of law. Judges and prosecutors must be independent from political influence and exercise their functions impartially and in accordance with the law. However, judges and prosecutors must also be accountable, in the sense that there must be mechanisms in place to discipline judges and prosecutors if they do not uphold certain standards of ethical and professional conduct. According to the Constitution, the responsibility for investigating and disciplining judges and prosecutors sits with the Kosovo Judicial Council, for judges, and the Kosovo Prosecutorial Council, for prosecutors. An Office of the Disciplinary Council (ODC) exists within both Councils which is responsible for receiving complaints from citizens, for investigating disciplinary violations and for initiating a disciplinary procedure before the Councils.*

*Numerous civil society organizations and projects funded by international donor organizations pointed out that the ODC was not effectively discharging its functions and that there was little transparency and accountability with regard to how the ODC was functioning. This resulted in allegations about the possible abuse of authority and limited use of disciplinary measures where needed. A public policy process was thus initiated by stakeholders outside the government. The European Union (EU) repeatedly requested that a law be drafted which would address these concerns and it included this request in its annual country report, which is used to measure Kosovo's progress towards EU integration. The Ministry of Justice (MOJ) responded by including the drafting of a law on this issue as part of its legislative program. However, this was only the formal beginning of a lengthy and complex policy process.*

*In order to be able to address the concerns raised by civil society and international donor organizations, MOJ had to properly identify the problems concerning judicial accountability and their root causes. Two problem areas emerged: (i) the rules which specify what would constitute a disciplinary violation were imprecise and to a significant degree were not in line with EU standards, (ii) and, the disciplinary procedures were not conducive to transparency and accountability. The analysis of the problem was undertaken in consultation with various stakeholders, such as the institutions involved in the process, civil society and international donor organizations. MOJ understood that a system of checks and balances had to be introduced which would, on the one hand, preserve the power of the Councils to conduct disciplinary procedures and, on the other hand, ensure that the Councils exercise this power in an accountable and transparent manner. Building on the identification of the problems, MOJ assessed various options on how to address the problems and achieve the desired policy objective. The options ranged from (i) keeping the status quo and making minor technical adjustments, (ii) transferring ODC to the Ministry of Justice and (iii) finding some middle ground, which would give the MOJ a say in the process while preserving the powers of the Councils. Option (i) was dismissed as insufficient to address the problems, and option (ii) was dismissed because of concerns expressed by civil society and international organizations that moving the ODC into the Ministry of Justice would violate the principle of separation of powers. Option (iii) was designed to allow the citizens to raise complaints with the*

court presidents who would make a preliminary assessment. If the complaint was found to be reasonable, they would request the Council to initiate disciplinary procedures. The Council would establish a committee composed of peer judges who would investigate the allegations. The Council would then decide and its decision could be challenged before the Supreme Court. The MOJ and the Ombudsperson would be authorized to request a review of decisions of court presidents and the Council if they believed that a decision was unlawful or if they had failed to act. This solution was discussed in several rounds with international donor organizations and civil society until the details were finalized. The final draft was endorsed by the Joint Rule of Law Coordination Board and it received public support from international organizations and civil society organizations.

The way MOJ dealt with the problem of judicial accountability is an example of a policy process which built on a thorough problem analysis, stakeholder identification and consultation, a detailed options analysis and consensus-building through intensive discourse with civil society and international stakeholders.

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MENTOR NIMANI

# SOCIAL POLICIES

## MARGINALIZED GROUPS



SUBJECT:

## **COMPARATIVE ANALYSIS OF CHILD LABOR AND SOCIAL PROTECTION IN KOSOVO AND ALBANIA**

### **ABBREVIATIONS**

**UNICEF** - The United Nations Children's Fund

**ILO** - International Labour Organisation

**KAS** - Kosovo Agency of Statistics

**HBS** - Household Budget Survey

**INSTAT** - Institute of Statistics of Albania

## OBJECTIVE AND METHODOLOGY OF THE PAPER

This paper aims to analyze the situation of child labor and social protection in order to identify the causes that drive such children to work.

In addition, the paper aims to identify the role and responsibility of the institutions with regard to preventing and eradicating child labor in Kosovo and Albania.

The analysis also reveals the categories which benefit from social protection. Finally, the paper aims to provide an explanation for the challenges of this phenomenon in order to contribute to the prevention and eradication of child labor.

The analysis was carried out using qualitative methods, analyzing social policies, and comparing them between the two countries. The resources used for this paper include: books, reports, national and international strategies, laws and regulations.

### Social Policy

The transition in Kosovo has now evolved to include social issues that are visible in all aspects of life in Kosovo, especially in relation to marginalized groups, such as people with disabilities and children of minority groups, especially the Roma, Ashkali and Egyptians. (UNDP Kosovo, 2016).

### What is social policy?

Social policy is a very broad expression. Social policy scientists agree that 'social policy aims to improve human well-being and is particularly concerned about the well-being of those who experience some form of disadvantage.' (Smyth, 2014)

The definition of the term Social Policy also includes: purposeful planning and activity, the general wellbeing of individuals and groups, social relations, and it also includes rational analyses and political competition over the values and attitudes of different groups. (Smyth, 2014, f. 10)

### Participants will be able to find answers to some of these questions:

- How can the Government of Kosovo define, create and improve policies regarding the social issues of marginalized groups?
- What is the role of the government in helping to establish a clear position regarding people with disabilities and children of minority groups, such as the Roma, Ashkali and Egyptians?
- Can the government effectively combat the discrimination of these marginalized groups?
- How can social policy developments increase trust in public institutions and improve their reputation?

# BACKGROUND ON THE SOCIO-ECONOMIC SITUATION AND GENERAL SITUATION ON CHILDREN'S EMPLOYMENT IN KOSOVO AND ALBANIA

## Definition of terms: 'child' and 'child labor'

Before speaking about children, it is important to explain the definitions of such terms. According to the Universal Declaration of Human Rights, or the International Labor Organization (ILO) Convention No.138 on the minimum age, a child is defined as: "any human being under the age of eighteen". Whereas child labor can be defined as: "work that damages the child's well-being, and hampers education, development, and everyday life".

Child labor is work that harms, abuses and exploits the child and denies the child the right to education. Aspects of work that can harm a child are: long hours and physical and psychological harassment. Any work permitted under the ILO's respective conventions is an activity that is not harmful to the child, its health, and development and that does not hinder the child's learning and play (ILO, 2017).

## General background on child labor in Kosovo and the socio-economic situation

According to UNICEF's 2013-2014 Multiple Indicator Cluster Survey (MICS), there were 5,398 children in employment in Kosovo. This survey targets Roma, Ashkali and Egyptian children, and it reveals that approximately 2,168 children in this community are employed (UNICEF, 2014).

Globally, in the period 2012-2016, the number of children in employment is 152 million. Of them, 64 million are girls and 88 million are boys. Approximately 73 million children are involved in hazardous work (ILO, 2017).

Every day, we see children on the streets doing various work, from the selling of cigarettes and groceries, to begging, etc. To these working children, the streets have become the primary location for socialization due to lack of proper institutional care and supervision.

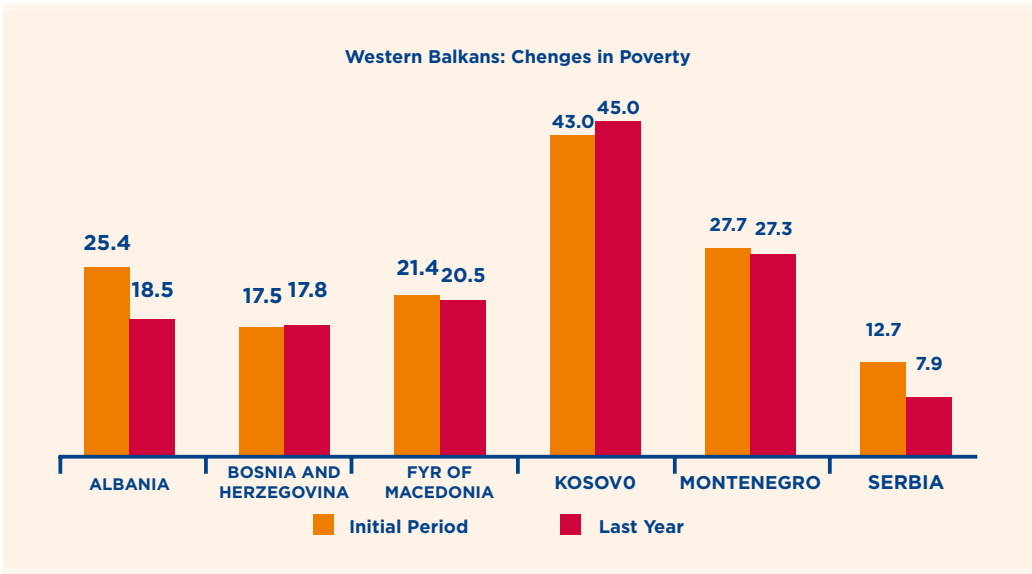
Child labor is certainly linked to the socio-economic situation. For example, research conducted by UNICEF in Kosovo shows that children are at a significantly higher risk of poverty in Kosovo than the general population. Moreover, data from the Household Budget Survey (HBS) 2006/7 indicated that children face the highest risk of poverty, especially children living in households with three or more children, children of unemployed parents, children in households receiving social assistance and children with low education levels. In households with at least one member employed, children are less vulnerable to poverty.



In addition, according to the Labor Force Survey conducted by KAS, in the third quarter of 2017 about 30.2% of the population was unemployed. Moreover, poverty in Kosovo among young people is 33% whereas among the elderly it's 16% (SAK, 2017).

In 2007, Kosovo was the country with the highest level of poverty in the Balkans, as can be seen in figure No. 1. The figure clearly shows that in 2007 Kosovo was the poorest country in the Balkans with a poverty rate of 45%. In contrast, Albania reports a much lower poverty rate of 18.5%. (World Bank, 2010). ((UNICEF), [www.unicef.org](http://www.unicef.org), 2010)

FIGURE 1: **NORMS OF POVERTY IN THE WESTERN BALKANS**



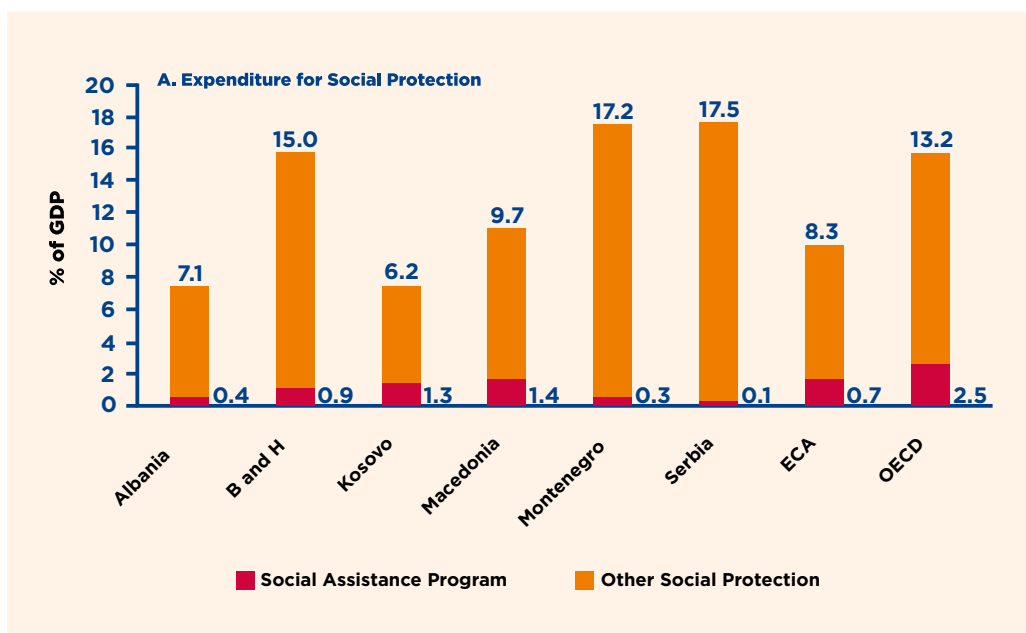
Source: Gueorguieva 2007. Borders of poverty based on national from poverty assessment from the World Bank.

Notes: Initial period: Albania (2002), Bosnia and Herzegovina (2001), FYROM (2002), Kosovo (2003), Montenegro (2005), Serbia (2004), Last Year: Albania (2005), Bosnia and Herzegovina (2004), FYROM (2004), Kosovo (2005), Montenegro (2006), Serbia(2006)

15% of the population of Kosovo lives in extreme poverty, meaning they lack basic living conditions. As far as poverty is concerned in 2017, there is no updated information by the Kosovo Agency of Statistics.

The economic situation is further exacerbated by the amount of social protection allocated in the Kosovo Budget for families in need. Kosovo is reported to have the lowest rate of social protection in the Balkans. According to the World Bank, Kosovo spends 6.2% of its budget on social protection. Albania has the second lowest rate among the Balkan countries, with a rate of 7.1%. In contrast, at 17.5%, Serbia has the highest rate of budgetary spending on social protection in the Balkans. See more in Figure 2 (Placeholder1).

FIGURE 2: REGIONAL COMPARISON



Source: UNICEF, Child Poverty in Kosovo, 2010.

Child labor is recorded in the following key sectors in Kosovo: Street work, hazardous work in agriculture and forestry, excavation and exploitation of natural resources, trafficking of children for work and sexual exploitation, and the exploitation of children for illegal activities.

## Overview of the situation of child labor in Albania

Albania, unlike Kosovo, has adopted a law on child protection. Statistical data report that 7.7% of Albanian children are in employment. Specifically, according to INSTAT statistics, in Albania there are 54,000 children aged 5-17 years old in employment and working long hours. Of this percentage, 92% are considered to work in hazardous jobs. According to the law in Albania, children aged 5-13 are prohibited from working even for one hour per week.

As in Kosovo, child labor in Albania is also closely related to their economic situation. According to INSTAT, in 2017, the official unemployment rate in Albania for the population over 15 was 13.6%. Meanwhile, the official unemployment rate among young people is 26% (INSTAT, 2017).

Albania allocates a slightly higher budget to social protection than Kosovo. Albania spends 7.1% of the budget on social protection per year (figure 2), whereas Kosovo

spends 6.2% on social protection. Child labor harms psychological and physical health. Recent studies by UNICEF and Save the Children of street children in Albania (April 2014) argue that around 2,527 children are used for the sale of cigarettes, water, food items, flowers, pencils, car fragrances, and cannabis harvesting, etc. In 96% of cases, generation of income was the main reason for children working on the streets (data is available on the website: [www.instat.al](http://www.instat.al)).

## **SOCIAL PROTECTION IN KOSOVO AND ALBANIA**

### **Social protection and the role of cash transfer in Kosovo**

Until the 1990s, Kosovo had its own system of social protection which originated from the legislation of former Yugoslavia, and included: disability pension insurance, unemployment benefits, and child benefits, also known as child allowances. Allowances were usually enjoyed by low-income workers and non-earning households with children. After the 1998-1999 war, Kosovo applied a 'cash transfer program'. According to the UNICEF report, 'Child Poverty in Kosovo', the categories eligible for this cash transfer program include beneficiaries of: Social pensions, the scheme for war invalids and the families of those killed in the war, and disability pensions. Also, in 2009, Kosovo introduced a new scheme for families who care for children with severe and permanent disabilities. This scheme provides for 2,158 beneficiaries who receive up to 100 Euros a month. These benefits are based on the Law on Social and Family Services No. 02/L-17, which aims to provide material assistance to citizens. However, according to this law, material assistance means the provision of money, temporary shelter, food, medical fees, clothing or any other material necessity for which there is an urgent need and for which there is no other source available.

Figure number 2 shows that Kosovo allocates the lowest budget in the Balkans to social protection, at a rate of 6.2% of the total budget. And this social protection scheme does not benefit all citizens. The unemployed are excluded from the social protection scheme and there are no maternity benefits.

It's unsurprising that the unemployed are excluded from the social protection scheme in Kosovo, as there is no legal basis for the protection of the unemployed, despite high unemployment rates. Thus, Albania has a high social protection budget in comparison. Kosovo has a law on the unemployed, but this law is intended only for the registration and recording of the unemployed and jobseekers, namely Law No. 4/L-083. There have been previous unsuccessful tendencies to adopt a law on the unemployed, but nothing has been achieved as yet.

Kosovo had greater social protection in the 1990s than it does now! At the time, the unemployed and mothers benefited from allowances. Yet today's liberal ideology requires

social policy to adhere to the values of justice, to a fairer distribution of resources and opportunities for all members of the society, and to increase the responsibilities and rights of citizens (Xhumari M., 2009:57).

In Albania, the social protection scheme is far more comprehensive than in Kosovo, as it includes benefits for the unemployed.

## **Social protection and the role of cash transfer in Albania**

According to INSTAT and the Social Security Institute in Albania, social protection includes the following programs:

- Urban Pensions in the Social Insurance Scheme, 2000-2013
- Rural Pensions in the Social Insurance Scheme, 2000-2013
- Number of households and economic assistance fund according to family structure, 2000-2013
- Unemployment benefit, 2000-2013
- Provision for the old age pension, 2000-2013

The unemployment benefit program aims to support unemployed persons with income during the first period of unemployment, and is based on Law No. 7703, “On Social Insurance in the Republic of Albania,” dated 11.05.1993.

The unemployment assistance program benefits the unemployed and poor households. It is cash-based assistance for poor households and is distributed monthly. It can be partial or full, depending on household incomes. The amount of partial assistance is calculated as the difference between the total amount of economic assistance and the real family income (such data is available on the website: <http://www.instat.gov.al>).

## **Why is social protection important?**

According to the ILO, social protection and social security are human rights and are defined as a set of policies and programs dedicated to reducing and combating poverty and vulnerability through the life cycle (World Social Protection Report 2017- 2019).

For children, social protection is very important because it provides nutrition, and when children do not suffer from malnutrition, they are protected from various illnesses. Approximately 5.9 million children die globally and half die from malnutrition (World Social Protection Report 2017-2019). Moreover, according to the ILO, social protection is essential to protect children from poverty and to improve their well-being. So, social protection plays an important role in the realization of children’s rights. But how can children’s rights be protected in Kosovo, when the law on children has not yet been approved by the Kosovo Assembly?

At the global level, 35% of children benefit from social protection (World Social Protection Report 2017-2020). The report also emphasizes a positive trend in social protection for children, which is the cash transfer. The countries that have benefited from this system are: Argentina, Brazil, Chile and Mongolia.

The ILO's 1952 Convention on Social Security established standards for minimum living conditions for children and families, which are: food, clothing, housing, holidays, domestic help, and education.

It seems that the standards established by the ILO in 1952 make no impression on Kosovo. This neglect is evident in the fact that Kosovo is not only the country with the highest poverty rate in the Balkans, but also with the lowest rate of social protection spending.

The cash transfer program, recommended by the ILO, has appeared in poor or moderately developed countries. The program is implemented on the basis of conditions, e.g.: if you do not send the children to school, or the doctor, we will not give you any money. If these conditions are not respected, they are suspended from social protection or the benefits are terminated.

According to the ILO, in 2014-2015, Brazil was an example of a country that had successfully implemented this program, with 3.9 billion dollars of assistance.

Honduras is another country that has adapted this social program scheme and has distributed 10,000 cash transfers. The categories benefiting from the assistance are: poor families, children under 18, pregnant women, etc.

The ILO report also mentions child benefit, or social family benefit as elements of a social program. Despite the fact that globally, as well as in Kosovo and Albania, fewer people have social protection, the key element for protecting children, not just from illness but also from work, remains social protection. It is also important because it avoids family economic crises which force children into work (ILO, World Social Protection Report 2014/2015). By providing incomes to families, it becomes possible for children to go to school, to enjoy the health provided through quality food and doctor visits, and thus children become protected from exploitation and labor.

## LEGAL FRAMEWORK IN KOSOVO AND ALBANIA

### Kosovo legal framework

- Kosovo lacks a law on the protection of children's rights. Although Kosovo has made positive steps in this regard, with the drafting of a law on children, the law is yet to be adopted in Parliament.

- Kosovo's Constitution contains provisions regarding the right of children to protection and care necessary for their well-being, including the right to protection from violence, ill-treatment and exploitation.
- Criminal Code (Law No. 03/L-002) defines the criminal offenses committed against a child in a judicial process against adults, including the failure to fulfill family obligations, enabling of prostitution, child abuse in pornography, exploitation of children in armed conflicts, use of children for illegal activities, forcing conditions of servitude or conditions similar to servitude and forced labor.
- Law No. 4/L-083, covers the registration and records of the unemployed and jobseekers. This law does not guarantee or envisage social protection for the unemployed.
- Labor Law (No. 03/L -212) defines the age of fifteen (15) years as the minimum age for employment. The employment relationship with a person between the age of fifteen (15) and eighteen (18) years may be established for light work which doesn't pose a risk to the child's health and development. This law also prohibits persons under the age of 15 from employment. This regulation was adopted in November 2010.
- The Administrative Instruction on the Prevention and Prohibition of Dangerous Forms of Child Labor (17/2008) identifies hazardous sectors and general hazardous activities to be prohibited as a priority in Kosovo. This instruction was adopted on September 17, 2008.
- UNMIK Regulation 2001/27 determines the age at which a child is to work, Prishtina 2001. This includes the same provisions as the Labor Law.
- Law on Family and Social Services No. 02/L.
- Regulation 2003/19 on the Promulgation of the Law on Occupational Safety, Health and Working Environment, adopted in November 2003, in Prishtina.
- Family Law No. 2004/32, Prishtina.

It's worth pointing out that although Kosovo is not a signatory party to the 1980 Hague Convention on Civil Aspects of International Child Abduction, or a signatory to ILO conventions, Kosovo is obliged to comply with international conventions under the Rambouillet agreement. International conventions that Kosovo must implement regarding the topic discussed in this paper are:

- The United Nations Convention on the Rights of the Child
- ILO Convention 182 on the Worst Forms of Child Labor, adopted on June 17, 1999, and ILO Recommendation No. 190 calling on member states to take immediate action to stop and eliminate bad forms of child labor.
- The International Labor Organization (ILO) Convention on the Minimum Age, 1973 (C138), provides that the minimum age for employment should not be less than 15 years old. Whereas, with regard to the minimum age to enter the labor market in Kosovo according to the labor law, the established age is 18.

As can be seen from the list of legal mechanisms in Kosovo, there is no law addressing child labor. This deficiency and legal shortcoming was clearly highlighted by the 2015 ILO 'World Social Protection Report', which pointed out the lack of relevant laws in the area of child labor and social protection. Therefore, one of the ILO's objectives is to formulate a legislative program to help countries set clear criteria and benefits (2014-2015).

The reason for the lack of legislation according to the ILO lies with countries' different priorities and traditions. The report provides evidence for the role of tradition in explaining the gap in relevant legislation as it notes that Europe and America have higher percentages of children enjoying social benefits than other countries.

## **Strategic Programs of Kosovo**

**Strategic Plan for the Rights of the Child 2016-2020.** The institution responsible for the implementation of this strategy is the Office of the Prime Minister. The objectives of this strategic plan are the promotion and monitoring of children's rights.

**Strategy and Action Plan for the Prevention and Elimination of Child Labor in Kosovo 2011-2016.** The Ministry of Labor and Social Welfare is responsible for the implementation of this strategy. The objective of this strategy was the elimination of the worst forms of child labor in the Republic of Kosovo.

**The Strategy and Action Plan against Trafficking in Human Beings 2008-2011.** This strategy was approved by the Kosovo Government, and child labor was addressed in this document, focusing on eliminating the worst forms of child labor.

**Strategy and Action Plan for the Protection of Children's Rights 2009-2013,** approved by the Government of Kosovo, No. 07/69, on June 19, 2009. Section 5.1. specifically addresses the protection of children from dangerous forms of child labor.

**European Partnership Action Plan, adopted by the Government of Kosovo with Decision No. 4/78, on 13 August 2009.** This plan aims to create a specific database on child labor and copy the system for the monitoring of child labor throughout Kosovo. The plan also aims to approve and implement relevant legislation to ensure the legal protection of children.

Although Kosovo has a broad legal framework, it is still missing the key law. Kosovo requires a separate law on children, similar to the same law in Albania. Kosovo also has no local level strategy, with virtually all strategies assigning responsibility to central government.

## Albanian legal framework

The Republic of Albania is more advanced in terms of social protection for citizens. For example, in Albania there is a special law on children's rights.

- Law No. 10 347, dated 4.11.2010, aims to protect the rights of the child.
- Criminal Code: Article 124/b sanctions anyone who exploits children for labor. Paragraph 2 of the Criminal Code provides: "Coercing, exploitation, encouragement, or use of a minor to work, to obtain income, to beg, or to perform actions that damage his/her mental and/or physical development, or education, shall be punishable by two to five years of imprisonment."
- Law No. 7952, dated 21.06.1995, on the Pre-University Education System.
- Law No. 9062, dated 8.5.2003, on the Family Code.
- Law No. 10347 dated 4.11.2010, on the Protection of the Rights of the Child.

## Strategic Programs of Albania

**National Agenda on the Rights of the Child 2017-2020.** This agenda aims to effectively protect and promote the rights of the child.

**District Strategy on Children's Rights 2014-2020 .** This strategy is dedicated to the Tirana district, operating at the local level. This strategy aims to monitor children's rights and prevent all forms of violations of children's rights. The Municipality of Tirana is responsible for implementation.

**Social Inclusion Policies for Children and their Financing.** This policy aims to increase the effectiveness of social protection programs and the realization of children's rights. The responsibility for implementation of the strategy lies with the Ministry of Social Welfare.

**Social Inclusion Strategy 2008-2009,** respecting children's rights, developed by the Albanian Center for Economic Studies. The objective of this strategy is to ensure a specific look at the impact analysis of financial decentralization on the budget for children, supported by UNICEF, 2010. The responsibility for implementation of the strategy lies with the Ministry of Social Welfare.

## National Strategy for Development and Integration

**Sectoral Social Protection Strategy** drafted by the Ministry of Social Welfare for 2007-2013.

**Study on: "The cost of social policies on children",** which aims to analyze public spending, particularly in the implementation of comprehensive childcare policies.

**Study on "Local budgets - a mechanism for the realization of social inclusion of children".** The study addresses the real possibilities of local budgets for the development and implementation of social inclusion policies in the context of decentralization of local government.



## Current Issues and Challenges of Social Protection for Children in Kosovo and Albania

Although Kosovo has taken some steps to improve child poverty and child labor, it still faces a large number of problems in the social inclusion system. The problems I have identified in this analysis are as follows:

- There is no adequate law dealing with children's rights and the phenomenon of child labor. The Law on Children's Rights has been drafted, but has not yet been approved by the Assembly of Kosovo. Although there is a legal framework, it does not directly address the phenomenon of child labor, and consequently the phenomenon is addressed indirectly. Albania, on the other hand, has a law on children's rights.
- There is no law on the protection of the unemployed.
- There are a number of strategic policies and programs to facilitate efforts to address this phenomenon, yet children continue to work on the streets and poverty rates are high. This is also a challenge for Albania, as despite all the strategies mentioned in this report, there are still children in employment, especially on the streets.
- Kosovo has the lowest budget in the region for social protection. It also has a weak system of social protection, as it excludes the unemployed, the category most vulnerable to the lack of social protection.
- When compared to Kosovo, Albania, appears to be in a better situation because it has a lower poverty rate and higher social spending. However, I believe that it is yet to properly develop a social protection system, even though its current system is more effective than Kosovo's. For example, Albania spends 7.1% on social protection, but this figure is comparatively small when compared to other Balkan neighbors. For example, Serbia's rate of social protection spending is almost three times higher at 17.5%. In other words, both Kosovo and Albania spend very little on social services, when compared to other Balkan countries.
- Albania has taken steps towards decentralizing power in relation to children's rights and fighting and preventing child labor. Thus, the Municipality of Tirana has adopted a District Children's Rights Strategy. The Kosovo government is yet to decentralize its responsibilities in combating child labor. However, in the absence of a law, it is difficult to decentralize responsibilities. Decentralization of responsibilities would be more effective in protecting children's rights, as municipalities can take concrete measures to prevent this phenomenon.

## Conclusions

Kosovo is in a more disadvantaged situation than Albania, given that it has a higher rate of poverty, weaker social protection and a legal framework that does not address the issue of child rights.

However, if we look at the region, Albania also performs poorly as, for example, it spends just 7.1% on social protection compared to Serbia's budget of 17.5%. This means that children still lack social protection and have to earn money because if they had food, education, good health, they would not go out to work.

Social protection instruments can play an important role in reducing child labor. Kosovo and Albania are likely to be as successful as Brazil in implementing a social protection program based on cash money transfers to non-contributors.

Greater attention must be paid to social protection, as it is a key factor that can protect children from labor and exploitation. Social protection is missing in both Kosovo and Albania. And its absence is greatest in Kosovo, when compared to other countries in the Balkans.

The Strategy and Action Plan for the Prevention and Elimination of Child Labor in Kosovo 2011-2016 is not considered to have been successful. The law on rights of the child is yet to be adopted. Also, Kosovo still has no recorded data on children in employment. Moreover, every day we see children doing various jobs on the streets, and especially begging.

## **Recommendations**

The Kosovo Assembly must adopt the draft law on children's rights. Kosovo can follow the example of Albania, as they have a special law that addresses children's rights.

The Assembly should also issue another law on the unemployed, as the unemployed cannot be helped if they are not recorded. They need to be provided with social assistance and protection as they are in Albania.

Although Albania has a higher budget for social protection than Kosovo, both countries need to raise their social spending at least to the level of their neighbors in the region, such as Serbia, which spends approximately 17.5% of its budget on social protection.

With the adoption of adequate laws and increased social spending, social protection would be better administered and at the same time, the citizens of Kosovo would benefit more from social protection. In particular, better social protection would impact children, as if they have enough to eat, and have food, clothing, education, and good health, they will be protected, and in the future, they will be responsible citizens who will contribute to the country through their education and work.

Now the Government of Kosovo has a new strategy regarding the rights of children 2016-2020. Since limited progress was achieved with the previous strategy - the Preventive Strategy for the Elimination of Child Labor 2011-2016 - the Government of Kosovo should establish a body to monitor the institutions responsible for implementing adopted strategies.

## CASE STUDY: Discrimination of children in schools

*The media report numerous cases of discrimination against children. Such discrimination, or the treatment of children differently from others on the basis of ethnicity or social status, is also reflected in Kosovo schools. Below you will find a report on the situation of the Roma, Ashkali and Egyptian children in Kosovo schools and its link with the labor of children from this community.*

*‘Seating in the first row is usually for Albanians or Serbs, while the last rows are for RAE community members (Roma, Ashkali and Egyptians). Moreover, the latter only socialize with members of their own community, as they cannot make friends with others’, taken from Discrimination from First Grade: Children are prohibited from sitting in first rows. (albinfo.ch, 2017)*

*Discrimination doesn’t start in the early days of elementary school, it is instead an indicator that discrimination has already begun much earlier in the pupil’s home. By the time school starts, discrimination is considered normal – it is normal for students to sit on the same bench as other students with a similar appearance. This common or habitual behavior continues to be nourished at school, mostly silently. Such treatment affects Roma, Ashkali and Egyptian children, and influences parental decisions to withdraw them from further education, considering that they would be more useful in work, as these children come from poorer families.*

*These circumstances lead to children in work. The causes of child labor can also include discrimination on the grounds of mental or physical disability. Lack of access to education creates the possibility of exploiting these children as beggars or as instruments to attract sympathy.*

*In drafting a public policy analysis memorandum, with a focus on social policy, many elements must be considered that together lead to child labor. Laws and legal rules, strategies, and their absence are only one aspect of the issue. It should be noted that the greatest obstacles are usually encountered during implementation. Some of these barriers include insufficient resources to enforce laws and the genuine integration of long-term strategies.*

*Given the fact that children start with prejudice in their first class, the prevention of this phenomenon must begin with the education of adults. They are the ones who will educate new generations about life in Kosovo. Combating prejudice is one aspect of preventing child labor.*

*“This discrimination, according to community representatives, occurs in the presence of teaching staff as well as school management, who in many cases are well aware of this type of discrimination. They urge them to stop this “silent” discrimination.” (albinfo.ch, 2017)*

*Community representatives, (Veton Berisha - Member of Parliament of the Republic of Kosovo) argue that there are no pedagogical methods to integrate children from the Roma, Ashkali and Egyptian communities. Teachers allow situations where children sit in places assigned only for others, and they encourage discrimination. This is only from the perspective of parents and teachers. There is no official or accurate data for the number of children dropping out of school. However, even if they are informed about this phenomenon, the institutions do not take adequate measures to remedy the situation.*

*In a report published in europaelire.org, Lila Omar Gad, Head of UNICEF Kosovo stated: “We see differences in several dimensions. I would distinguish health and education. I will give two examples; if a child is malnourished or inadequately fed, this causes a negative impact on the child’s health and then this results in intellectual problems for the children and other problems such as their further education”.*

*“Another example is violence, as children who have experienced violence in their childhood have problems in their education in later life,” she added. (Veseli, evropaelire.org, 2016)*

*This case explains how child discrimination causes a vicious cycle of negative events and actions, ending up with children in employment. This cycle incorporates the general actions of the society as a whole, which ultimately results in its failure as a provider of elementary services to its citizens. The consequences of this are long-term and multi-faceted for the overall development of the society.*

*The OSCE, in their report ‘Children are discriminated on economic and social grounds’, (Veseli, evropaelire.org, 2016) quote the Ombudsperson’s research that: ‘The research conducted by the Ombudsperson’s Institution, finds discrimination on social and economic grounds, while in the section about the conditions in which they learn, it notes they are below the desired level.’ Students confirm, through ‘truth boxes’, that their evaluation is based on the position of their parents in the society. Physical and psychological violence is also common in public schools. When this affects everyone in public schools, what are the chances that children, with poor parents, will be evaluated on merit?*

## CASE STUDY: A personal story from Kosovo

### Disabilities and the role of volunteering

*The following story was drawn from a report compiled by ISDY (Institute for Youth Development and Sustainability) which examined the life of persons with mental disabilities in Kosovo. The issue concerned a person with physical and psychosocial disabilities who continues to live in a locked room in his family home. Afrim is 38 years-old and has been locked inside for 19 years in his family home. This means he has spent half of his life locked away and continues to live imprisoned. He is a person with physical and mental disabilities. His mother says that the Social Services and Health Services cannot do anything. He is imprisoned in his own home— yet he has committed no crime. As a result, his human rights are being denied. With adequate support provided in community settings, Afrim can live a meaningful life as a citizen of Kosovo on an equal basis with others.*

**FIGURA 3: Afrim is not his real name. ISDY, 'Behind closed doors in Shtime - Human Rights on Mental Disability Rights in Kosovo' (2013).**



*Kosovo is not signatory to the UN Convention for the protection of Human Rights for People with Disabilities (UNCRPD, 2006). One of the most important principles for people with disabilities is inclusivity, the right to access public buildings and to be protected from discrimination, but there are other issues of importance too. How can a person with disabilities exercise his/her right to vote or be elected? Can you participate in social or state activities? Can you go to work or school? Can you enter a hospital or police station? Very often the solutions are simple—build a ramp! Government departments are responsible*

*for taking steps in this regard to protect the human rights of people with disabilities (Ombudspersonkosovo.org).*

*The Kosovo government has issued a National Strategy on Human Rights for People with Disabilities (National Strategy, 2013). This Strategy aims to pursue a vision of the Convention on Rights of People with Disabilities through a number of policies and a legal framework, which should provide its citizens with disabilities, the basic rights and freedoms that are fundamental for a European country: Access to public spaces, freedom of movement in public spaces, the ability to use vehicles specially designed for people with physical disabilities, etc. This creates a very good basis for a policy of inclusion.*

*The same goes for those with hearing or sight impairment, who are in the category of people with disabilities. The University of Prishtina and all other educational facilities, public or private, has to allow Braille and Sign Language and to provide access ramps into to public and private buildings everywhere. (Blind people discriminated in employment, 2016).*

*Social policy includes policies designed to combat poverty, forms of social security policy design, welfare programs, healthcare policies, disability issues, food, education, family, cultural issues, justice, equality, environment, labor rights, etc. all without discrimination. When the rights of people with disabilities are implemented, other groups benefit unintentionally, for example, ramps for access to buildings may also be used by mothers with children in prams or buggies, the elderly, etc.*

*How can a situation be improved so that a person with disabilities, physical or mental, can exercise their human right to access public or private institutions with or without assistance?*

*One of the activities that is widely considered to be valuable and to have a very positive influence is voluntarism. In this regard, many international institutions provide assistance to encourage volunteering. The UK Ambassador to Kosovo, Ruairí O'Connell, during an event promoting voluntarism stressed that community-based volunteering is the main initiative that will bring about change in Kosovo. Therefore, young people in Kosovo have no time to lose. ((D4D), 2017) Voluntarism begins in the community, where there are the most important needs. But how can state institutions promote and support voluntarism in Kosovo? Will voluntarism have a positive role in situations similar to that of 'Afrim'?*

*Voluntarism has been present in Kosovo, but it has always been considered charity. Today, the European Union defines voluntarism as follows: "The act of being a volunteer is an expression of freedom, reflecting the sensitivity to the needs of others, often including personal sacrifice." A volunteer can be any person who, with various motivations and reasons, chooses to contribute with their charitable work (kcsfoundation.org, 2011). Volunteers can not only be young people or students, but also professionals in various fields, such as medicine, psychology, law, and teaching, etc.*



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CHAD BRIGGS

# ENVIRONMENTAL AND NATURAL RESOURCE POLICY IN THE BALKANS



# INTRODUCTION

The city of Pristina in Kosovo suffers from a number of environmental problems, with one of the most visible being air pollution. The city is nestled into the edge of a valley, with hills surrounding it to the north and east, creating a basin similar to the city of Los Angeles, where air pollution accumulates and cannot escape. Air quality in the city has been substantively bad for many years due to the impact of two large coal-fired power plants just outside the city in Obiliq, a growing number of cars and trucks with no emissions control, and home heating at times using wood and lignite for fuel. In March 2016, the US embassy in Kosovo installed air quality monitoring equipment in Pristina, allowing public access via the internet to the readings so it became possible to track how bad air pollution was in the capital from day to day.<sup>1</sup> Although the Kosovo government had already been using similar equipment, the readings from the embassy gave comparisons to other embassy locations worldwide. When Pristina was seen to have air pollution as bad as or worse than cities like Beijing, public perception of the severity of the problem rose.

The example of air pollution in Pristina is a microcosm of environmental policy problems, in general. Environmental problems are greatly affected by geography, both in terms of what natural resources are available and where problems ultimately arise. The environment does not respect borders and political boundaries, and often a country is faced with problems that are created by another country. The air pollution case of Pristina also illustrates that policy decisions made in one sector, such as energy or transportation, can have major impacts elsewhere, which in turn cannot be addressed without due care for the impacts and consequences of policy and economic decisions. Air pollution in Pristina also gives an example of the disconnect that can exist between the reality of environmental risks (in this case, the risks of lung disease or cancer from air pollution), and people's perception of how important that risk is and how it should be addressed. Environmental policy must therefore take account of what scientific or local information is available, who communicates a message or warning to the public, and how well that message is believed.<sup>2</sup>

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1 See <http://aqicn.org/city/kosovo/pristina/us-consulate/>

2 Kasperson, Roger E., et al. "The social amplification of risk: A conceptual framework." Risk analysis 8.2 (1988): 177-187.



This chapter addresses the public policy challenges for environmental and natural resource management in the Balkans region. The public policy focus on natural resources and the environment emerged in the 1960s, and since then, it has grown into an important area of both study and government action. The literature in the field is largely dominated by scholars and studies from the United States, which despite its challenges has had the advantage of over four decades of development and refinement by Congress, the US court system, administrative agencies such as the Environmental Protection Agency (EPA), similar institutions at the state level, and a very robust nonprofit sector of environmental organizations, activists, and scientists.<sup>3</sup> Understanding environmental policy in the Balkans requires recognition of the unique challenges in the region that are posed by geography, the political and economic history of communism, and the relative newness and weakness of institutions and collective identity to deal with the problems. While solutions are available for small countries such as Kosovo and Albania, public policy practitioners and students must keep in mind that the lessons and experiences of the United States and Western Europe will play out differently in this region.

## WHY STUDY ENVIRONMENTAL POLICY

Both students and practitioners of public policy need to be aware of how environmental and natural resource policies operate in their respective countries, as well as neighboring states. While environmental ministries are often considered “horizontal,” meaning they are not considered the most important portfolios in government and have to compete with other policy issues on the agenda, failure to deal effectively with environmental policies ultimately leads to problems that span the political spectrum.<sup>4</sup> Pollution and resource scarcity pose risks to economic growth, transport, public health, infrastructure, tourism, energy, social cohesion, agriculture, and even national security. The environment is therefore a **cross-cutting** issue in policy, cutting across jurisdictions and policy portfolios.<sup>5</sup>

The environment can impede collaboration, or act as a wedge that can divide communities and even destabilize governments. Environmental and natural resource goods provide some of the most basic necessities for populations, such as the quality of food on the family table, and heavily influence the day-to-day experiences of people both in cities and in the countryside. If a major road between the capitals of Pristina and Skopje is often flooded or suffers closures from landslides, at its most basic this is an environmental issue. And if air pollution leads to development of asthma in children or lung cancer in older populations, these too are related to environmental policies.

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3 Kraft, Michael E. *Environmental policy and politics*. Taylor & Francis, 2017.

4 Knill, Christoph, and Andrea Lenschow. “Coping with Europe: the impact of British and German administrations on the implementation of EU environmental policy.” *Journal of European Public Policy* 5.4 (1998): 595-614.

5 Daley, Dorothy M., and James C. Garand. “Horizontal diffusion, vertical diffusion, and internal pressure in state environmental policymaking, 1989-1998.” *American Politics Research* 33.5 (2005): 615-644.

## Policy Process Cycle

Public policy is made as part of a cyclical process (See Chapter 1), beginning with issue identification, agenda setting, policy formulation, implementation, and evaluation. This cycle is particularly important for environmental policies, where it may not be obvious which issues rise onto the policy agenda, and both public participation and monitoring are crucial aspects of effective policy implementation and evaluation. There is also a key distinction between policy and regulation, highlighting the importance of tying political will to technical expertise. Environmental policies may be vague in their wording, especially in common law countries such as the United States, where laws may be passed calling for “adequate safety” for a wide range of pollutants. It is then up to scientists and regulators to determine what “adequate safety” means, for which pollutants, and which regulatory tools to use in achieving that safety. Policymakers must later evaluate the success of such efforts, both in terms of certain metrics (such as public health or legal compliance), and public acceptability of the policies.<sup>6</sup>

While some environmental issues remain on the agenda due to legal or political traditions, often policy choices must be made as to which risks are *perceived* as the most important for policymakers. Practitioners often distinguish between risk identification, risk assessment, risk perception, and risk management. All four elements of risk should be taken into consideration, but unlike some assumptions of pure rationality in policymaking, there are often wide discrepancies between objective measurements of risk, and the public or government’s perception of which risks are most important.<sup>7</sup> For example, car accidents are often one of the leading causes of death and injury, far exceeding risks of other technologies and practices. Yet some people perceive air travel as more dangerous, and the policies and regulations surrounding air travel are universally stricter than auto safety by several orders of magnitude. So too with environmental policies, risks must be managed according to both an objective measure of public safety, and political pressures to elevate some issues above others.

The processes of risk *identification* and *assessment* are related. Identification of risks may appear an obvious precursor to assessing risks, but in practice many environmental risks are unknown and policy decisions must be made as to which risks are focused upon. Industrial countries produce tens of thousands of chemicals each year, only a fraction of which have been studied for their impacts on human or environmental health. While European Union REACH policies have attempted to shift the burden of proof from government onto manufacturers, historically in environmental policy, actions to

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6 Mayo, Deborah G., and Rachele D. Hollander, eds. *Acceptable evidence: Science and values in risk management*. Oxford University Press, 1994.

7 Douglas, Mary, and Aaron Wildavsky. *Risk and culture: An essay on the selection of technological and environmental dangers*. Univ of California Press, 1983.

regulate pollutants have come only after concerted effort by scientists and/or the public.<sup>8</sup> A government could be forced to create policy based upon public outcry of a visible pollution spill, a celebrity speaking on television, or compelling research. Risks are perceived to be dangerous according to a combination of factors<sup>9</sup>:

- \$ Highly visible and understandable risks are perceived as more dangerous.
- \$ Risks which are very familiar tend to be discounted.
- \$ Where a risk is unavoidable and beyond individual control, the perceived risk is seen to be much higher.
- \$ Dread risks, those associated with terminal diseases like cancer, or with nuclear energy or radiation, are often considered completely unsafe.

**Risk management** then has to decide at what level of risk a pollutant or disaster is acceptable, and design policies to either minimize or mitigate the hazard. Maximum contaminant levels for hazards such as dangerous chemicals can be drawn from previous regulations in other countries (e.g. EU standards), though adopting a policy is not the same as implementing a regulation. Cities like Skopje and Pristina, for example, are at risk of severe flooding, and calculations can be made as to how much greenspace, storm sewers, drainage canals, etc. a city needs to mitigate flooding. Yet implementing such risk reduction policies means both infrastructure investment and strict enforcement of building codes and zoning regulations, even if these measures are not themselves seen as environmental policies.<sup>10</sup>

A country such as Kosovo has adopted most of its environmental policy legislation from the European Union, with some influence from US law. The EU laws establish standards for many types of pollutants, waste management, natural resource management, and public health standards, yet it should be remembered that this is only a first step in policy. **Implementation** and **enforcement** of the regulations is still necessary, and the government must take care to ensure that the public *perceives* such enforcement to be effective and worthwhile.

## WHY ENVIRONMENTAL POLICY IS UNIQUE

Environmental and natural resource policies have three primary characteristics that distinguish them from some other forms of public policy. The first consideration is that environmental issues are generally **irreversible**, meaning that once pollution or environmental damages occur, or when natural resources are used, it becomes very

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8 Fleurke, Floor, and Han Somsen. "Precautionary regulation of chemical risk: How REACH confronts the regulatory challenges of scale, uncertainty, complexity and innovation." *Common Market L. Rev.* 48 (2011): 357.

9 Slovic, Paul. "Perceived risk, trust, and democracy." *Risk analysis* 13.6 (1993): 675-682.

10 Alfieri, Lorenzo, et al. "Ensemble flood risk assessment in Europe under high end climate scenarios." *Global Environmental Change* 35 (2015): 199-212.

difficult to reverse decisions or actions that have led to these problems.<sup>11</sup> At the very least, it is far more expensive in most cases to clean pollution, than it is to prevent it in the first place. The irreversibility of environmental impacts requires that a great deal of care is taken in advance of actions that can negatively affect the environment, requiring the use of tools such as *environmental impact assessments* or *environmental risk assessments*.<sup>12</sup>

The second primary characteristic of environmental policies is that environmental conditions and natural resources are *collective goods*, meaning that environmental resources and pollution tend to be shared by a large number of people. This is discussed in more detail below as a problem of *collective action*. Very often, pollution results not from the actions of a single or even small group of individuals, but rather by large number of people acting in their own interests in a way that ultimately harms the entire group. Third, environmental problems typically exist as *externalities*. In economic terms, pollution is a cost that is not factored into costs and benefits of action unless the government or society requires it - hence the need for regulation and laws for environmental protection.<sup>13</sup> A final related point is that environmental policy requires a large amount of expertise, or understanding in terms of scientific knowledge or expert local knowledge of how complex systems interact and how actions taken in one place can have repercussions in others.

## GEOGRAPHY

The Balkans region, including the countries of the former Yugoslavia, Albania, Bulgaria and Romania (but not including Greece or Turkey) cover a complex geographical landscape over some 666,700 square km (slightly smaller than the US state of Texas). Several mountain ranges cut through the region, separating countries such as where Kosovo is divided from Montenegro, Albania, and Macedonia by the Dinaric Alps and Sharr Mountains. The complexity of the region is typified by the variation of climatic environments found over relatively short distances, ranging from the Mediterranean along the Adriatic in Albania, to a humid continental climate just over the border in Kosovo. While both Albania and Kosovo experience hot summers, the winter months are much milder and wetter in Albania, with colder and drier conditions in the Kosovo valleys and plains.<sup>14</sup>

The distribution of natural resources is likewise uneven, resulting in widely divergent natural resource and energy policies. The winter monsoon rains and snows in the Albanian mountains create conditions for extensive hydropower development, allowing

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11 Pindyck, Robert S. "Irreversibilities and the timing of environmental policy." *Resource and energy economics* 22.3 (2000): 233-259.

12 Glasston, John, Riki Therivel, and Andrew Chadwick. *Introduction to environmental impact assessment*. Routledge, 2013.

13 Jaffe, Adam B., Richard G. Newell, and Robert N. Stavins. "A tale of two market failures: Technology and environmental policy." *Ecological economics* 54.2-3 (2005): 164-174.

14 Carter, Francis W., ed. *An Historical Geography of the Balkans* Academic Press, 1977.

Albania to produce some 90% of its electricity from hydroelectric dams and reservoirs. Neighboring Kosovo, in contrast, experiences a semi-arid water cycle, with smaller rivers and the only major potential hydropower site in Zhur, right on the Kosovo-Albanian border. Yet Kosovo contains extensive lignite coal reserves, resulting in 95% of Kosovo's electricity being produced by the coal power stations of Kosovo A & B in Obiliq. Similarly, the country of Macedonia to the south, experiences winds drawn from the Mediterranean climate in northern Greece, allowing for the use of wind power in the region. Kosovo, being surrounded by mountains and with a different interior climate, does not have the same wind potential, limiting its renewable investment opportunities. Yet as will be discussed below, many of these conditions, from water to wind to temperature, are also shifting as a result of climate change. Effective environmental policies must not only adjust to historic conditions and geographical constraints, but also try to anticipate potential changes in climate in the future.

A primary challenge for environmental policy in the Balkans has been the combination of complex geographical conditions, with a fractured political system following the breakup of Yugoslavia. New political boundaries divided environmental systems and infrastructure, while internally, institutions with responsibility for environmental protection, fragmented and were often left with little technical expertise.<sup>15</sup> Without institutional experience or traditions of how to handle various types of pollution and natural resource management, environmental policies can be rendered ineffective. Yet understanding the issues involved can help provide guidance not only for environmental issues themselves, but also for interlinked policy domains such as transportation, economic growth, health, and rule of law.

## NATURAL RESOURCES

Environmental risks are present either as pollutants (or contaminants) in a certain medium, or as a problem of supply of resources, usually when scarce but it can also apply when there is over-abundance of a resource (e.g. too much water equals flooding). Risks can further be classified according to *natural* and *anthropogenic* (human-caused) problems, which are not always mutually exclusive, such as when human actions exacerbate natural risks. Environmental policy must finally determine whether a given risk is the result of *point source* pollution, where there are a small number of sources (such as a factory), or whether a pollutant is the result of *nonpoint sources*, or a larger number of smaller sources (such as cars in a city). While the specific mix of risks depends upon geography, economics and history, lessons can be drawn from other countries on how best to craft effective environmental policies.<sup>16</sup>

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15 Carmin, Joann, and Stacy D. Vandever. "Enlarging EU environments: Central and Eastern Europe from transition to accession." *Environmental Politics* 13.1 (2004): 3-24.

16 Xepapadeas, Anastasios P. "Environmental policy design and dynamic nonpoint-source pollution." *Journal of environmental economics and management* 23.1 (1992): 22-39.

Pollutant examples	Point source	Nonpoint source
Natural	Geothermal emissions of SO <sub>2</sub>	Groundwater arsenic
Anthropogenic	Obilic emissions of SO <sub>2</sub>	Auto emissions of CO/NO <sub>2</sub>

## Air

As mentioned above, air pollution is one of the most visible forms of environmental damage, particularly in cities such as Pristina, Skopje, Sarajevo and Tetovo, but significant air pollution is also found both in indoor spaces and the countryside. At its most basic, air pollution is defined as the existence of noxious and/or dangerous materials carried in the air, with the emphasis placed upon those chemicals or materials that pose a direct human health risk. Potential risks to environmental and ecological systems are also important, but tend to take secondary priority in environmental policy, while air pollution that is unsightly but doesn't pose a risk tends to come lowest on the agenda. Air pollution policies have historically focused upon local sources from emitters such as factories and power plants, later growing into nonpoint source pollution such as cars, and more recently evolving into the recognition of global risks from types of air pollution such as carbon dioxide and stratospheric ozone.<sup>17</sup>

Air pollutants that pose a risk to human health consist of chemicals, elements, and particulate matter, and these can either be breathed directly into the lungs or coat surfaces to which humans later come into contact. Common pollutants include:

- \$ Sulfur dioxide (SO<sub>2</sub>)
- \$ Nitrogen dioxide (NO<sub>2</sub>)
- \$ Carbon monoxide (CO)
- \$ Ground-level ozone (O<sub>3</sub>)
- \$ The family of volatile organic compounds (VOC, such as benzene)

All of these are byproducts from the burning of fossil fuels in power plants, cars, trucks, or refuse such as plastics. The burning of coal and diesel fuels can also release **particulate matter (PM)** into the atmosphere, with larger particles directly damaging the lungs, and smaller particles ingested into the bloodstream and becoming carcinogenic. Coal burning also releases elements such as lead and mercury, heavy metals known to be both carcinogenic and a risk for developmental abnormalities. Even more "natural" sources of fuel such as wood can create particulate matter pollution or can release more complex chemical pollutants (VOC) if the wood has been treated.<sup>18</sup>

<sup>17</sup> Portney, Paul R. "Air pollution policy." Public policies for environmental protection 27 (1990): 50.

<sup>18</sup> Gordon, Stephen B., et al. "Respiratory risks from household air pollution in low and middle income countries." The Lancet Respiratory Medicine 2.10 (2014): 823-860.

The specific risks of air pollution depend upon types of pollutants and concentrations. At the most extreme, as witnessed at times in Balkan cities during the winters, air pollution can cause difficulty in breathing, irritation of the eyes, and can trigger respiratory problems such as asthma in children or emphysema in older populations. Officially, poor air pollution in the city of Skopje results in 1300 premature deaths each year, mostly from vulnerable populations such as children and the elderly.<sup>19</sup> In Kosovo, the World Bank estimates that over 800 people die prematurely each year due to air pollution, though their estimates are general and do not include factors such as indoor air pollution (e.g. from wood smoke).<sup>20</sup> The World Health Organization lists Bosnia-Herzegovina as the fifth-worst country in the world for air pollution related mortality, with severe impacts in cities such as Sarajevo and Zenica.<sup>21</sup> Yet even in milder concentrations, air pollution can pose significant health risks in ways that may not be obvious without detailed epidemiological data. Exposure to lead and mercury from coal burning can create developmental abnormalities in children, such as decreased IQ, learning disabilities, and lost productivity for school and workplaces. The lignite coal used in Kosovo poses more problems than the more typical bituminous (black) coal used in countries like Poland. With much higher sulfur, phosphorus and water content than black coal, lignite is much less energy efficient, and the lower heat available from burning lignite translates into more pollutants released, especially if used in residential or commercial spaces such as around Fushe Kosove.<sup>22</sup>

Environmental policies to address air pollution must first take into consideration the distinction between *point source* and *nonpoint source* emissions. For a city like Pristina, the obvious focus of concern would be over the Kosovo A & B powerplants in nearby Obiliq, which produce SO<sub>2</sub>, PM, and other contaminants far in excess of European regulations. Dust emissions (PM) from the two power plants, for example, are over twenty times higher than regulatory standards on average and can reach 74 times the legal limits of emissions at full production.<sup>23</sup> Air policies for a point source such as the power plants has the advantage of having easily measurable pollution levels, and certain technical solutions may exist such as advanced filters and scrubbers. The challenge for point sources tends to be cost involved, particularly in cases where technical mitigation solutions cannot solve regulatory levels, and reinvestment in the infrastructure itself becomes necessary. In the case of the older Kosovo A plant, investment in a new (Kosovo C) coal plant was deemed an acceptable solution to replace older, polluting technology.<sup>24</sup>

19 Meisner, Craig, Dragan Gjorgjev, and Fimka Tozija. "Estimating health impacts and economic costs of air pollution in the Republic of Macedonia." *South Eastern European Journal of Public Health* 4.1 (2015).

20 World Bank Group. *Kosovo Country Environmental Analysis*, 2013 <http://siteresources.worldbank.org/INTKOSOVO/Resources/KosovoCEA.pdf>

21 Rodolfo Toe, "Air Pollution is Choking Bosnia, Experts Warn," *Balkan Insight*, Dec 2015 <http://www.balkaninsight.com/en/article/air-pollution-reaching-alarming-levels-in-bosnia-experts-warn-11-30-2015>

22 Kim, Ki-Hyun, Ehsanul Kabir, and Shamin Ara Jahan. "A review on the distribution of Hg in the environment and its human health impacts." *Journal of hazardous materials* 306 (2016): 376-385.

23 Fabien Techene, "Pristina is breaking records — for air pollution," *Pristina Insight*, Jan 2017 <http://prishtinainsight.com/prishtina-breaking-records-air-pollution/>

24 Lappe-Osthege, Teresa, and Jan-Justus Andreas. "Energy justice and the legacy of conflict: Assessing the Kosovo C thermal power plant project." *Energy Policy* 107 (2017): 600-606.



Nonpoint source pollution is typically more challenging for environmental policy. The overall contributions of individual actions are both harder to measure and more difficult to regulate, often placing costs on citizens least able to afford solutions. Air pollution from auto and truck exhaust is perhaps the best example, where older engines with less effective emissions controls collectively contribute to air pollution in cities. Likewise, home heating from wood or coal are considered nonpoint sources, as they are not regulated nor individually monitored. Policies to regulate nonpoint sources often rely upon licensing standards, such as for cars and trucks, or pricing incentives for consumption such as wood or coal. Policies regulating auto emissions are common in Western countries, with those areas suffering from high air pollution (e.g. Los Angeles) having strict standards both for engine exhaust, and for the gasoline mixtures sold in the areas. Emissions controls for cars has the effect of placing the burden on individuals to buy and maintain more recent (and expensive) cars and trucks. Gasoline standards, with specific mixes for different regions of California, for example, also place the costs of pollution control on consumers as a result of higher gas prices.<sup>25</sup>

The risks of air pollution are often not well understood by the public or non-specialists in government. While pollution might be visible in the air, and while irritation might be immediately obvious during severe conditions, the long-term health impacts are difficult to discern. In countries such as the Balkans, lax cigarette smoking regulations contribute to a sense of fatalism concerning air quality, particularly if indoor air conditions are as bad or worse than what is experienced outside. While the public may list air pollution as a major problem, translating that concern into willingness to shoulder costs for cleaner air (either through higher energy or car prices) is a particular challenge. In the United States, the existence and impacts of ***persistent organic pollutants (POPs)*** from automotive gasoline became an issue some decades ago, with scientists recognizing that lead (Pb) in gasoline was released into the atmosphere and then bioaccumulated - meaning that the lead was absorbed by plants and animals and became more concentrated as it moved up the food chain. The developmental risks of lead exposure led to the phase-out of leaded gasoline in the 1970s and 80s, requiring a public relations and education campaign to have the public and auto industry accept changes in engine performance and gas prices.<sup>26</sup>

The challenge of delinked risks is most problematic when it comes to the issue of climate change. While carbon dioxide and other greenhouse gases are listed now as pollutants by industrialized countries, there is a risk perception disconnect between observed actions and impacts. Climate change resulting from historic emissions of greenhouse gases tends to shift background conditions but most often cannot be singled out as the cause of any heatwave, disaster, or other single event. The geographical dislocations are also acute, meaning that emissions from a factory in London in the 1930s can contribute to weather

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25 Stern, Arthur C., ed. Fundamentals of air pollution. Elsevier, 2014.

26 Marcus, Michelle. "On the road to recovery: Gasoline content regulations and child health." Journal of health economics 54 (2017): 98-123.



problems and drought in South Africa a hundred years later. Collective action to reduce greenhouse gases therefore places potential costs on those who least contributed to the problem, and for countries struggling with economic growth it is a political and policy challenge to justify actions and investments related to climate change. Lastly, a challenge for the Balkan countries is that climate change data is largely missing, meaning that attempts to scale down from global models into regional impacts has largely ignored the region, which when combined with a complex geography, leaves a great deal of uncertainty as to what risks will be associated with climate change in the future.<sup>27</sup>

## Water

Water resource management and pollution policies in the Balkans tend to be complex and fragmented. Albania, resting on the coastal side of a mountain range with the benefit of winter monsoon rains and snows, has ample water available both for consumption and hydroelectric production. Kosovo, lying in a central plateau on the other side of the mountain range, is a semi-arid country with few rivers, and is reliant upon constructed reservoirs for urban storage. These geographical differences mean that while Albania must develop pollution policies, it does not have the same impetus to manage potentially scarce water resources (and generally speaking, the less water exists, the more pollution has an impact). In the winter of 2013-2014, a severe drought in Kosovo left its water resources extremely scarce, with Pristina's two reservoirs (Batllava and Badovac) nearly empty. Only the sudden spring rains replenished the reservoirs and kept Pristina from suffering severe rationing.<sup>28</sup>

Water policies therefore deal both with *quantities* and *qualities* of water, affecting policy fields from urban planning to public health to agriculture and energy. In contrast to air policies, water resource and pollution management is more geographically specific, and cannot rely upon importing laws from other states such as the EU. Both groundwater and surface waters often cross political and jurisdictional boundaries, with upstream users generally enjoying greater latitude in their actions than those downstream. Historically, farmers and fisheries have often come to informal agreements over the use of resources, but these are in situations where actions and consequences are visible and understood. Urban and industrial users of water often do not see the consequences of actions, unless certain actions (such as daily water use) is highly regulated and enforced through tools such as pricing. With water charges very low in the Balkans, regardless of scarcity, policies to control water use are difficult and often alienate citizens (such as night-time water shutoffs). Water quality can also be affected by practices that may not seem directly polluting, such as gravel and sand mining from riverbeds, but which have serious and adverse effects upon water and habitat.<sup>29</sup>

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27 Pietrapertosa, Filomena, et al. "Climate change adaptation policies and plans: A survey in 11 South East European countries." *Renewable and Sustainable Energy Reviews* (2017).

28 Krampe, Florian. "Water for peace? Post-conflict water resource management in Kosovo." *Cooperation and Conflict* 52.2 (2017): 147-165.

29 Gleick, Peter H. "Water in crisis: a guide to the world's fresh water resources." (1993).

Developing effective policies requires an overall strategy for the use and management of water resources, especially given the jurisdictional fragmentation that exists in this policy field. In Kosovo alone, thirteen different ministries and agencies share jurisdiction over water use and pollution control, with key interlinkages left with no clear responsibility. Water transfers, for example, from the Batllava reservoir to a household in Pristina, suffer from over 50% loss rate. The water quality in many areas is similarly unregulated. The Badovac reservoir suffers from enormous waste (mostly plastics) during the late summer months, while upstream of the reservoir both agricultural areas and villages release untreated wastewater into the reservoir watershed. Areas can also experience pollution from historical sources, where remediation costs may be prohibitively high.

In the Marec valley of eastern Kosovo, 10 kilometers from Novoberde castle, lies a mine that dates from medieval times, in the past providing valuable gold and other mineral deposits. The Marec mine, however, still releases chemicals from both the mine itself and the large tailing deposits, turning the spring-fed stream bright orange before it flows down to the city of Kamenice. It may be that no one knows who has responsibility for actions that date back to Ottoman times, but information on the water is also lacking, and residents of Kamenice may not be fully aware of the pollution risks. In other regions the risks associated with pollution may not be directly linked to health so much as to economic growth. The city of Saranda in southern Albania relies on tourism for much of its economy, yet urban growth and lack of infrastructure investment have led to wastewater (sewage) emissions directly into the Adriatic, affecting water quality on the beaches that form the basis for the tourist economy.

Like air quality, policy tools to deal with water quality must distinguish between **point source** and **nonpoint sources**, such as the difference between pollution from a factory into a nearby river, compared to collective waste water pollution from agricultural areas. As with most environmental policies, effective translation into regulations depends upon matching the policy tools with complementary institutions, whether these be formal or informal. For example, the collective pride of the citizens of Peja over their nearby Rugova Valley and Peja beer provide a clear impetus for people to help informally police waste disposal around the waterways. While it may seem simplistic, effective regulation to keep waterways clean relies upon public and peer pressure in support of the commonly accepted good. The role of government in water policy is often to support existing or nascent notions of that collective good, including providing educational programs to solidify public perception. The United States began such public service announcements and campaigns in the 1960s and 70s, often centered around iconic images of the United States and emphasized that polluting waterways by throwing out trash was a crime of sorts against collective heritage. Indirectly, such campaigns also increased public support for more formal regulation against point source pollution.<sup>30</sup>

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30 New York Times, "After the 'Crying Indian,' Keep America Beautiful Starts a New Campaign" July 2013 <http://www.nytimes.com/2013/07/17/business/media/decades-after-a-memorable-campaign-keep-america-beautiful-returns.html>

## Land use/food

One of the most important policy areas for the environment is the use and management of land, including agriculture, food, forestry, and related resources like wildlife, transportation, and urban planning. While a catch-all term that includes many policy areas, land use centers on how property rights are recognized and regulated, and how activities in one area of property affects citizens in other areas. For example, effective policy for agriculture focuses not only on crop production, but also needs to address food transport, sales, and safety to consumers - otherwise, poor management in one area (soil contamination) can spill over into a public health crisis of E coli poisoning of food when sold to people in the city. Food and agriculture are not always considered directly under the study of environmental policy, but in the Balkan context they can be crucial for understanding environmental policies and public perception of environmental risks. The food sector, from agricultural production, to sales, to preparation with the family, involves a number of customary traditions and understandings about society and how they fit together.<sup>31</sup>

Countries like Kosovo have witnessed a progressive reduction in land used by agriculture, with much designated agricultural land underutilized. The country imports many of its foods from abroad, particularly finished and processed products. USAID programs have made a noticeable impact on some farming practices, particularly in the shift to water and land-efficient crops such as strawberries and raspberries, while grapes and even wineries are starting on small scales in locations such as near Gjakova.<sup>32</sup> Food prices remain expensive for the average household, particularly those on fixed incomes. While food production and distribution may often be considered more of an economic policy area than environmental, risk associated with availability of food, ensuring high quality products and food safety, and sustainable use of land remain firmly within the environmental arena.

## Forests

The management and protection of forest regions is a major concern for informal policy in the Balkans. Forests not only provide natural resources such as wood, but they are also essential components of ecosystems, affecting water quality, wildlife habitat, erosion and flood control, and even affecting local climate conditions. Forests represent a valuable natural resource for any country and harvesting of timber must be managed in order for forest cover to be sustained over the long term. Loss of forest cover tends to produce<sup>33</sup>:

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31 Geerlings, Harry, and Dominic Stead. "The integration of land use planning, transport and environment in European policy and research." *Transport policy* 10.3 (2003): 187-196.

32 USAID, "In Kosovo, Farming Is a Bountiful Business," August 2017 <https://www.usaid.gov/results-data/success-stories/kosovo-farming-bountiful-business>

33 Ferraro, Paul J. "Counterfactual thinking and impact evaluation in environmental policy." *New Directions for Evaluation* 2009.122 (2009): 75-84.

- \$ loss of local precipitation;
- \$ increase in local heat and extreme heat events;
- \$ loss of water filtration;
- \$ increase in erosion and increase risk of flooding;
- \$ damage to wildlife habitat; and
- \$ loss of tourism value.

Forest lands across the Balkans region suffer from lack of effective management and regulation, with black market and criminal harvesting of wood contributing to acute loss of forest cover and mature trees. This deforestation is caused by a number of factors (some of which vary from country to country), but include:

- \$ unreliability and expense of heating fuels/electricity;
- \$ low employment opportunities;
- \$ lack of park and property enforcement; and
- \$ availability of both domestic and international markets

For a small country such as Kosovo, illegal logging has led to widespread deforestation of lands, far in excess of what official government estimates had predicted in the past. This logging, including in protected park lands, has resulted in erosion and damage to downstream agricultural fields and waters, and at current rates, it will result in parts of the country being denuded of trees within the next few decades. In Kosovo's case, illegal logging stems from high electricity prices for winter heating, coupled with a lack of heating alternatives such as natural gas, oil, or renewables. With no regulation, the loggers will often cut down mature hardwoods such as hornbeams and oaks, which take many decades to mature and in other countries are considered too valuable for use as firewood. Their use as fuel without proper drying reduces their energy output due to high moisture content. A 2013 study estimated that illegal logging in Romania was a \$350 million business, while in Albania, in 2011 an area the size of Tirana was cut without regulation or management.

Illegal logging is an example of where activities occur with wide knowledge, and yet since the activities do not register in official reports, policymakers may conclude that nothing needs to be done. Kosovo's official statistics on forestry from 2011, for example, estimate that forested lands were growing each year, a conclusion later found to be false by researchers using demand surveys and spatial surveillance. This discrepancy is also evident in other Balkan countries, where poor monitoring and lack of anti-corruption enforcement can make a critical environmental risk appear to be unworthy of concern. Land use management exhibits the need for proper monitoring, as well as having strategies to address potential underlying causes of black-market activity (e.g. high electricity prices).<sup>34</sup>

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<sup>34</sup> English, Alicia, Michael Waschak, and Jim Myers. "Energy stability and wood fuel consumption in Kosovo." Forest Products Society Conf., 'Wood-Based Energy Goes Global' with the Adriatic Wood Days 2015 (Zagreb, Croatia). 2015.

## Energy

The energy sector is not always considered directly under environmental policy, except insofar as pollution from the energy sector has to be controlled. Increasingly, however, energy and environmental risks are considered as closely intertwined policy areas, needing an overall strategy to cope with demands not only of pollution control, but long-term considerations of greenhouse gas mitigation, natural resource availability, and infrastructure. This last factor of infrastructure is particularly troublesome for the Balkans. With the notable exception of Albania, which charted its own unique path under Communism but had ample hydroelectric resources available, after WWII countries such as Yugoslavia, Romania, Bulgaria and their neighbors developed energy resources and infrastructure under a common (if not always well-matched) regional policy. Even when Yugoslavia pushed for an alternative path from its more Soviet-oriented neighbors, at least within the Yugoslav republics there was a common development strategy. All of this became fragmented after 1989, with further barriers put into place with the accession of Romania, Bulgaria, Croatia and others into the European Union.<sup>35</sup>

Cross-border disputes and geographical barriers therefore play an important role in understanding energy policy limitations in certain countries. While oil and gas pipelines pass through Greece, for example, disputes between Greece and Macedonia (FYROM) have stalled pipelines into Skopje, which instead receives shipments from Bulgaria. While Macedonia and Montenegro both have gas supplies, high mountain geography impedes extension into Kosovo, while political issues prevent such pipelines from Serbia. This has left Kosovo reliant almost entirely on its own energy reserves of lignite and wood, and constrained policy options for energy-environment strategies.

Like the water sector, energy sectors can be fragmented, hindering attempts at cohesive policy approaches where jurisdictions and responsibilities are unclear. In the case of Kosovo, the energy sector is divided into energy producers such as KEK, and distribution companies such as KEDS, with further fragmentation possible if privatization policies are pursued. This creates difficulties for determining policy options for future investments. Acknowledging that the older power plant (Kosovo A) should be phased out for safety and pollution concerns, policy options have focused on what KEK should do to provide more electricity, both as a replacement for Kosovo A and to meet growing energy demands. A broader strategy, however, may also include both the distribution factors in energy and end-user demand policies. Illegal tapping of the grid and problems with metering mean that some 30% of electricity is lost between its production in Obiliq and delivery to consumers and upgrading the grid may both solve supply problems and allow for installation of renewable energy sources in villages where illegal logging is a concern. Likewise, adjusting pricing and metering for some end-users, or allowing alternative heating options such as thermal neighborhood heating, could alleviate some of the

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35 Renner, Stephan. "The Energy Community of Southeast Europe: A neo-functionalist project of regional integration." (2009).

peak demand concerns. An overall strategy, with concern over enabling Kosovo to meet European Union standards for pollution and greenhouse gas emissions, might need to take a broader perspective than only one sector (KEK's production abilities).

In Albania, the historic reliance upon hydroelectric power has allowed the country to develop without the same energy-environment concerns as its neighbors, although this potentially creates a ***path-dependency*** vulnerability in policymaking.<sup>36</sup> Path-dependency refers to where a policy tradition has been a success and has been followed for so long that it becomes difficult to think of alternatives, or of how continuing on the same path could create severe problems in the future. Albania's ability to rely upon hydroelectric sources has been a natural boon for the country, but increasing demand for electricity may intersect with climate change risks in the future. In short, Albania relies upon winter snows and rains to replenish its snowpack and reservoirs, a monsoon dynamic that may weaken as the Adriatic Sea rapidly warms. While there has already been some potential instability in the winter precipitation, further destabilization could result in a drought that not only affects water supplies (as with Kosovo in 2014), but also draws down electrical potential. In post-communist economies where water allocations have been made more 'efficient', any change in water availability creates severe policy dilemmas and trade-offs.

## MAIN PLAYERS

Understanding environmental policy requires not merely identification of problems such as pollution and resource scarcity, but also requires an understanding of the institutions that are created and have responsibility for environmental protection. Institutions can be divided into both ***formal*** and ***informal***, although public policy studies tend to emphasize formal institutions and their actions. Policy can still exist on an informal level, and studies have shown that natural resource management among farmers, for example, can be both elaborate and highly effective even in the absence of formal state action. Informal institutions, however, rely heavily on a traditional understanding of how neighbors relate to one another and in which common goods exist between all participants.

In the case of the Balkans region, these informal institutions have been heavily damaged over the years, both by periodic wars during the twentieth century, the institution of communist systems in Yugoslavia and Albania following the Second World War, and the geographic fragmentation of states and communities in recent years. While traditional practices such as *The Kanun* persist in Albania and parts of Kosovo, these traditional codes have been ineffective at environmental protection or natural resource management except within families themselves.<sup>37</sup> This may be why, anecdotally speaking, family houses

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36 Aklin, Michaël, and Johannes Urpelainen. "Political competition, path dependence, and the strategy of sustainable energy transitions." *American Journal of Political Science* 57.3 (2013): 643-658.

37 De Waal, Clarissa. "Post-socialist property rights and wrongs in Albania: An ethnography of agrarian change." *Conservation and Society* 2.1 (2004): 19.

and properties are kept in very clean order, but surrounding community spaces are often littered with trash and other refuse.

Public policy will focus mostly on formal institutions, such as the laws, regulations and enforcement that are considered typical for governments. It should be kept in mind, however, that the most effective policies build on informal institutions and practices. Working directly against past practices, however minor, requires longer time periods and often strict enforcement. For example, to cut down on plastic bags being tossed into the environment as trash, the city of Pristina attempted to institute a policy that charged per bag used at grocery stores, a common practice in many US states or European countries. In the end the policy was unsuccessful because several stores ignored the fees, and without proper enforcement, other stores soon followed and the practice was abandoned.

## Parliament

The first actor in environmental policy in the Balkans is the national legislature or parliament, under whose authority most environmental laws and regulations originate. National environmental protection and natural resource laws are adopted at the national level and then transferred to ministries or local authorities for implementation. In some countries responsibility for public policies may be divided between different jurisdictions. In Canada, for example, environmental protection laws are created at the national (federal) level, but natural resource management laws are the responsibility of provincial governments. In the United States, both state and national legislatures create different and often overlapping environmental protection policies, with national laws existing to coordinate commerce between states. The European Union acts somewhat differently, with most environmental policies still resting with national governments, but with the EU in Brussels creating directives and standards that all members are expected to follow and implement. While some Balkan countries are members of the EU and have therefore had to harmonize their policies with other EU states, those aspiring for membership must work toward the *acquis*, or the environmental policy standards required for states to become members.<sup>38</sup> While adopting laws that are in line with the EU is a first step, the more challenging hurdle is to achieve actual implementation of those standards for everything from air to water quality. That responsibility lies with the respective environmental ministries and departments of a country.

## Ministries

Ministries and departments must take the laws written by legislatures and interpret them to identify how best to achieve the given aims of the law. A law may be vaguely worded

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38 Hille, Peter, and Christoph Knill. "It's the Bureaucracy, Stupid' The Implementation of the Acquis Communautaire in EU Candidate Countries, 1999-2003." *European Union Politics* 7.4 (2006): 531-552.



stating, for example, “the government must ensure safe drinking water for all children,” in which case experts must determine what risks exist in drinking water, at what level, or regulate them, and even what age constitutes “children.” These are not necessarily easy questions to answer, and terms like “safe” may mean very different things for a government scientist and a concerned parent. Other laws, more commonly those adopted from EU standards, provide more concrete information on what hazards must be regulated and at what level. The translation from law into policy, however, is still not a simple matter. The EU, for example, has a standard for air quality of a maximum 25 µg/m<sup>3</sup> for PM2.5 particles.<sup>39</sup> The city of Pristina often experiences extended periods with levels over 200 and reaching a maximum of over 400, far exceeding EU standards. While the law of air quality in Kosovo adheres to EU standards, the material environment does not. It is often up to the ministries to develop plans for how to achieve and meet the standards set out.<sup>40</sup>

In Kosovo, primary responsibility for environmental protection lies with the Ministry of Environmental Protection and Spatial Planning, although overlaps exist in certain issue areas with ministries such as Energy and Mining, Agriculture Forestry and Rural Development, Trade and Industry, and Transport. In the area of water management and regulation, responsibilities for policy and regulation are spread out across thirteen different ministries and agencies, which can create confusion and conflicting actions when no clear strategy exists for priorities and management. Capacity at ministries and agencies is generally hampered by lack of technical expertise, lack of monitoring for environmental conditions, and lack of experience in translating legal directives into enforceable regulations.

Environmental ministries or departments can have responsibilities and jurisdictions divided in several ways, and as with the examples of water management in Kosovo, determining who has responsibility for implementing environmental laws passed on from parliament is not always straightforward. In the United States, for example, responsibility for environmental protection and monitoring rests largely with the Environmental Protection Agency (EPA), but is also shared with the Departments of Interior, Transportation, Homeland Security, Commerce, Indian Affairs, Energy, Defense, NASA, as well as other departments and all 50 states. A major challenge for effective environmental policy is to coordinate efforts, often achieved through the use of *interagency working groups* where experts from different departments work together on an area of common interest and responsibility. An interagency process helps in defining environmental risks in a common and coherent manner, also laying out potential policy solutions in prevention of future risks.<sup>41</sup>

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39 See European Commission environmental standards: <http://ec.europa.eu/environment/air/quality/standards.htm>

40 Assembly of Kosovo, Law No.2004/30 on Air Protection, 2004.

41 Nicholson Crotty, Sean. “Bureaucratic competition in the policy process.” *Policy Studies Journal* 33.3 (2005): 341-361.



In Kosovo, a national Strategy for Environmental Protection and Sustainable Development (2013-2022) was adopted in 2013, along with the National Environmental Action Plan (2013-2017), Air Quality Strategy (2013-2021), and Biodiversity Strategy and Action Plan (2011-2020).<sup>42</sup> These documents laid out priorities for the national government in protecting the environment and harmonizing Kosovo legislation with the EU *acquis*. The government has experienced significant difficulty, however, in translating stated goals into actions, and policies of other sectors can often conflict with environmental priorities, such as the government's proposed construction of a new coal-fired power plant at Kosovo C. Although the transition from the older Kosovo A plant would alleviate some air quality concerns over the short term, air quality in Pristina would likely still exceed standards, and other aspects of the plant (e.g. coal waste, carbon emissions) would violate EU standards in the long term. As the ministerial strategies were often written by outside agencies (e.g. Swedish Development Agency, or SIDA), they represent a "wish list" for actions and capabilities, but policy ownership of environmental protection has not been largely visible in political or social culture.

## Courts

The lack of traditional institutions in countries such as Kosovo has left increased reliance upon formal institutions for environmental protection and natural resource management. The institutional and legal practices in the Republic of Kosovo have been adopted both from common-law (such as the United States and United Kingdom) and code law (more common in the European Union) traditions, which may cause some confusion and interpretation and enforcement of laws and regulations. The history of environmental law enforcement in Western countries tends to focus upon its development in the United States throughout the twentieth century, and particularly in the 1960s and 1970s. The United States relies upon a ***common-law tradition*** inherited from Great Britain, where the court system plays a large role in the interpretation of legal rulings, allowing citizens to resolve disputes between neighbors and creating precedents which later courts and administrative agencies can use to back-up their legal understanding and enforcement. Environmental policy in common-law countries can rely upon often simple and vaguely worded laws that give broad discretion and responsibility to the government, and whose specifics are then worked out over the years by court rulings involving citizens.<sup>43</sup>

Environmental policy that is based upon ***code law*** relies more upon the French legal tradition in which the specifics of laws must be laid out in advance, and where courts have more limited jurisdiction in interpreting the laws or allowing citizens the ability to contest the law or previous court rulings. Much of environmental policy in the European

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42 European Environment Agency. Kosovo Country Briefing 2015. <https://www.eea.europa.eu/soer-2015/countries/kosovo>

43 Rechtschaffen, Clifford, Eileen Gauna, and Catherine O'Neill. "Environmental justice: Law, policy & regulation." (2009).

Union is based upon the code law traditions of countries such as France, Germany, the Netherlands, and Denmark, where there is greater reliance upon administrative and regulatory agencies to enforce laws as they are written by the respective parliamentary bodies.<sup>44</sup> A country such as Kosovo faces a particularly difficult dilemma, as boundaries for environmental governance have been changed, traditional institutions have been damaged or discarded over the years, new institutions have been set up that may not possess the requisite technical expertise, and the country experiences a strange combination of legal traditions neither of which quite fit the capabilities of the country's government.

Courts can adjudicate environmental disputes, but the granting of *legal standing* in courts relies upon tradition. The concept of standing refers to who can use the court system and for what purpose. Local courts may be used to settle disputes between two neighbors, for example, and allow one to sue for damages if the other dumped toxic chemicals on the property. A citizen suing a company or corporation for environmental damages is a more complex matter and depends upon how a country treats the legal identity of commercial operations or those running them. The most complex are cases where a citizen attempts to sue the government for harm, either by action or inaction, and it is here where traditions of standing may differ sharply between code and common law systems. Code law, such as the European Court of Justice, rarely allows individuals or interest groups to sue governments, instead often settling disputes between governments. In contrast, common law courts have often allowed citizens standing to claim damages from their own government, with the United States going so far as to allow interest groups to claim damages against the environment itself (as opposed to individuals) or against public trust. As a result of these differences, courts play a relatively minor role in developing environmental policy in continental Europe, while in the US the courts system has been instrumental in determining the role, responsibility, and scope of policies, as well as enforcing non-compliance by both polluters and regulators.<sup>45</sup>

Kosovo adopted a body of law in accordance with its UN mission and programs provided by the US and EU, but the translation of such legal frameworks into enforcement and prosecution has been challenging.<sup>46</sup> Legal enforcement of environmental policies and regulations requires attention not only to point source pollution by single actors (e.g. a factory pouring waste into a river), but also by enforcing contracts and procurements, planning and building codes, transparency laws, and other actions that require strong anti-corruption legislation. Without background legal frameworks environmental policies are

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44 Rose-Ackerman, Susan. Controlling environmental policy: The limits of public law in Germany and the United States. Berghahn Books, 1995.

45 Stone, Christopher D. Should trees have standing?: and other essays on law, morals, and the environment. Oxford University Press, 1996.

46 Fajardo, Teresa. (2016). The EU Action to Protect the Environment in Kosovo and to Fight Environmental Crime. 161-185. 10.1057/978-1-349-95085-0\_7.

difficult to enforce. For example, the government may award funds for a new road to be built, complete with requirements for an environmental impact assessment, and attention to minimizing disruptions to air, water, and wildlife, but if the contractor does not carry out such actions properly, the new road can create significant environmental harm which is costlier and more difficult to correct after the fact. To date, very few prosecutions or civil suits have appeared in the Kosovo courts dealing with environmental crimes or legal disputes, and certain actions (e.g. illegal logging) are carried out in clear sight of communities.

## International Community

The international community plays an important role in establishing norms and standards for environmental policy, both internationally and domestically. These bodies include **intergovernmental organizations** (IGOs) such as the United Nations (including the UN Environment Program, or the UNEP), the World Health Organization (WHO), the International Union for Conservation of Nature (IUCN), the Intergovernmental Panel on climate Change (IPCC), and the Global Environment Facility (GEF). International actors also include foreign governments whose aid and/or commerce sets standards for smaller countries, which in the Balkans most notably includes the United States and European Union, including both EU and member state governments. These governments will often pressure for stricter environmental policies and standards or shifts in practices with associated aid programs (such as USAID agricultural assistance).<sup>47</sup> Investment and development banks also play a large role in environmental policies or related fields, such as the World Bank, European Development Bank, or private investment firms. Although development banks do not always fund environmental policies directly, their actions should be taken into account when designing long-term strategies for policy in a given country, to ensure that local concepts of sustainability are taken into account during planning processes.

European development agencies such as GiZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) and the Swiss Development Corporation have been important in providing expertise and funding for environmental policies in Kosovo and its neighbors, from introducing local governments to environmental standards to providing sustainable development benchmarks for policymakers. The most visible impacts of such projects have been in agriculture (USAID), youth education, and municipal waste management. While many international projects focus on top-down translation of EU environmental standards, local projects and education tend to have a greater impact over the long term. Local communities and peer groups do much of the monitoring and behavior pressuring in successful environmental policy arenas, provided that the national government provide coordination and resources to prevent situations where local projects remain piecemeal efforts.

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<sup>47</sup> Diehl, Paul F., and Brian Frederking, eds. *The politics of global governance: international organizations in an interdependent world*. Lynne Rienner Publishers, 2015.

## Public

The public plays an important role in environmental policy, from pressuring government to placing certain risks on the policy agenda, to providing informal enforcement of regulations (e.g. waste disposal or recycling), to monitoring and evaluation efforts. The public is often represented by **non-governmental organizations** (NGOs) which help to coordinate concerns and provide expertise. These NGOs can vary in size from very small, grassroots community groups to well-organized international organizations such as Greenpeace or the World Wildlife Fund. The agenda setting role of the public can be the most important, in both identifying what the public considers unacceptable risks, and sharing this information with other members of the public and government.<sup>48</sup> Commercial interests are also represented by NGOs, even if they take somewhat different forms as trade unions or lobbying groups. While it might be stereotypical to say that companies more often desire less environmental regulation, such a presumption is unlikely to be representative of reality. In fact, tourism companies demand cleaner environments for travelers, restaurants require effective food safety monitoring, beverage companies and breweries need water quality protections, and real estate developers need adequate infrastructure investment.

The challenging balance for public interaction in environmental policy is that they often don't want tight regulation of their own activities, but are happy to have others regulated. In the US, this became known as the NIMBY-syndrome (not in my backyard), where public desire for a clean environment stops at what is considered the local community. In other words, a well-connected public in a wealthier neighborhood will block construction of a polluting factory near their own properties, but not object to the same factory being located elsewhere. If not managed effectively, NIMBY-ism can result in **environmental justice** concerns, where poorer neighborhoods and communities suffer a disproportionate amount of environment risk because they do not have the political power to block it.<sup>49</sup>

Environmental awareness in Kosovo remains relatively low, with practices such as illegal logging and illegal waste disposal still common. Over 3,000 illegal waste sites exist in the country, often a result of a combination of lack of local resources (where municipalities are responsible for waste management) and collective action by individuals throwing out waste along roads and rivers. In the case of waste management, the public can play a key role in cooperation with municipal governments, in establishing best practices for waste disposal that is not environmentally harmful. While countries such as Kosovo effectively have no recycling programs or capacities, use of certain price mechanisms (explained below) can help reduce consumption of non-biodegradable items such as plastic bags

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48 Longhofer, Wesley, et al. "NGOs, INGOs, and environmental policy reform, 1970–2010." *Social Forces* 94.4 (2016): 1743-1768.

49 Bullard, Robert D., and Glenn S. Johnson. "Environmentalism and public policy: Environmental justice: Grassroots activism and its impact on public policy decision making." *Journal of Social Issues* 56.3 (2000): 555-578.

and bottles. As with many areas of environmental protection, peer pressure (including from students) can play a key role in creating public pressure for the adoption of new environmental protection policies.

## TOOLS AND TRANSPARENCY

Environmental policy employs many of the same tools as other forms of public policy, and as stated above, effective policy often blends these different policy arenas in order to follow a larger strategy. Some of the more common tools can be categorized, however, into several groups of instruments.<sup>50</sup>

*Regulatory Approaches:* Regulations are specific prohibitions, requirements, or mandates that governments place upon the public and government itself. Regulations can include a wide range of approaches, and the specific type of instrument depends upon the resources and political approach of a government, combined with the public's willingness to accept it. Some examples include:

- \$ **Product or substance bans/limitations:** where production or use of certain chemicals, for example, is prohibited or tightly controlled to prevent exposure to risk. Prohibitions on leaded gasoline is one of the most common such regulations. In the case of Kosovo, gasoline for cars is regulated but not well enforced, allowing the sale of substandard petrol with additives that create more air pollution hazards. At this time, enforcement of gasoline standards is self-regulated and advertised as corporate social responsibility.<sup>51</sup> In other sectors such as bottled water, no real monitoring of water quality exists, and most customers simply assume that the bottled water is of better quality than that available from municipal taps.
- \$ **Technology specifications/design standards:** where the government mandates that certain technology (such as catalytic converters in cars) must be used in order to control pollution risks. Kosovo has already adopted a new measure to phase out automobiles older than 10 years, an effort to force adoption of the cleaner technologies required by EU sales.
- \$ **Performance standards:** if a certain substance is allowed to be used (e.g. lignite coal), the government can set standards that mandate the emitter produce no more than X amount of pollutants while burning it. This allows some flexibility in practice and technology. In the case of the Kosovo power plants, such standards do exist, but require more transparent monitoring and often require knowledge of such standards well in advance of construction - otherwise expensive retrofitting is required.

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50 Adapted from Alberta Environment and Parks (Canada), accessed December 21, 2017: <http://aep.alberta.ca/about-us/environmental-tools-guide/for-tool-developers/the-range-of-environmental-tools/default.aspx>

51 See <http://hibpetrol.com/en/hib-petrol-2/>

*Market-based instruments:* These policies use price controls and incentives to try to guide behavior, rather than forcing the actions directly. They rely upon assumptions that consumers will respond to price signals (i.e. that demand is inelastic) and that corruption is not a major factor.

\$ **Emission trading:** used in North America and the EU, the concept is that factories can be allowed to pollute more only if they buy permits to do so from other companies, which have reduced emissions. An overall limit is set, and the market is left to provide incentives for companies to innovate in reducing pollution. This was most successfully done in the US and Canada to reduce sulphur dioxide pollution. The EU expects that carbon taxation will take place in the foreseeable future, necessitating that Kosovo projects are built in line with such cost considerations well in advance, whether in transportation or energy production.

\$ **Resource fees/charges:** here the government charges fees for using scarce resources, providing an incentive to reduce consumption and passing prices on to consumers. Examples include charges such as congestion fees for busy roads (e.g. a standard fee for driving in downtown London, or a flexible fee in Washington, DC where the fee rises with greater congestion), 'stumpage' fees for cutting trees, or market-based water rates. Water rates in Kosovo remain very low for most consumers, and common storefront practices in cities continue to allow wasteful use of water on streets - such practices could be curtailed with certain pricing mechanisms.

\$ **Development rights:** here the government charges substantial fees for the right to develop areas, whether real estate in a city or a gravel pit near a national park. These fees provide incentives for companies to invest more carefully. In Kosovo such an approach would be handled by the environment ministry, but would require strict anti-corruption practices at both the national and municipal levels.

\$ **Product fees:** these fees provide artificial market signals where a product is considered environmentally harmful, in the hope that higher prices will reduce demand. A common practice is placing fees on recyclable bottles or plastic shopping bags, or mandatory recycling fees for car parts such as batteries and tires. Such a practice was attempted in Pristina in the past, but lack of effective enforcement allowed certain stores to attract customers by offering 'free' bags, undercutting the entire effort.

\$ **Environmental subsidies:** the opposite of product fees, certain items can be given government subsidies in order to promote their use, such as renewable energy sources (solar panels), organic or locally-sourced foods, or recyclable/non-disposable products. So-called "feed-in tariffs" are used to guarantee payments for renewable energy investments, though such tariffs are still quite low in Kosovo and energy efficiency standards are still rudimentary.

*Cooperative Management Agreements:* An approach used by the US government in designing new regulations, cooperative agreements are developed jointly by government,

industry, local residents, and NGOs, establishing *best practices* for managing a potential environmental risk. They are often linked with environmental impact assessments, a formal process designed to predict potential impacts from large development projects, allowing avoidance of the most objectionable risks before they occur.

*Voluntary Stewardship and Governance:* One of the most effective approaches to environmental regulation in the long-term is education and the shaping of values to protect the environment. When citizens cannot define or identify common interests in risk reduction, it is the government's responsibility to help shape such attitudes, though this is often difficult and education programs do not often see effective results for many years. Yet in cases where the government cannot or should not maintain a constant presence (e.g. throwing of trash into a river), peer pressure is the most effective deterrent to environmentally harmful actions. It is especially effective when built upon existing traditions and obligations (e.g. protection of children).

*Information Disclosure:* The issue of transparency and access to information is vitally important for environmental policy. In fact, the development of the Freedom of Information Act (FOIA) in the United States was closely tied to environmental policy traditions and the mandate that the government undertake environmental impact assessments. Such assessments not only had to be freely available to the public, but allow opportunities for public input and objections, and the reports had to be translated into non-English languages in areas where large minority populations were affected. In other words, information must not only be freely available in principle, it must be available and interactive in practice.

## SUMMARY

Environmental policy in the Balkans faces significant challenges, many of which were inherited from previous governments and the vagaries of geography. Nonetheless, many cultures of the region possess traditions that can be built upon to establish common understandings of collective goods and the need to minimize risks, even if these understandings exist mostly at the community level. This implies that many of the most successful policy changes will originate from grassroots or ground-up efforts to preserve or police pollution and natural resources. National government and international efforts remain vitally important, but more often as coordinators of policies. For ministries and agencies that lack significant technical expertise, French models of technocratic governance are unlikely to work effectively and may result in policies formed at cross-purposes with other ministries. As with countries like the US and UK, environmental policies take time to develop and coordinate, but with proper attention to public perceptions of risk and transparency, such small steps can have collectively significant results in protecting the environment of the region.





GARENTINA KRAJA

# SECURITY, CONFLICT RESOLUTION AND COUNTERING TERRORISM





# INTRODUCTION

In 2010 Kosovo promulgated its security strategy as the country's security sector began its transformation to accommodate the needs and ambitions of the newly independent state, a process that underwent further transformation as the country took charge of its sovereignty and provision of security.

The drafting of Kosovo's security strategy was a key moment in the efforts to further build on a security infrastructure provided by the international community since its deployment in Kosovo at the end of the 1999 war, with the eventual aim of fully replacing it.

The strategy, adopted by Kosovo's government in 2010 and the first of its kind authored by the country's nascent institutions, was drafted by Kosovo's Security Council, an intergovernmental body tasked to coordinate various layers of Kosovo's institutions in security planning as part of the country's bid to establish a monopoly over security and commit to civilian control over its security institutions.<sup>1</sup>

Two years later, as Kosovo emerged from "supervised independence" by the international community and transitioned to a fully sovereign country, the government launched a thorough review of its security sector. The review was the first comprehensive step undertaken by Kosovo's institutions to complete the trappings of a sovereign state and to introduce reforms that allowed the country's institutions to take the following steps: Take stock of what it had achieved so far in terms of institutional capacity; reflect on how its priorities were set in the provision of security in terms of the institutional framework; and to set up the policy processes and planning that constituted the institutional network that would address its needs and wants in the long term.<sup>2</sup>

In general, Kosovo's foundational documents that became the cornerstone to its budding security institutions defined security not simply as safety. Instead, they identified the underlining factors that could threaten the maintenance of security. These factors included the consolidation of rule of law institutions and corruption as key challenges

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1 See The Constitution of the Republic of Kosovo, Chapter XI on Security Sector, General Principles, pg. 78

2 See "Analiza e Rikishimit Strategjik te Sektorit te Sigurise," [http://www.kryeministri-ks.net/repository/docs/Analiza\\_e\\_Rikishimit\\_Strategjik\\_te\\_Sektorit\\_te\\_Sigurise\\_se\\_RKS\\_06032014.pdf](http://www.kryeministri-ks.net/repository/docs/Analiza_e_Rikishimit_Strategjik_te_Sektorit_te_Sigurise_se_RKS_06032014.pdf)

undermining public trust in the institutions and Kosovo's international standing; organized crime and criminality as a key deterrent for foreign investors; and also other factors, such as terrorism, the vast number of illegally held firearms, unexploded ordnance as a legacy of the war, and the integration of Kosovo's minorities, education, unemployment and poverty.<sup>3</sup>

Responsibility for the security framework was shared between three governing institutions to ensure oversight through a system of checks and balances. Thus, Kosovo's parliament reviews the budget and policymaking for security institutions; Kosovo's President acts as the commander in chief of the Kosovo Security Force and appoints the head of Kosovo's Intelligence Agency jointly with the Prime Minister; and the Prime Minister chairs the country's Security Council.<sup>4</sup>

This security setup and the policies that followed sought to meet three main strategic objectives: To consolidate democracy to intensify cooperation in order to spur Kosovo's economic and social development as well as its regional and international integration; and, to develop security policies.<sup>5</sup>

Yet, the action plan that followed the National Security Strategy ranged from more immediate steps, such as the drafting of legislation to fight corruption and organized crime, to more lofty aspirations, such as securing membership of Interpol and the European Union. The action plan reveals its uneven goals and illustrates the dilemmas that continue to confront policy-makers and civil servants, as it shifts between specific tasks and general measures, mostly lacking measurable goals, fixed timelines and specific budgetary considerations.

This chapter aims to provide an overview of the principles, strategies and policies that inform and guide Kosovo's security sector and the process of policy-making, in what remains one of the most complex sectors of the country, ten years into the consolidation of Kosovo's institutions. In doing so, the chapter will provide a survey of the main policies, institutions and actors that played and still play an integral role in shaping institutions and actors to meet the ever-changing definitions of security in Kosovo and the region. It does so in the hope of providing future policy-makers with key entry-points where more effort is needed to complete the strategies that will guide Kosovo's path to a more sustainable provision of security.

In addition, given the complex context in Kosovo associated with its transition from an authoritarian regime to an aspiring democracy, any discussion of security would be

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3 See Introduction in "Strategjia e Sigurisë e Republikës së Kosovës," [http://www.kryeministri-ks.net/repository/docs/STRATEGJIA\\_E\\_SIGURISE\\_E\\_REPUBLIKES\\_SE\\_KOSOVES.pdf](http://www.kryeministri-ks.net/repository/docs/STRATEGJIA_E_SIGURISE_E_REPUBLIKES_SE_KOSOVES.pdf)

4 The Constitution of the Republic of Kosovo, Chapter IX

5 See Action Plan of the Security Strategy of the Republic of Kosovo, adopted by Kosovo's Government in 2011

incomplete without a thorough analysis of developments in the security sector, and the impact of international stakeholders and Kosovo's contested statehood in shaping its institutions, including its strategic goal to seek integration in regional and international organizations, particularly membership of the European Union and NATO.

Hence, this chapter will also seek to lay out the interplay between UN organizations, NATO, the OSCE, and the EU in the development of the security sector until Kosovo sought to establish institutions that would shift the country from the role of the security-receiver into one of security-provider and contributor; and, it will also address sectoral strategies and policies in the face of growing challenges such as violent extremism and new trends of foreign interference in undermining state sovereignty.

## **I. BACKGROUND OF THE SECTOR AND ITS DEVELOPMENT IN KOSOVO**

Kosovo's security sector is perhaps the institutional segment most impacted by the country's transition from an international protectorate to a sovereign country. Because much of its functions were tied to the future of Kosovo's political status, and due to the presence of international forces in Kosovo and their unique executive mandates, the development of the security sector has passed through multiple transformations in the past two decades since the end of Kosovo's war.

Initially, Kosovo's key security institutions were developed as part of a broader conflict transformation doctrine, but also in line with the UN Resolution 1244 that regulated the administration of Kosovo and the development of self-governing institutions. Internal consolidation was often subject to the specificities of Kosovo's final settlement and tied to the goal of creating a multi-ethnic state amid ethnic tensions. Its completion continues to be conditional on Kosovo's contested political status, its international standing and the ever-changing geopolitical landscape that continues to heavily impact the country's security infrastructure.

In June 1999, Kosovo experienced a paradigm shift. It was the last European territory to shift from a monist system to democratic pluralism, but after the international intervention, for months Kosovo found itself in security vacuum with multiple stakeholders racing to fill the gap, as it welcomed the gradual deployment of NATO forces, the establishment of the UNMIK police, the withdrawal of the Serb forces and the demilitarization of the Kosovo Liberation Army.

Against this backdrop, three key moments defined the trajectory of the development of Kosovo's security sector and the setup of its institutions, as shaped by the dynamics on the ground and informed by lessons learned of other international peacekeeping missions and interventions.

First, NATO peacekeepers were welcomed in Kosovo. Regardless of the fact that the war's end stopped short of meeting the aspirations of Kosovo Albanians to achieve an independent state, NATO soldiers were considered as an extension of the alliance's intervention in Kosovo and this context in the next two decades would propel KFOR to the status of the most trusted institution in Kosovo. The positive acceptance of KFOR by the general population, despite the large number of the countries represented and their widely different military doctrines, was also due to the troops' swift deployment on the ground and the establishment of KFOR's authority throughout Kosovo, just days after it had entered the territory.

Second, came the dual mission of the UNMIK police in Kosovo, who moved swiftly to chart their exit strategy and tie it to the creation of a professional local police force, trained by the Organization for Security and Cooperation in Europe. The training and gradual establishment of the Kosovo Police, including the timely transfer of competencies and responsibilities, elevated the local police into the first institution to secure its autonomy and take over the authority to maintain law and order in Kosovo.

Third, was the KLA's phased transition through the demilitarization, demobilization and reintegration program which set the foundations of the security institutions in Kosovo while rehabilitating former fighters into new societal roles.

This third moment was critical, as the demilitarization of the former combatants and their reintegration into society, in essence marked the beginning of the security sector. Some 25,000 KLA combatants were ordered to demilitarize and security was entrusted to KFOR, which consisted of 50,000 NATO peacekeepers representing over 38 NATO and non-NATO allies. Vested with legislative and executive powers, the United Nations-led international civilian administration (United Nations Interim Mission in Kosovo UNMIK) took up the role of government, while Serbia maintained sovereignty over Kosovo, albeit only formally (UNSC Res. 1244).

The establishment of the UN protectorate in Kosovo included the deployment of NATO peacekeepers to close the security vacuum by providing overall security in Kosovo as well as a UN law enforcement component. The UNMIK police, including about 3,300 police officers from 50 UN member states, deployed on the ground immediately after the end of the war in 1999 and was tasked to enforce the law and to build a professional police force that would eventually take over policing duties from international peacekeepers.

While the formation of the Kosovo Protection Corps was not planned at the inception of the UN protectorate, but was designed on the ground as a measure of conflict transformation to redress the grievances of the former combatants, the establishment of the Kosovo Police force was envisaged by the UNSC Resolution 1244. Both UNMIK and the Organization for Security and Cooperation in Europe – the latter was part of the

UN governing structure in Kosovo, mainly dealing with the establishment of democratic institutions that would comply with international norms of human rights, take into account Kosovo's ethnic composition and be sensitive to the gender balance - were tasked with recruiting and training the new police force.

The task was daunting for several reasons, mainly due to the absence of a democratic tradition of policing that had left Kosovo's population distrustful of law enforcement, but also because of the security challenges caused by the post-conflict security gap that saw a deterioration of ethnic divisions and entrenching of lawlessness and crime.

On the other hand, the UNMIK police were quick to start the recruitment for the Kosovo police force. The criteria for the recruitment ensured the creation of a mixed police force by attracting experienced police officers who had served with the police force when Kosovo was an autonomous province of Yugoslavia until 1989, former combatants of the KLA as part of the reintegration plan and a batch of new recruits eager to partake in the establishment of Kosovo's first institution.

The UNMIK trainers also ensured that the force was multi-ethnic, and specifically that they recruited members of the Serbian minority into the police force as a means to extend the authority of the force in the Serbian enclaves, and also to preserve Kosovo's multi-ethnic character. From joint patrols with UNMIK police, over the course of five years, the Kosovo Police Service, grew to over 8,000 members and by 2006, it commanded all police stations and regional headquarters except the one in the northern part of Kosovo, a Serb-dominated area which remains loyal to Serbia and defies Kosovo's authority (Foreign Policy 2012). Despite the rocky start, by 2008 on the eve of Kosovo's declaration of independence, the Kosovo Police and the Kosovo Protection Corps were fully autonomous and emerged as the most trusted local institutions in the country. The Kosovo Police in particular signalled the success of the international community's exit strategy in the security sector, which was tied to a sense of local ownership for the security challenges that arose in Kosovo's post-conflict setting.

Yet, challenges remain. Kosovo's prolonged political settlement gave way to the rise of informal intelligence-gathering structures and criminal enterprises that would come to challenge the rule of law and the stability of the new country. The resistance of the Serbian minority to the declaration of independence and the inability of Kosovo's authorities and international mission to stretch their authority in the three Serb-dominated northern municipalities renewed deep-seated insecurities and presented new challenges to the country's ability to create a unified chain of command for its security forces or to complete its security mechanisms as part of an international exit strategy from Kosovo.

However, in the decade of Kosovo's existence as an independent state, the country has consolidated its institutions, including sectoral strategies that guide its work and seek

to calibrate its means and needs in meeting the country's strategic goals. The remainder of this chapter will survey the sectoral strategies and institutions established to meet the needs and the ambitions of the young state.

## II. INSTITUTIONAL FRAMEWORK

In addition to the security strategy and the subsequent action plan, in 2012, during the first decade of its independence, another two-year security sector strategy review was launched to recalibrate Kosovo's security needs, strategic objectives and resources. This time with Kosovo's institutions in the lead, the comprehensive review analyzed security challenges, sought to define the roles of each security institution to avoid an overlap of competencies and to identify the gaps in the security sector. The strategic aims set forth in the review were defined in line with Kosovo's Constitution, which envisions a country that is a factor of peace and stability for the region and beyond. The review primarily pertained to the definition of Kosovo's strategic objectives, its security environment, the identification of risks and threats, an analysis of its security institutions and assessment of their future capabilities and the establishment of future security institutions to address the gaps in the security sector. Guided by the aim of building "a functional and modern security system," the strategy envisaged that NATO troops would stay in Kosovo until the new country developed the internal capacities making it both a beneficiary and a contributor to regional peace and stability.

Despite Kosovo's ongoing political tensions with Serbia, the review projected an optimistic future of a country in a region ready to embrace political change, particularly pointing to the dialogue between Kosovo and Serbia on the normalization of the relations (SSSR: 15). This orientation, as well as Kosovo's objective of seeing the country in the future as indisputably linked to the EU and NATO, is clearly set forth on the strategy, which states: "Kosovo's national security is closely related to regional and broader Euro-Atlantic security."

In contrast to the first review of Kosovo's security sector, which was conducted while Kosovo was under the UN administration and its political future was yet to be settled, the second review took place in the context of Kosovo as an independent country and the pressing need of NATO allies, with troops deployed in Kosovo, to prepare their exit strategy after nearly two decades of peacekeeping. As the strategy states, "the Republic of Kosovo must look to the future, when challenges to its security at all levels will be the responsibility of the Government to address," as well as "to change its image internally and externally; to demonstrate that it is not a country identified simply as a security consumer and a burden on the international community but could be a security provider and a self-sufficient and reliable partner to provide and deliver its expertise to different humanitarian disaster areas and peace keeping missions under a UN, EU, OSCE or NATO mandate" (SSSR: 9-10). Unlike the previous effort, the second Strategic Security Sector Review considered global security challenges, the European security landscape as well as Kosovo's limited

resources. In addition, in an effort to address the shortfalls of the first strategic review of the security sector, which had suffered from a deficit of local ownership, this time around Kosovo's institutions established an inclusive, whole-of-government approach that included representatives from all the institutions that bore some responsibility in the security sector, namely the Kosovo Security Force, Kosovo Police and Intelligence agency, the Ministry of Foreign Affairs, the Ministries of the Interior, Justice, Finance, Education, Environment and Infrastructure, in a bid to respond to local needs and to increase accountability in the process. It sought to define and project current and future threats to Kosovo's security. Nearly six years after the declaration of independence, the review of the security sector identified the pressing need to review and revise all the strategic documents that guided Kosovo's security sector, including the National Security Strategy, the National Defense Strategy and the National Response Plan, by now rendered obsolete. The review's most relevant finding was the transition of the KSF to the Kosovo Armed Forces and the setting forth of the mandate and mission of Kosovo's future army. The strategy recommended that the creation of this new defense capability of Kosovo be planned around three main pillars: the protection of the nation's territorial integrity, the provision of military support to civil authorities in disaster situations, and participation in international peacekeeping operations.

Yet, while the establishment of Kosovo's Armed Forces was the main component of the future undertaking of the Kosovo security sector, it was by no means the only important facet of the reform. In addition to the comprehensive assessment of threats and the clear identification of needs and interests, the strategic review managed for the first time in the history of the country's tradition to produce a grand strategy – a balance of means and ends, and clearly identified and defined the mandates, roles and resources needed to make Kosovo's security sector responsive to the country's requirements, albeit in their ideal composition.

It clearly defined Kosovo's national security interests and objectives that followed from the country's constitution and took into account its international standing – a statehood recognized by 115 states, but rejected by Serbia, Russia and China. Kosovo's security ambitions fell in five domains: The preservation of its independence, sovereignty and territorial integrity; upholding of its constitutional order; the creation of a free market and economic stability; maintaining the welfare of Kosovo's citizens as well as regional stability and membership of international organizations.

With the exception of the establishment of Kosovo Armed Forces, Kosovo has come close to fully consolidating its security architecture as prescribed in the strategic security sector review (SSSR) conducted in 2012. The country has established oversight committees, the executive components of security as well as security institutions after a thorough study of its security environment and a reassessment of its needs, means and goals.



In keeping with the country's goal to apply a comprehensive definition of security, Kosovo involved a plethora of stakeholders in its policy planning process and committed to establishing civilian and democratic control over its security apparatus. Following the review process, Kosovo set up three parliamentary committees to provide supervision and oversight to Kosovo's police, defense and intelligence. At the executive level, the security policy is set by the Kosovo Security Council, the Ministry of Foreign Affairs, the Ministry of Internal Affairs, the Ministry of the Kosovo Security Force, the Ministry of Justice and the Ministry of Finance. At the top of its security framework stand Kosovo's Security Forces, the country's Intelligence Agency, Emergency Management agency, Correctional Service, Kosovo Customs, Security Council Secretariat and the Civil Aviation Agency.<sup>6</sup>

In terms of policy-making, Kosovo sought to integrate diplomacy, intelligence, defense and security and adopt a joint inter-institutional approach to the provision of security by involving military and civilian institutions as well as a plethora of governmental and independent agencies.<sup>7</sup>

In policy planning, a major role is accorded to Kosovo's Ministry of Foreign Affairs, which is tasked with guiding the overall strategic priorities of the security sector, which firmly include membership of the European Union and NATO as the ultimate goal, but also bringing to fruition the vision contained in the country's foundational documents which see the country's security as part of a larger regional and global network of organizations as a way to address the imminent threats to its national security, but also to contribute to the security umbrella.

In keeping with its commitment to contribute to regional security, the Foreign Ministry is tasked with pursuing a policy led by the principle of no territorial ambitions towards its neighbors and seeking to further integrate Kosovo in regional initiatives and organizations. The leading role of the Foreign Ministry is especially crucial as Kosovo continues its bid for membership of Interpol and Europol, two information-sharing organizations that would allow Kosovo to forge partnerships in addressing its security needs, especially in the fight against corruption, trafficking and protection of borders.<sup>8</sup>

In a similar vein, the core tasks of policy-making in the security sector are split between the Ministry of Security Force and the Ministry of Internal Affairs. To date, Kosovo's Ministry of Security Force has provided strategic and civilian oversight of Kosovo's Security Force, filling an institutional security gap that cannot be addressed by Kosovo's police or its emergency agencies, for example, in crisis response, demining and civilian defense. However, its role will further be honed to match Kosovo's needs in offering a defense

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6 "Analiza e Rishikimit Strategjik te Sektorit te Sigurise," pg. 21 [http://www.kryeministri-ks.net/repository/docs/Analiza\\_e\\_Rishikimit\\_Strategjik\\_te\\_Sektorit\\_te\\_Sigurise\\_se\\_RKS\\_06032014.pdf](http://www.kryeministri-ks.net/repository/docs/Analiza_e_Rishikimit_Strategjik_te_Sektorit_te_Sigurise_se_RKS_06032014.pdf)

7 *ibid*

8 "Analiza e Rishikimit Strategjik te Sektorit te Sigurise," pg. 28

policy as the international military presence dwindles and local institutions continue to assume the role of primary respondents to the protection of Kosovo's territorial integrity and sovereignty, a role until now provided by NATO's 3,000-strong peacekeeping force, deployed in Kosovo since 1999 and tasked with responding to external threats.

The Kosovo Security Force (KSF) at its inception was designed to carry out a civilian emergency mission akin to the US National Guard. The lightly armed force, which numbers 4,000 active members and 2,000 reserve personnel, has participated in rescue operations and demining in Kosovo and the region since Kosovo declared independence. The KSF's main tasks consist of crisis management in case of natural disasters and other emergencies.<sup>9</sup> The expectations of its members and supporters was that KSF's role as a first responder to natural disasters and other emergencies would be a transitory role until the force was transformed into Kosovo's future army. This view was emboldened following the conduct of the strategic review of the security sector, which recommended that Kosovo "develop capabilities to assume greater security tasks in line... with Kosovo's sovereignty and territorial integrity." While detailed plans were drafted for its phased transformation into a national military force, in the past four years those plans have been shelved due to the Kosovo Serb rejection of attempts to approve the creation of the army. As with all sensitive legislation in Kosovo that amends Kosovo's Constitution, the creation of Kosovo's Armed Forces requires the support of the Serbian representatives and other minorities in the Kosovo assembly.<sup>10</sup> With most of its tasks handed over to Kosovo's Emergency Management Agency, the future of the KSF hangs in limbo.

The SSSR, based on Kosovo's security needs, planned for a gradual, decade-long transformation of the organization into the country's defense force, with eventual completion by the end of 2024. The guiding principles for the creation of the Kosovo Armed Forces are an 8,000-strong defense force, based on voluntary and professional recruitment, inclusive and reflecting the multiethnic character of the country. The force's primary mission is "the defense of (the country's) sovereignty and territorial integrity, support to civilian authorities, support to communities and participation in international peacekeeping operations."<sup>11</sup>

Kosovo's Constitution and other guiding documents, including the SSSR, place the Kosovo's Security Council (KSC), an intergovernmental advisory body, at the helm of Kosovo's security sector policy-making and task it with the development of Kosovo's security strategy, in cooperation with Kosovo's President and Prime Minister.

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9 See Law on Kosovo Security Force, Article 10 Mission and Tasks, <http://www.mksf-ks.org/repository/docs/Law%20on%20KSF%20-%20Albanian.pdf>

10 The Constitution of the Republic of Kosovo

11 See "Analiza e Rishikimit Strategjik te Sektorit te Sigurise," pg. 34-35

Its role is to recommend security strategies and policies, draft laws related to the security sector, provide feedback on the security situation in Kosovo as well as review the annual reports and priorities for the Kosovo Intelligence Agency, the Kosovo Police and the Customs Service, foreign security policy, the drafts of all treaties and international agreements relevant to security, and the establishment of relations between national security agencies and foreign counterpart agencies or organizations. The KSC is required to submit advice to the President and the Government of Kosovo on the proposed deployment of Kosovo security institutions and agencies in operations outside the territory of Kosovo. However, while improvements have been made to empower the KSC Secretariat, most of the process of policy-making in the security sector is compartmentalized into respective ministries and agencies with little inter-institutional cooperation.

In addition to the KSF and its anticipated transformation, the Kosovo Intelligence Agency is the backbone of Kosovo's security architecture. Initially its mandate was confined to intelligence gathering within the boundaries of Kosovo, but recently the KIA broadened its role, becoming one of the key intelligence organizations in the region. Its mission is to provide intelligence, and counter-intelligence, and identification and assessment of internal and external threats to Kosovo's national security. Its role was crucial in Kosovo's fight against violent extremism and radicalization, but also in combating organized crime such as the trafficking of goods and people.

The Kosovo Police is a 9,000-member institution responsible for rule of law and public safety throughout the country. As the largest security organization, it is in charge of maintaining law and order, and investigations into trafficking in persons, drugs, corruption, terrorism and illegal weapons. Hailed as one of the most successful institutions in post-war Kosovo, the Kosovo Police has faced challenges in creating a unified chain of command and in stretching its authority to the Serb-dominated northern part of Kosovo, a challenge that was recently partially mitigated through the Serbia-Kosovo dialogue that helped integrated local members of the Serbian community in the north into the local police force.

Recently, Kosovo's government and law enforcement agencies have made an effort to include civil society organizations and various security think tanks in their policy forums and to solicit their expertise and input in drafting policy. These organizations, for instance, have been extended a seat at the table in shaping strategy, as well as a role in the implementation of key strategic documents such as the Strategy to Prevent Radicalization and Violent Extremism in Kosovo.<sup>12</sup>

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<sup>12</sup> See "Strategjia per Parandalimin e Ekstremizmit te Dhunshem dhe Radikalizimit qe shpie ne Ekstremizem 2015-2020" [http://www.kryeministri-ks.net/repository/docs/STRATEGJIA\\_parandalim\\_-\\_SHQIP.pdf](http://www.kryeministri-ks.net/repository/docs/STRATEGJIA_parandalim_-_SHQIP.pdf)

### III. SECTORAL STRATEGY AND POLICIES IN POWER

Much of the first decade in the consolidation of the Kosovo's security sector was spent on establishing international security institutions that would enforce the law in the short term and create nascent security institutions that would match the political objectives initially of the international protectorate and later that of Kosovo as an independent state in the long term. These characteristics are visible in several strategic documents that guided the construction and the eventual reform of Kosovo's security sector. The overarching theme of the first decade of Kosovo's security sector reform is internally inter-linked.

In the two first decades of its institutional consolidation, Kosovo went through two internal strategic processes to review its security sector. The first one was a process born out of the riots of 2004 in which Albanian mobs targeted the Serbian minority in Kosovo exposing the limits of international forces' capacity in keeping the peace in Kosovo and forcing them to rethink Kosovo's security apparatus<sup>13</sup> (KCSS 2013: 10). Under the auspices of UNMIK, an Internal Strategic Security Sector Reform was launched for the first time to determine, through the engagement of Kosovo's government, political representatives and communities, whether Kosovo was equipped to handle its security challenges and whether its institutional makeup allowed it to address the long-term threats in Kosovo.

Clouded by the uncertainty of the final settlement, the particular challenge of such a strategic review was that instead of informing the final status negotiations, due to disagreements with the UN, it was conducted in parallel to highly contentious talks between Kosovo's leaders, authorities in Serbia and the international community deciding Kosovo's final status (Welch 2014 Part I). It was also dogged by the boycott of the Kosovo Serb representatives who rejected being part of any political discussions or planning that involved Kosovo's future and the dilemmas over the establishment of an army. The internal review of the security sector, published in 2007, recommended that Kosovo create its own institutions to deal with security matters beyond the NATO and UN presence in Kosovo. The Internal Security Sector Review recommended that Kosovo complement its security infrastructure with the creation of a National Security Council, assembly committees to provide oversight on policing, and intelligence, and it suggested mechanisms for the creation of a Kosovo Defense Force (Welch 2014 Part II) in response to the threats that it must manage.

The recommendations provided by the first UN-authorized internal review of the security sector provided a blueprint for the future of the security sector as Kosovo prepared to declare independence from Serbia in 2008. They were enshrined in the Ahtisaari Plan

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13 "The Development Context of the Strategic Security Sector Review – Civil Society Perspective," Kosovar Center for Security Studies KCSS, 2013, pg. 10 [http://www.qkss.org/repository/docs/The\\_Development\\_Context\\_of\\_Strategic\\_Security\\_Sector\\_Review\\_877377.pdf](http://www.qkss.org/repository/docs/The_Development_Context_of_Strategic_Security_Sector_Review_877377.pdf)

that advised the creation of an internationally supervised independent Kosovo, with reserved powers for the International Civilian Representative, an official appointed by the International Steering Group for Kosovo, and a board set up to guide Kosovo's transition into an independent country, as the ultimate interpreter of the Ahtisaari plan with power to annul any decisions made by Kosovo's authorities that would violate the spirit of the settlement.

The Comprehensive Proposal for the Final Settlement envisaged that Kosovo take charge of its security, law enforcement, public safety, intelligence, civil emergency response and border control on its territory. Taking into account the specific needs and characteristics of Serb municipalities in Kosovo, the plan stipulated that police commanders in those areas be selected by municipal assemblies. It also foresaw the creation of a domestic security agency to monitor threats to Kosovo's internal security. Since the general approach of Kosovo's sponsors was to present the newly independent country as a factor of peace and stability, the plan, which would be integrated later into Kosovo's constitution, proposed the creation of the Kosovo Security Force as a lightly armed defense force with no heavy artillery or airpower, and placed under a civil authority. Although the majority of the force's new members would be drawn from the KPC, Ahtisaari's plan ordered the disbandment of the Kosovo Protection Corps, in part to assuage the fears of the Kosovo Serbs and to give Kosovo's security setup a clean slate to reflect the commitment of the country to being a multiethnic state (Comprehensive Proposal: 49). While Kosovo reformed its security sector to conform it to responsibilities as a sovereign state, the 5,000 NATO-led troops presence in Kosovo remained in charge of combating external threats, in ensuring safety across Kosovo and assisting Kosovo's institutions in NATO integration. NATO's presence was not time limited; it was instead conditional on the capacity of Kosovo's institutions to take over its responsibilities, including the creation of a joint military commission with authorities from Kosovo and Serbia to discuss common military security issues (CP: 55-56).

Yet, in the wake of independence, due to severe contestation of Ahtisaari's final settlement by Russia, a veto-yielding member of the UN Security Council and to outright rejection of Kosovo's independence by five members of the European Union and four members of NATO with troops on the ground in Kosovo, Kosovo's security sector found itself mired in a legal quagmire, a duality that blurred the lines of responsibility and accountability. In February 2008, when Kosovo's parliament declared independence, the country found itself governed by a set of internationally binding documents in contradiction with each other. For instance, as part of the internationally supervised independence, Kosovo's authorities invited the European rule of law mission, EULEX, to take charge of some policing tasks, investigations and court cases dealing with sensitive issues such as war crimes and high-level corruption. However, because of the 5 EU non-recognizers, the EU's biggest rule of law mission outside of the union's borders would be deployed in Kosovo on the legal basis of the UN Resolution 1244 that declared that while Kosovo was a UN protectorate, Serbia

would maintain its sovereignty over it. There was a similar situation with NATO forces in Kosovo, which remained neutral to Kosovo's independence due to the four members that refused to recognize its statehood.

### **a) Sectoral strategy**

Kosovo promulgated its security strategy in 2010 as the country's security sector began its transformation to accommodate the needs and ambitions of the newly independent state. In the security sector, Kosovo's approach was to uphold a system of checks and balances enshrined in its constitution, which divided the authority over security between Kosovo's parliament, which reviews the budget and the policymaking for security institutions, Kosovo's President who acts as the commander in chief of the Kosovo Security Force and appoints the head of Kosovo's Intelligence Agency jointly with the Prime Minister, and the Prime Minister who chairs the country's Security Council.

The strategy was anchored in Kosovo's strategic goals to seek integration in regional and international organizations, particularly membership of the European Union and NATO. The document took a holistic approach, defining security not simply as safety, but linking it to Kosovo's economic underdevelopment, its fragile rule of law and the upholding of human rights.

The strategy, drafted by Kosovo's Security Council, an intergovernmental body tasked to coordinate various layers of Kosovo's institutions in security planning, identified fifteen key challenges to Kosovo's security.

The challenges include the consolidation of the rule of law institutions and corruption as key challenges undermining public trust in the institutions and Kosovo's international standing; organized crime and criminality as the main deterrent for foreign investors; and other factors, such as terrorism, the vast number of firearms in illegal possession, unexploded ordnance as a legacy of the war, and the integration of Kosovo's minorities, education, unemployment and poverty.

The strategy places the main emphasis on the need for close coordination and the streamlining of scarce resources – constrained finances – by Kosovo's institutions to address these challenges. It points out the lack of inter-institutional cooperation as one of the key obstacles to the creation of an efficient security sector.

The security strategy was followed by a detailed action plan in 2011, which remains currently in place, outlining actions for three main strategic objectives: to consolidate democracy, to intensify cooperation to spur economic and social development as well as Kosovo's regional and international integration, and to develop security policies. The action plan outlines 52 concrete actions that range from more immediate steps such

as the drafting of legislation to fighting corruption and organized crime to more lofty aspirations such as securing membership of Interpol and the European Union. The plan, however, could benefit from additional work to render the strategy complete especially in planning the shifts between specific tasks and general measures, drafting measurable goals, planning fixed timelines and allocating specific budgetary considerations.

For instance, with regard to addressing the status of the Kosovo Security Force, and securing KSF's attainment of full operational capability in order to complete its development goals, the action plan outlines steps that include recruitment plans, drafting of doctrines, and training and forging the force's identity, but it falls short of setting benchmarks. Similarly, on countering terrorism the action plan calls for the implementation of the strategy to fight terrorism and for better cooperation between Kosovo's police and its intelligence community without specifically outlining measurable criteria that would help define the nature of that cooperation or the concrete actions that would strengthen Kosovo's response.

The SSSR together with Kosovo's National Security Strategy of 2010, became the blueprints that set the tone for policy-making in Kosovo. They encouraged and established inter-agency cooperation and placed Kosovo in the regional and global security context.

In these documents, the preservation of the rule of law and protection of individual rights and freedoms are considered essential for the security of the state. Kosovo's Security Council, an advisory body, is in charge of articulating a national security strategy in coordination with the President and the Government of Kosovo, presenting the strategic objectives and identifying the ministries and agencies tasked with achieving those objectives.

The SSSR also highlighted Kosovo's integration and membership of international political and security institutions, such as the EU, UN and NATO as the key national objective.

In 2014, Kosovo's National Security Strategy was revised to expand its scope and further develop institutional capacity in order to take over a larger share of responsibility for security issues from international overseers.

This was the first revision of the national security strategy since Kosovo's declaration of independence. It involved an inter-ministerial working group that over a 2-year period produced a set of priorities and recommendations that now constitute a large part of the legal framework.



## STRATEGIC OBJECTIVES

The subsequent analyses produced by the review of the security sector, which defined the strategic objectives of national security, identified these strategic interests, objectives and their subcategories. They seek to achieve these objectives through three types of policy : **internal policies**, aimed at providing a safe and secure environment and creating security and defense structures; **regional policies** aimed at contributing to regional stability through membership of regional organizations and initiatives; and, **global policies** aimed at contributing to global security through membership of international security and political organizations.

TABLE 1:

<b>Territorial independence, sovereignty and integrity</b>	<b>Constitutional order</b>	<b>Sustainable economic growth</b>	<b>Protection of the life and property of Kosovo citizens, their wellbeing and security</b>	<b>Regional stability and membership of international organisations</b>
<p>preserving and defending sovereignty and territorial integrity;</p> <ul style="list-style-type: none"> <li>- using diplomatic means in the interest of preserving and defending sovereignty and territorial integrity;</li> <li>- developing security and defense capacities; and</li> <li>- integrated border management.</li> </ul>	<p>preserving and strengthening the rule of law in the entire territory;</p> <ul style="list-style-type: none"> <li>- respect of human rights and freedoms in accordance with international standards; and</li> <li>- a unified and independent judiciary.</li> </ul>	<p>developing policies that favor free trade and a sustainable economy;</p> <ul style="list-style-type: none"> <li>- sustainable environment for foreign and national investment; and</li> <li>- regional and international economic cooperation.</li> </ul>	<p>protection of lives and property;</p> <ul style="list-style-type: none"> <li>- improving social wellbeing for all citizens; and,</li> <li>- guaranteeing overall security for citizens.</li> </ul>	<p>integration and cooperation with European Union and Euro-Atlantic structures;</p> <ul style="list-style-type: none"> <li>- membership of international organizations;</li> <li>- active participation in regional and international mechanisms; and</li> <li>- promotion of Kosovo abroad.</li> </ul>



### III. SECURITY SECTOR AND THE THREAT OF TERRORISM AND VIOLENT EXTREMISM

Since the inception of Kosovo's security sector and throughout its development, terrorism has been identified as one of the main challenges to the country's national security. Kosovo's 2010 security strategy as well as the 2014 strategic review of the security sector classified Kosovo as a potential terrorist target, mainly due to its geographical proximity to Europe and the East, but also due to its cooperation with NATO and its generally pro-Western political orientation.

In general, since the end of the war in Kosovo in 1999, international and local security institutions in Kosovo have suspected various Islamic organizations, that arrived in the country in the conflict's aftermath, of seeking to make an ideological pitch under the cover of humanitarian relief organizations. Under UN administration, especially in the wake of the 9/11 terrorist attacks in New York and Washington, international forces in Kosovo detained and deported and closed down several such organizations believed to have contributed to violent extremism. Kosovo's National Strategy Against Terrorism 2009-2011 established a framework for institutional capacity-building to prevent and fight terrorism. Subsequent documents built upon the existing priorities to maintain a secure environment.

A growing legal framework now includes 35 laws and legal codes that formulate Kosovo's strategy against terrorism based on the fundamental principles of legality, human rights and freedoms, as well as cooperation with international institutions. The four strategic objectives are: Prevention through identifying factors and causes; pursuit by investigation to bring suspected perpetrators to justice; protection by strengthening measures against potential terrorist attacks; and lastly, preparedness and reaction, an objective that establishes and develops protection and reaction plans for critical infrastructure in order to minimize the impact of potential terrorist attacks.

The main threat identified is that posed by groups who abuse the Islamic religion.<sup>14</sup> However, the motives for the planning and execution of such threats can be traced also other religions, as well as nationalism, political extremism and the extreme right, in the light of prevailing interethnic tensions between Serbs and Albanians, which provides a fertile ground for extremist groups disposed to violence to engage in acts that could compromise a secure environment. Additionally, the presence of international agencies and military forces in Kosovo places it on an international map of possible targets for terrorist attacks, a possible backlash for their commitment in the global fight against terror. The overall assessment is that despite an umbrella of security provided by NATO-led peacekeepers, Kosovo is not immune to potential attacks and their prevention

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<sup>14</sup> See "National Strategy Against Terrorism 2009-2011" [http://kryeministri-ks.net/wp-content/uploads/docs/REPUBLIC\\_OF\\_KOSOVO\\_NATIONAL\\_STRATEGY\\_AGAINST\\_TERRORISM.pdf](http://kryeministri-ks.net/wp-content/uploads/docs/REPUBLIC_OF_KOSOVO_NATIONAL_STRATEGY_AGAINST_TERRORISM.pdf)

warrants close cooperation and coordination between local and international institutions in tracking organizations and groups “that can help in recruiting and financing individuals for various terrorist activities.”<sup>15</sup>

On terrorism, Kosovo’s security sector has responded through the drafting of comprehensive strategies to guide its work in countering these threats, but also by strengthening its capacities and entering into bilateral partnerships for information-sharing. The 2012-2017 Strategy in Combating Terrorism identifies the tensions between Kosovo’s Albanian majority and Serb minority as offering a breeding ground for extremist groups prone to using violence to achieve political ends, but also religious fundamentalists, who may seek to enlist the support of the local population to commit terrorist acts. Although no terrorist attack has taken place on Kosovo’s soil, and despite efforts to clamp down on terrorist organizations, since 2012, Kosovo has been confronted with the foreign-fighter phenomenon, as a flux of its citizens joined the so-called Islamic State. While this phenomenon has touched many European countries, the involvement of Kosovo citizens in terrorist organizations has represented a challenge to Kosovo’s national security. The number of Kosovo citizens who went to Syria and Iraq to fight with ISIS or to join the families there, hovers at about 400, placing Kosovo at the top of the list of IS foreign fighters per capita.

Making good on its commitment to fight terrorism and violent extremism, in 2014, as the number of Kosovo citizens joining IS rose, the Kosovo law enforcement agencies planned a comprehensive response: They cracked down on alleged networks of foreign fighters, arresting about 60 individuals who had at one point joined ISIS and related terrorist groups in Syria and Iraq. Among those arrested were seven imams believed to have operated illegal mosques used for purposes of IS indoctrination and recruitment. Following the arrests, the Kosovo authorities closed down several illegal mosques and organizations that acted as fronts for IS recruitment efforts. During this time, Kosovo moved quickly to adopt a new law and became one of the first countries worldwide to criminalize joining a terrorist organizations as a foreign fighter, including a 15-year sentence for such crime. Yet, it soon became clear that the threat of foreign fighters was more pervasive and while Kosovo’s efforts to counter violent extremism were lauded globally and earned the young country a seat at the global coalition of states fighting this phenomenon, the threat of IS to Kosovo casts a long shadow. Despite the strong response, Kosovo’s institutions and their international partners had to redefine the potential threat to Kosovo’s national security and work out a prevention strategy.

In 2015, Kosovo’s Government approved the five-year Strategy on Prevention of Violent Extremism and Radicalization Leading to Terrorism and a subsequent action plan for

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15 See “Strategy on Prevention of Violent Extremism and Radicalization Leading to Terrorism 2015-2020,” [http://kryeministri-ks.net/wp-content/uploads/docs/STRATEGY\\_ON\\_PREVENTION\\_OF\\_VIOLENT\\_EXTREMISM\\_AND\\_RADICALISATION\\_LEADING\\_TO\\_TERRORISM\\_2015-2020.pdf](http://kryeministri-ks.net/wp-content/uploads/docs/STRATEGY_ON_PREVENTION_OF_VIOLENT_EXTREMISM_AND_RADICALISATION_LEADING_TO_TERRORISM_2015-2020.pdf)

the implementation of the strategy was approved by Kosovo's government in 2016. For the most part, the Action Plan for the Implementation of the Strategy on Prevention of Violent Extremism and Radicalization Leading to Terrorism calls for the design of an awareness-raising strategic communication plan focused on "the process of recruitment and the wrongful path of violent extremism" through the current media operation of the Ministry of Interior Affairs and experts. It foresees lectures in schools and universities, and a media campaign on the consequences of violent extremism and radicalization. The plan also calls for the promotion of stories of "tolerance, diversity, dialogue and the history of religions in Kosovo" and "the drafting and promotion of counter-narratives as a way to weaken the legitimacy of the messages promoting violent extremism."

The action plan relies on a mix of state institutions, civil society and religious organizations and donor funding to implement these measures, but to date no centralized authority has produced a concerted counter-narrative that effectively dismantles the numerous claims made in IS propaganda. Kosovo's government has earmarked 100,000 Euros for the implementation of the prevention strategy and has mainly relied on donors, international organizations and local think tanks to study and counter this phenomenon at the grass-roots level, making this effort potentially unsustainable in the long run.

Among its strategic objectives, the Strategy for Fighting Terrorism prioritizes preventative measures, the investigation and apprehension of recruiters and an increase of security measures around strategic infrastructure. It lists the identification and elimination of the push and pull factors that encourage the emergence of violent extremism and the promotion of interethnic and inter-religious tolerance. The Strategy against terrorism allocates the primary responsibility for combating terrorism to Kosovo's Ministry of Internal Affairs, which sets policy for the security mechanisms in the country, the Kosovo Intelligence Agency, Kosovo Police and Ministry of Finance and the related Financial Intelligence Unit. To demonstrate its commitment in the fight against terrorism, the Strategy seeks to empower the National Coordinator on Terrorism.

Similarly, faced with multiple security threats since the presence of IS in Kosovo was proven, the country's authorities have worked hard to identify the push and pull factors that lead to violent extremism and to implement measures that prevent this phenomenon. Another major challenge to address is the rehabilitation and reintegration of foreign fighters in Kosovo's society, which while foreseen in the Strategy on Prevention of Radicalization and Violent Extremism, continues to be an issue that has been given little attention by Kosovo's security sector.

Much of the Action Plan on the Prevention of Radicalization and Violent Extremism 2016-2018 sits in the domain of education, and empowering communities to spot potential radicalization in youth, and there is also a whole-of-government communication strategy, that has no clear roles, guidelines, criteria or budget, to implement such measures. Furthermore, the action plan does not deal with concrete measures for the

reintegration of former foreign fighters, a major concern for countries around the globe who are struggling to assess the level of threat posed by these individuals in terms of carrying out attacks or continuing the further recruitment and supply of fighters to terrorist organizations.

While violent extremism and terrorism occupy much of the attention of Kosovo's security institutions and policy-makers, the country's international sponsors have also placed much emphasis in Kosovo's need to improve its record in combating corruption and organized crime, as well as trafficking in human beings and weapons.

Combating trafficking in human beings remains one of the top priorities for Kosovo's government. In 2013 Kosovo's parliament passed a law for preventing and combating trafficking in human beings. This provides the legal basis for empowering competent local authorities to fight this global phenomenon and to provide legal and medical aid to the victims, including psychosocial support. It builds upon the existing domestic legal framework, the Criminal Code and Criminal Procedure that penalizes the use of the services of trafficking victims and also classifies begging as a trafficking offense. Existing EU and UN Conventions in this field are implementable according to the Constitution, without having to be ratified by Kosovo's parliament.

The National Strategy against Trafficking in Human Beings 2015-2019, a document compiled by the Ministry of Internal Affairs, lays out the following four strategic objectives:

1. Advancement of the prevention of human trafficking through information, awareness and education of the society in general, and in particular vulnerable groups about the consequences of trafficking and involvement in trafficking activities.
2. Continuous strengthening of the system of identification, protection, assistance and reintegration of victims of trafficking through sustainable programs of social inclusion.
3. Efficient criminal prosecution of cases of human trafficking by increasing the efficiency of the mechanisms for detecting and prosecuting traffickers.
4. Strengthening international and local cooperation for a strengthened partnership towards trafficking in human beings to ensure funding for the financing of shelters of trafficking victims. The document emphasizes enhancing educational programs and awareness raising campaigns.<sup>16</sup>

## VI. CURRENT PROBLEMS AND CHALLENGES

While Kosovo's security sector has made great strides in consolidating its mechanisms and the coordination of policy-making processes, many challenges and opportunities remain for the current generation of public servants to introduce reforms that will

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<sup>16</sup> See National Strategy against Trafficking of Human Beings in Kosovo, 2015-2019, <https://mpb.rks-gov.net/Documents/Acrobat%20Document-2.pdf>

improve the security networks and the policies that are formulated through the various security mechanisms in place.

Some of the challenges are a legacy of the protracted international protectorate and deliberations over Kosovo's final settlement. But it is clear that during this period of transition in Kosovo, despite the very specific circumstances under which Kosovo's institutions were established, and despite the uncontested power of UNMIK and KFOR, peace and stability only took root as a result of cooperation with local actors, who in addition to their institutional roles, had to take ownership and responsibility for securing Kosovo's democratic development.

Twenty years later, many questions remain about the stability-focused approach, especially with regard to group interests and the legacy of networks of influence and loyalty which have crept into vital institutions that are mandated to fight corruption and organized crime in Kosovo. Kosovo's public repeatedly ranks Kosovo among the most corrupt countries in the world and, despite numerous institutions and strategies to eradicate corruption, reports about the country's progress in meeting EU standards note the country's corrupt practices and the lack of political will to address corruption.<sup>17</sup> Over the years, endemic corruption has undermined trust in Kosovo's security sector, namely the ability of law enforcement agencies to competently deal with this challenge.

The European Commission assesses that Kosovo is still at "an early stage" in the fight against corruption and organized crime, and the country "has made some progress as regards the track record on the investigation and prosecution for high level corruption and organised crime cases, including final convictions."<sup>18</sup>

In its bid to deal with high-level corruption, Kosovo's security sector continues to be marred by legal duality. In recent years, this legal duality of Kosovo as an independent state for its backers and Kosovo ruled by the UN Resolution 1244 by its non-recognizers, has kept Kosovo from entering into partnership with NATO through the Partnership for Peace program. This reality of legal duality is further complicated by the tense political situation between Kosovo's Albanian majority and its Serb minority. According to Kosovo's Constitution, Kosovo cannot embark on the creation of Kosovo's Armed Forces without the approval of Serb members of the Kosovo parliament who are loyal to Serbia's government. Serbia continues to vehemently reject any notion of Kosovo having its own army. This reality stands in huge contrast to the context given in the strategic review of the security sector, which had rendered ethnic tensions in the region as obsolete. The failure to predict dormant threats, such as Russia's resurgence as a player in the region, now risks to further undermine Kosovo's functionality.

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17 See European Commission's Kosovo 2018 Report <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-kosovo-report.pdf>

18 *ibid*, pg. 4

On the ground this situation has delayed Kosovo's ambitions to join international organizations or to enter into a capacity-building partnership with any of the military organizations. This setback has been particularly damaging in forging security partnerships with organizations such as Interpol and Europol, a relationship that is still maintained through third parties, often in the form of international organizations that are present in Kosovo. Kosovo has missed the deadline for the phased transformation of the Kosovo Security Force into the Kosovo Armed Forces by four years due to the Serb veto and the international community's hesitation to move forward with such plans without the consent of the Serbian minority in Kosovo. Kosovo's Security Force has continued to consolidate its ranks, becoming one of the most multi-ethnic institutions in Kosovo. While the KSF management remains tied to Kosovo's past security structures, it has replenished its ranks with young cadets who are trained in top international military academies, bringing a fresh perspective and conceptualization of security to Kosovo. But the present limbo has prevented Kosovo from building a military capability, however modest, leaving it completely dependent on international forces and thwarting its chance to accomplish one of the key trappings of the sovereign state. It has also indefinitely trapped international forces in Kosovo despite pressures on governments to redirect those resources to more urgent theatres.

The ethnic tensions in Kosovo are visible on other fronts. In its first decade as an independent state, the Kosovo Police has barely established a unified chain of command. Until recently, the vacuum was mostly filled by EULEX, the EU's rule of law mission in Kosovo, which manages to avoid the northern Serb-dominated part of the country. While the north is still cautiously and in limited manner handled by Kosovo's Police or Kosovo's government, the country's ability to control its territory and guarantee its territorial integrity is still incomplete. Due to the ongoing EU-mediated dialogue between Kosovo and Serbia in Brussels, both sides have managed to agree to the appointment of a police commander in the north and the integration of Serb members from that community into Kosovo's police. Yet, while the formalities of that deal are in place, the communication between the two sides is often fragmented and ruled by distrust.

Another serious setback for Kosovo has been the threat of violent extremism and radicalization, linked to a fundamentalist interpretation of Islam and ethno-nationalism, encouraged by Russia and radical political groups in Serbia. While Kosovo's authorities were slow to recognize the challenge of Islamic fundamentalism, by 2014 they efficiently mounted a crackdown that completely turned the tide of foreign fighters leaving Kosovo to join ISIS in Syria and Iraq. Kosovo's law enforcement agencies dealt a huge blow to IS' network and supporters in Kosovo. But the authorities have lagged behind in capitalizing on this early success to channel the country's resources toward prevention as well as the reintegration of former foreign fighters and their families. Similarly, the authorities have failed to understand the push and pull factors that led to the recruitment of Kosovo citizens as foreign fighters in ISIS and lack a holistic response to prevent such an occurrence again. The dispersed nature of the foreign fighter threat has also strained the capacities of local law enforcement.





BESNIK BISLIMI & VENERA DEMUKAJ

# MACROECONOMIC PERFORMANCE IN KOSOVO





# INTRODUCTION

The introductory chapter of this book begins with the definition of public policy as a response (or lack of response) by government institutions, be they central, regional or local, to a social problem. Although these problems or issues are different, you will be easily convinced that most of them are linked (directly or indirectly) to economics. For example, the question of whether to build or not build a new power plant in Kosovo, is more of an economic problem, than about energy or the environment. How to secure funding for the plant, what will be its impact on the cost of doing business in Kosovo, how will the new tariffs impact the household budget, what will be the cost of displacing residents living near the plant? These are just some of the economic questions that get answered by public policies.

The quality of public policies can determine the level of employment in Kosovo, which then directly affects the level of national income and the wellbeing of citizens. It is this level of employment that then affects the level and structure of consumption in Kosovo, and also the ability of households to spend their budget on education or health. Public policies deciding the type of services to be provided by the public sector, directly affect the level and form of taxation. Each tax then has a certain impact on the motivation of employers or employees to create material goods, and their decisions about the type of business and its location, and many other issues. These decisions on the level and types of budgetary expenditure, as well as tax rates also determine the level of public debt, thus extending the impact of public policies even beyond one generation. Public policies are also what affect the level of openness of the economy to international trade, either by promoting free trade or by favoring trade barriers.

Public policies also strongly affect the stability of the currency in circulation, thus determining the purchasing power of households as well as their decisions regarding expenditure now or its transfer into the future. The quality of these policies also determines the interest rate that defines the cost of financial lending, thus favoring or penalizing capital accumulation for businesses, as well as the readiness of households to buy goods that have a longer life such as apartments, cars, air conditioners and similar goods.

It can also be seen from the above that the number of public institutions relevant to decision-making which affects the economy is very large. Apart from the parliament of the country, which is responsible for adopting relevant legislation, there are many ministries that directly undertake decisions in the field of the economy. In addition to the finance ministry, which designs tax and customs policies and decides on the allocation of the state budget, there are also many ministries that have economy as the primary focus in their scope: the ministry of trade and industry; the ministry of agriculture, which decides on grants and subsidies in agriculture; the ministry of economic development, which has the task of caring for the country's strategic and state-owned enterprises; the ministry of labor and social welfare, which takes care of the implementation of active and passive policies in the labor market; and, also the ministry of education, health, environment and many others.

Particular importance is given to the Central Bank of the country as the primary institution for designing and implementing monetary policies and ensuring the stability of the country's financial sector; and the different regulators that guarantee the functioning of market competition in those sectors where the number of economic rivals is not sufficient, such as energy, drinking water supply, telecommunications, aviation and the like. We can also mention here the institution of the general auditor which cares for the good management of public money by all of the spending agencies of the state budget. And, let us not forget the municipalities of the country which according to the legislation in force, have a lot of competences in the implementation of public policies aimed at promoting economic development at the local level.

It is understood that in order to have quality public policy, it is very important to get familiar with all the phases or dimensions of public decision-making starting from setting the agenda and all the way to its implementation and evaluation. However, another factor of special importance is familiarization with economic concepts and the weight of each decision in the variables that have economic importance. This chapter aims to summarize as briefly as possible some of the most important macroeconomic themes in the hope that knowledge of them will be in the function of a more complete public decision-making.

We will start with national revenue accounting as the main mechanism that provides us with information on the health of the economy by providing us with the level and structure of the main macroeconomic aggregates. It is understood that our biggest interest is in Gross Domestic Product (GDP) and its components, as this aggregate is still largely used as the key indicator of the welfare of citizens. If we divide GDP by the number of people in the country, we get GDP per capita, another important macroeconomic concept, especially if we want to get international comparisons for the relative level of well-being. After addressing the way we measure GDP and its advantages and disadvantages as indicators of well-being we can see what opportunities there are to compare the level of economic development between Kosovo and that of economically advanced countries.

More specifically, we will also focus on the importance that economic growth enjoys as a top priority in public decision-making in developing countries, as well as Kosovo.

We will then deal with the two main macroeconomic problems of every country, unemployment and inflation, issues that continuously follow the so-called Business Cycle. We will deal more closely with the types of unemployment, and the unemployment structure in Kosovo and its macroeconomic implications. We will then repeat the analysis for inflation, linking this phenomenon to the role of the Central Bank in Kosovo.

The next step will naturally be the government's response to these two phenomena or macroeconomic problems. We will analyze fiscal, monetary and international trade policies in detail. When we address fiscal policy, we will familiarize the reader with the tax system of Kosovo, as well as the implications of public policies on the level of the budget deficit and the accumulation of public debt. In monetary terms, we will consider the primary importance of the Central Bank, and we will also analyze the financial market in Kosovo. Regarding trade policies, we will address the issue of Kosovo's large trade deficit and we will also highlight the main characteristics of domestic trade in the country, for example the main goods being exported or imported, and also the main partners of Kosovo both in the realm of imports as well as exports. We will conclude this chapter with a list of some materials that may be useful for further reading into the country's economic problems.

# NATIONAL REVENUE ACCOUNTING

National accounts include techniques used by experts to measure the overall economic activity of a country. The main variable that national accounts present is Gross Domestic Product (GDP <sup>1</sup>), but at the same time they also measure other important aggregates such as general consumption, national investment, exports, imports, national income, inflation, interest, taxes, people's savings and much more. By "aggregate" we mean the sum of all individual variables added at the national level.

This means registering millions of daily transactions at country level (and even a lot of international transactions) and as such it is an expensive affair. It is, therefore, legitimate to ask whether it is worth spending a lot of money just to learn the GDP level and other variables. In other words, what is the importance of measuring these aggregates? GDP and accompanying variables are extremely important as they signal the health of the country's economy and the level of economic well-being of its citizens. At the same time, comparing them over the years, GDP shows us the long-term trend of economic activity. The information provided by the national accounts is then used to draft numerous policies both at the state and at the individual level, and at the same time it is used for tracking success in the implementation of those same policies.

## MEASURING ECONOMIC ACTIVITY

Before we use the information provided by national accounts in order to look closely at the performance of economic activity in Kosovo and compare it with Albania and Macedonia, let us first try to answer some of the key questions:

1. How is GDP measured?
2. What are the main components of economic activity?
3. Is GDP a useful indicator for evaluating the level of well-being of the citizens of a country, as well as for comparing with other countries?

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<sup>1</sup> Gross Domestic Product measures the market value of all transactions of final goods carried out within a country over a certain time period, for example one calendar year.

In every market transaction there are two parties, the buyer who spends a sum of money, and the seller who makes an income. The value of economic activity can be measured by asking the question “Who buys the goods and services offered?” Or “Who generates revenue from the sale of the same goods or services?” Depending on which side of the transactions we address, GDP can be measured by focusing on how the market participants spend their financial means or how individuals or households generate their income.

If we focus on purchases, we can see that the buyer of a product or service can belong to one of the following four categories: customer (family); business; government; or foreigners. If we measure GDP from the perspective of income generation then we see that households have salaries as a source of income; and also, leases, profits, dividends, bank interest, and government transfers.

## **GDP STRUCTURE IN KOSOVO**

Let us look at some of the information regarding the level and structure of GDP in Kosovo in recent years. According to Table 1, GDP in Kosovo in 2017 is just over 6 billion Euros. This amount may seem high at first glance, but for comparison, the annual revenue of a French cosmetics company named L’Oreal (listed only as the 130th largest in Europe) was 6 times higher than the entire annual production in Kosovo.

Table 1 shows that out of all the participants in the economy (households, businesses, government and foreigners), the dominant position in the use of GDP is households, which consume about 4/5 of production (including a share of consumption that is funded directly by public transfers coming from government institutions).

The second important component is the share of GDP allocated for both private and public sector capital investment. In an ideal situation for a market economy, the golden ratio of these investments would be made by the private sector, thus directly increasing the manufacturing capacities of companies. In the case of Kosovo, statistics provide us with a not very promising insight as private investment does not exceed 1/4 of the total volume of gross investment.

The table also points to the level of negative concern of the net export component, which means that Kosovars export very few goods and services compared to imports, but we will come back to this part later in one of the subchapters.

TABLE 1. **GROSS DOMESTIC PRODUCT IN KOSOVO IN NOMINAL TERMS**

Description	2014	2015	2016	2017
In millions of euro				
<b>Consumption</b>	<b>5,732</b>	<b>5,858</b>	<b>6,060</b>	<b>6,199</b>
Private consumption	4,803	4,940	5,147	5,246
Public consumption	910	894	884	922
Overall government	742	772	759	801
Donor sector	187	122	125	121
IJPSHESH	19	25	29	30
<b>Investment</b>	<b>1,435</b>	<b>1,601</b>	<b>1,651</b>	<b>1,867</b>
Private investment	1,023	1,197	1,207	1,376
Public investment	411	404	444	490
<b>Net exports of goods and services</b>	<b>-1,599</b>	<b>-1,652</b>	<b>-1,726</b>	<b>-1,808</b>
Exports	1,253	1,274	1,347	1,438
Exports of goods	324	322	308	360
Export of services	929	952	1,039	1,078
Imports	2,852	2,926	3,073	3,246
Imports of goods	2,383	2,432	2,599	2,756
Imports of services	469	494	473	490
<b>GDP</b>	<b>5,568</b>	<b>5,807</b>	<b>5,985</b>	<b>6,257</b>
<b>BAKD</b>	<b>6,782</b>	<b>6,962</b>	<b>7,163</b>	<b>7,467</b>
Other indicators				
Available private sector income	5,596	5,773	5,895	6,138
Private consumption per capita (in euro)	2,661	2,788	2,886	2,927
Private consumption in relation to GDP	86%	85%	86%	84%
Private investment in relation to GDP	18%	21%	20%	22%
Exports in relation to GDP	23%	22%	23%	23%
Imports in relation to GDP	51%	50%	51%	52%

Another way of analyzing GDP is by placing the emphasis on the sectors of economy that contribute most to the creation of added value in the economy. This view answers the question: What does the Kosovo economy produce? Which products or services are most in demand by market participants? Table 2 below provides an aggregate GDP structure focusing on those sectors that are most relevant. Based on the information which refers to the national accounts of 2016, there are five main contributors to the generation of national income: Wholesale and retail trade; the processing industry; the agriculture sector; real estate business and public administration, and security and social protection.

**TABLE 2. STRUCTURE OF GROSS DOMESTIC PRODUCT BY ECONOMIC ACTIVITY, IN PERCENTAGE.**

<b>Economic Activity</b>	<b>2016</b>
Agriculture, hunting, forestry and fishing	10.5
Processing industry	11
Construction	6.5
Wholesale and retail trade; vehicle repair	12.3
Real estate business	8
Public administration and protection; mandatory social insurance	7.7
Education	4
Other*	20.4
<b>GVA (Gross Value Added) at basic prices</b>	<b>80.4</b>
<b>Tax on products</b>	<b>20.1</b>
<b>Gross Domestic Product</b>	<b>100</b>

\*Less than 4 percent per sector

Source: Kosovo Agency of Statistics, (askdata) 2018

## **GDP AS AN INDICATOR OF WELL-BEING**

The level of nominal GDP does not say much about the standard of living of citizens of a country. For this reason, usually in parallel with information on GDP, data is provided on GDP per capita as well, which is obtained by dividing GDP by the number of inhabitants of the country. In Kosovo, with a population of approximately 1.8 million, on average



the GDP per capita is some 3,500 Euros. This figure naturally seems very low compared to countries of the European Union, and even compared to neighboring countries such as Albania and Macedonia. But the ranking becomes clearly relative if we include the countries of other continents on the list (see ranking comparison produced by statistics of the World Bank or the International Monetary Fund).

Another important element to be addressed is the weight that should be attributed to GDP per capita GDP as an appropriate indicator to assess the level of well-being of a country's citizens. Economists continuously provide arguments on the serious shortcomings that accompany this macroeconomic aggregate. Thus, GDP only includes transactions that go through formal markets, bypassing all economic activity that takes place within households or even in the informal economy. In the case of Kosovo, both the volume of work done within the family, as well as all the production that occurs far from the eyes of the tax administration, is significantly higher than in other countries (in the region and Europe), thus contributing to an underestimation of the level of well-being as measured by GDP.

GDP also has evident shortcomings in the recording and exposure of continuous improvements in the quality of goods and services produced, as it regards any eventual rise in prices due to these improvements, as inflation. Another flaw of GDP as an indicator of well-being is the level of aggregation which does not allow a closer look at its composition. The figure of 6 billion euros does not tell us whether GDP is composed from consumption of merit goods such as education, culture and health, or from commodities like tobacco, alcohol and petroleum products. Likewise, it doesn't tell us the extent of environmental pollution that has resulted from the prioritization of certain industrial sectors over others. And, in order to complete the list of flaws, GDP per capita is a simple statistical average and it does not indicate at all how this level of aggregate production is distributed among the country's citizens. GDP of 3,500 euros per capita may have different implications for the level of well-being depending on how equal its distribution has been. Subsequently, it does not help us a lot in measuring its impact on the improvement of those variables which directly affect the quality of life, such as the level of prenatal mortality, infant mortality, and rate of student enrollment in educational institutions or completion of education and the like.

At this moment, the reader may justly ask how it is possible that such an imperfect indicator so full of flaws is still serving as the key parameter for assessing a country's economic achievement and for international comparisons of the quality of life. The answer is very simple, despite all these shortcomings, economists have so far failed to find an alternative aggregate that would be free of some of the flaws listed above. There is a range of different ideas for enriching GDP by adding other components such as citizens' level of happiness, environmental quality (or ecological footprint), or health indicators, that is for an eventual transition from the "Gross Domestic Product" aggregate to a "Gross Domestic Happiness". All these ideas are still in the stage of academic development.

## CONVERGENCE IN DEVELOPMENT

For as long as GDP per capita continues to be accepted as a reliable indicator of the standard of living in a country, there are two issues that need to be carefully analyzed in this chapter. Firstly, given the large differences between countries in terms of GDP per capita, is there room for optimism that the same differences will be reduced in the future. Or, in the words of an economist, how likely is humanity to experience an absolute convergence in development. Secondly, if this convergence is possible then what factors contribute to faster economic growth of GDP in economically less developed countries, including Kosovo. To underline the importance of this, it suffices to mention the fact that economic growth has dominated as the primary macroeconomic goal of every government of the Republic of Kosovo in the period after 1999.

The statistical database on GDP performance provides examples of many countries in the world that demonstrate a successful comparison of the living standards with those of economically advanced countries. It suffices to mention the case of Japan or South Korea, countries which in the first postwar decade had a comparable level of wellbeing with Albania, but today thanks to their development policies can be compared with leading developed countries such as Germany, the United States, the Netherlands, Britain and the like. Such examples can be found in Asia and in other continents. If we focus on the period following the fall of the socialist system, Albania can as well be ranked among countries which have successfully managed to reduce the development gap.

Unfortunately, at the same time those statistics mention many other countries that cannot boast too much with their average economic growth rates. Those countries have only seen the gap between them and advanced economies expand, reaching today paradoxical levels, where a citizen of Luxembourg, Liechtenstein or Qatar generates an average daily income that exceeds the GDP per capita of some African states. The dilemma that instinctively takes place in our mind is the reason for this divergence.

Why are some countries more successful than others? Can their policies be analyzed and compared to check if maybe there are similarities between countries that are more successful? Such a finding could then serve as a recommendation to less successful economies in order to change their policies. Economists, of course, have been intrigued by this, and their studies have highlighted a range of policies that in principle support accelerated political development. It suffices to mention some of them: Setting up an efficient and quality education system, protecting property rights, preserving financial stability, expanding the market through integration agreements, reducing the impact of economic monopolies and so on.

# ECONOMIC GROWTH IN KOSOVO, ALBANIA AND MACEDONIA

Kosovo is one of the few countries of Europe that has recorded positive economic growth in the last ten years. Table 3 shows the annual rate of economic growth in Kosovo, which apart from 2014 (and the first year after the declaration of independence), have been continuously higher than the two neighboring countries, Albania and Macedonia. However, despite this faster pace of economic growth, income per capita in Kosovo remains lower than in these two neighboring countries.

TABLE 3. **ECONOMIC GROWTH IN ALBANIA, MACEDONIA AND KOSOVO FOR THE PERIOD 2008-2016. SOURCE: WORLD BANK**

GDP – annual growth	2008	2009	2010	2011	2012	2013	2014	2015	2016
Albania	3.7	3.3	3.7	2.5	1.4	1	1.8	2.2	3.4
Macedonia	5.5	-0.4	3.3	2.3	-0.5	2.9	3.6	3.8	2.4
Kosovo	2.6	3.3	3.3	4.6	2.8	3.4	1.2	4.1	3.4

## ECONOMIC GROWTH AS A DEVELOPMENT PRIORITY

The second issue raised above focuses on factors that contribute to the economic growth of a country. As a starting point, it suffices to say that in order to maintain continuous economic growth a country needs to have more resources (human resources, workingland, capital and managerial talent) or better resource quality (more advanced technology). This advancement in the field of resources is an essential prerequisite, although not sufficient. As an illustration, every year in Kosovo over 20,000 young people reach the age required to enter the labor market, but if they are not used efficiently, surely this “growth” of resources will not translate into economic growth. Additional reasons may include an unwillingness of market participants to consume the additional production that would come as a result of the use of these additional economic resources.

Not every one of the aforementioned factors has the same impact on economic growth. If we concentrate for a moment on the supply factors (more resources and better quality), it can be said that, on average, an increase in capital investment and improvement of technology

is the most serious source of support for economic growth, contributing by about two-thirds. Another quite important element of economic growth is attributed to the increase of the quality of the education and training system at work, but also to the better allocation of resources in the production process. The reader may notice that it is not the first time that we mention the importance of education for economic advancement, and therefore, also for quality of life. In support of this finding it is worth noting that developing Asian countries, or Asian tigers (Hong Kong, Singapore, Taiwan, South Korea) may implement different industrialization policies, but they have two major things in common, a high rate of capital investment and a very good quality education system.

### **BOX 1. Small difference in annual economic growth – big difference in GDP in the long-term**

When the state's agency of statistics, the central bank or any other public institution reports and speaks with enthusiasm about economic growth of, let us say 3.5%, at first glance it does not seem to be attractive. In other words, improvement of the level of income by “only” 3.5% seems insufficient. Just as it does not impress us when the government, from one quarter to the other, corrects its projections by reducing the expected economic growth rate, let us say from 4.7 to 3.5%.

But, should we appreciate such rates of economic growth, and should we be concerned about possible decreases in economic growth projections?

In the economy, as well as in the field of finance, there is a simple math trick that is used that might help us in this case. It is called “The 70th Rule” and it is as simple as the name itself. According to this rule, if we divide the number 70 with the average economic growth rate, we get the approximate number of years a company needs in order to double its national income (the same rule may apply equally to other similar variables, such as for example, bank savings).

$$\text{Number of years} = \frac{70}{\text{average economic growth}}$$

The above table containing the economic growth rates shows that in the last 10 years Kosovo has reached an average economic growth of 3.2%, which means that it needs about 22 years of similar development rates in order to double the national income (from 6 to 12 billion). If economic growth had been on average “only” 1% higher, or 4.2, immediately the number of years needed to double the income drops to less than 17 years. So, a difference of only 1% increase on an annual basis produces a difference of billions of euros only within a period of 22 years. As a conclusion we can say that, however small the annual rates of economic growth may seem, their importance accumulated over the years is very large.

It is not unusual in public discussions and even in academia for the debate to steer towards the importance of the mineral resources of a country as a source of economic growth. The volume of resources used has a determining influence on the productivity of the labor force, thus increasing the overall level of the product. Box 2 below provides a brief description of Kosovo's mineral assets, and their role in economic growth as well as in the quality of the environment.

Based on the importance of economic growth as the main priority of economic policies, it is expected that the spectrum of institutions that are directly or indirectly involved in reaching this goal will be very wide. The main burden, of course, falls on the following executive institutions in the country:

- The Government as the institution responsible for drafting the long-term economic development strategy.
- The Ministry of Finance, which is responsible for implementing tax and budgetary expenditure policies that support economic growth.
- The Ministry of Trade and Industry, which is responsible for creating a more favorable business climate.
- The Ministry of Economic Development, which aims to directly increase the value of publicly owned strategic enterprises and provides an adequate infrastructure for the private sector.
- The Ministry of Agriculture, through grants and subsidies as well as other policies, cares for a more efficient use of land resource for work.
- The Ministry of Education and Health, which ensures human resource development as an important source of economic growth.
- The Ministry of Labor and Social Welfare, which through its labor market policies, seeks the complete and most efficient use of the main resource, the labor force, and at the same time cares for those who have not been very fortunate in the final results of free interaction in the market.
- The Ministry of Environment, which is tasked to enable sustainable economic growth without sacrificing the aim to protect the environment.
- The Central Bank, with its monetary policy, ensures long-term price stability, as a prerequisite for increasing economic activity in the country.
- Parliament, which through its parliamentary committees and legislative function, guarantees an operating environment that supports private initiative; supports competition, and fights monopoly; provides protection of property rights and monitors the government in order to guarantee that public spending is done in line with its duties as a caretaker.
- Economic regulators, which seek to protect the citizens in strategic sectors, where there is not enough competition in the market (energy, telecommunications, air traffic, water supply, etc.), and many others.

Despite all these institutions being involved, and despite all of the achievement so far, Kosovo still faces a series of challenges in its goal of sustainable economic growth. Economic growth, although higher than in the countries of the region, continues to remain unstable and based on unconventional sources. It is also too low to enable a substantial reduction in the level of unemployment. The legislation in force is not yet fully complete and in certain cases does not support economic growth. Economic regulators, including the competition authority still do not have sufficient human capacity to advance into relevant actors in order to ensure competitiveness. The lack of consistency in energy policies and the long delays in projects through which new energy capacities will be built, puts into question the energy security in the country.

## **BOX 2. Natural resources and environment**

The debate on the effect of natural resources on economic growth and development remains open. Experiences of countries rich in natural resources are different: in some countries, natural resources have led to social unrest and wars and have become a “curse” (Sierra Leone, Congo, Liberia, Angola); whereas in some other countries, resources have been used to finance the country’s economic growth by investing in human capital and diversifying economic activity (for example, Norway, Botswana). Therefore, natural resources are considered a necessary, but not essential condition of economic development, as the proper use of natural resources depends on the quality of the country’s institutions and proper policy implementation. Only this way can proper institutions and policies turn the curse of natural resources into a blessing (Gylfason, 2001, 2007). Kosovo is rich in natural resources, including large reserves of coal, lead, bauxite, copper and iron.

**COAL AND THE ENERGY SECTOR:** Kosovo is ranked fifth in the world for the largest lignite coal reserves. It is not by chance that the industrialization of Kosovo’s economy after World War II was based largely on the development of the extractive industry. The first thermal power plants (TPPs) in Kosovo, Kosovo A and B, were constructed during the period 1960-1985. These power plants are based on the burning of lignite extracted from surface mines in Obiliq municipality, in the villages of Mirash, Bardh, and Sibovc. Due to the large reserves and easy extraction (through surface mining), lignite is considered to be the cheapest source of electricity generation in the country. Currently, Kosovo does not have natural gas infrastructure although it is working on the legal infrastructure for gasification in Kosovo. Due to the power plants being outdated, having lacked maintenance during the 1990s, and due to the damage caused by the war, the energy sector in post-conflict Kosovo faced numerous problems. Despite investment by donors and local institutions in this sector, electricity generation is neither stable nor sufficient to meet the growing demand of citizens and businesses. Consequently, frequent electricity outages in post-conflict Kosovo have become part of everyday worries for citizens and for the business community. In response to the ongoing electricity problems, the post-conflict institutions of Kosovo have made attempts and plans for 17 years to improve the situation in the energy sector. All of these plans had a common denominator – the use of lignite reserves through the construction of a new power plant.

Due to changes in policy/government, but also due to the inability to attract serious investment, the project for the construction of the power plant has undergone continuous changes and has never been implemented. But, following a series of changes, the new power plant project called Kosova e Re (New Kosovo), is again planned to be implemented, with a capacity of 500 megawatts.

It must be emphasized from the very beginning that the idea of an energy project that will focus on the use of lignite has faced resistance and has been criticized by numerous civil society organizations. The main criticisms about the construction of this power plant are related to the environmental effects of lignite use, but also the lack of transparency regarding the contract and construction conditions of TC Kosova e Re. All this debate highlights dilemmas regarding economic growth and environmental protection, where economic growth is often at the expense of resource depletion and environmental degradation. Therefore, depending on how the resources are used but also on what their impact is on the environment, economic growth may be sustainable or unsustainable.

**METALS AND THE (NON)DEVELOPMENT OF THE MINERAL INDUSTRY IN KOSOVO:** In addition to lignite, Kosovo has large metal deposits such as gold, silver, chromium, nickel, aluminum, copper, iron and lead-zinc. This sector marked a decline in the 1990s and since then it has not been able to return to the role it had for Kosovo's economy in the years 1960-1990. The largest mining complex, Trepça (under the administration of the Privatization Agency of Kosovo), once the main source of employment in the industrial sector is operating with limited capacities, with only four of the Trepça mines being operational with limited capacities. It is expected that the implementation of the Trepça Law (2016) will increase investments in this complex and will unlock potential for development in this sector. One of the biggest investments in heavy industry in post-conflict Kosovo was the Ferronikeli plant in Drenas. The vast majority of Kosovo's exports (see section on Trade Policy) consist of minerals extracted and processed by this plant. This success did not last long as Ferronikeli's operation was interrupted due to safety and environmental problems. The Mining Sector in Kosovo is regulated by the Independent Commission for Mines and Minerals in Kosovo, in accordance with applicable laws and standards.

## SOURCES OF ECONOMIC GROWTH IN KOSOVO

Should the same resources also contribute to economic growth in Kosovo? The low level of ongoing capital investment in the private sector and the irrational use of a large part of resources, but also the confirmation by the PISA test of inadequate quality in the country's education system, significantly reduces the development potential that comes from standard sources of economic growth. Based on the reports of government institutions, mainly those of the departments responsible for macroeconomic policy at the Ministry of Finance, Kosovo attributes economic growth to some totally unconventional factors, such as, increased private consumption, increased public investment, or even increased remittances by the Kosovar diaspora and temporary employees in countries with an international administrative presence such as Afghanistan or Iraq.

## **BUSINESS CYCLE - UNEMPLOYMENT AND INFLATION**

Table 3 displays another feature that follows economic growth. If we look at the growth rate year after year, we see that despite the positive trend, the economy goes through continuous swings in the pace of growth, in other words, it goes through constant fluctuations in the level of economic activity. These swings in theory are defined as business cycles. Each cycle goes through four typical phases: expansion, peak, recession and minimal point of economic activity. In fact, the analysis of the factors that cause this business cycle, the study of implications that emerge during it, and the formulation and implementation of policies to counter the consequences of the cycle, form the core of any standard macroeconomic policy book.

A question that inevitably follows is: What makes the business cycle so important? Or, where does the weight of this phenomenon spring from, given that it has led to the creation of a new scientific discipline? The simplest answer could be formulated as follows: It is not only the business cycle itself that is so important, but the two phenomena that accompany it and which directly have an essential impact on the level of welfare of citizens and their economic decision-making as well. We are talking about the phenomenon of unemployment that usually follows the phase of economic recession, and the occurrence of inflation during the expansion phase.

Unemployment usually increases during the recession phase because of the overall decline of demand for goods and services. Unable to sell their products, businesses are forced to make cuts in the number of employees. Naturally, this is not the primary reason why part of the workforce does not have a job, but it still contributes to the increase of the unemployment rate.

### **CALCULATING THE RATE OF UNEMPLOYMENT**

Before we elaborate on the reasons unemployment is considered a key problem in Macroeconomics and before we see the main labor market statistics in Kosovo, we need to look at how the unemployment rate and the types of unemployment in a market economy, are calculated.



The first step in calculating the rate of unemployment is to calculate a country's workforce. This is achieved by removing from the total population the contingents or categories of society that cannot work (children, the elderly, people with disability) and those who can but do not work for various reasons (full-time students not looking for work, housewives who prefer to stay at home and take care of their children). Then, individuals within the workforce are divided into those who have a job and those who are looking for jobs. In other words, employed and unemployed. Now, calculating unemployment becomes technical and is very simple. The formula used to calculate the unemployment rate is:

$$u = \frac{U}{U + E}$$

Where “u” is the rate of unemployment; “U” – is the number of unemployed and “E” represents the number of employed people.

This formula is quite simplified and as such it does not always reflect the true rate of unemployment. During such a calculation of unemployment, we usually ignore all those unemployed people who would gladly work somewhere but stop searching for work after consecutive disappointments as a result of having their application rejected. We also ignore all part-time employed people who are continually looking for an additional job or a full-time job. Likewise, we fail to quantify the number of those working far from the eyes of the tax administration and therefore are counted as not working even though they actually generate regular income. As a result, we can be completely certain that the true rate of unemployment does not necessarily correspond to the figures published by public institutions, such as the statistics agency or the ministry of labor.

## TYPES OF UNEMPLOYMENT

The other question that interests us is finding the causes that lead an individual within the labor force towards “unemployed” or “job seeker” status. In fact, there are four reasons commonly used to justify the existence of unemployment:

1. Frictional unemployment – individuals who are temporarily unemployed because they have just entered the labor market and need some time to find a suitable job (newly graduated students) or those who are in the process of transitioning from one job to another that offers better conditions.
2. Structural unemployment – individuals who lose their jobs because their skills do not coincide with current labor market demands either because of the change in overall production composition due to the implications arising from technological progress or due to the geographical displacement of certain sectors of the economy (for example, the shift of the textile industry from Europe to the Far East).

3. Seasonal unemployment, stemming from the seasonal character of certain occupations (construction workers who remain out of work during the snowy months).
4. Cyclic unemployment, which comes directly as a result of the drop in aggregate demand during the recession period.

There is no doubt that for the unemployed individual the situation is unfavorable regardless of the subsequent reasons that led to this status. However, as a generalization, and from a macroeconomic perspective, it can be said that frictional unemployment is not only normal and inevitable, but even desired in an economy. It is refreshing for the job market when new and freshly graduated people are introduced and it is good when they do not enjoy the first job offer but continue searching until they find a job that best suits their expectations. Just as it is desirable when individuals follow their ambitions for higher compensation for their work. It is also unavoidable that a dynamic economy is consistently aimed at advancing the technology used and advancing or perfecting the goods and services offered. As a result, this dynamic economy even imposes new demands on the labor market by making the skills of some workers temporarily unusable. Consequently, structural unemployment can be seen as something positive for progressive societies.

Based on this description, we may say that societies are not too much concerned when dealing with only these two types of unemployment (we may include seasonal unemployment as well, since individuals working in these industries are since the very beginning familiar with the nature of their work). The problem begins to emerge when the number of those who remain unemployed during the recession of the business cycle increases. Hence, all the government's economic policies that deal with the reduction of unemployment are primarily aimed at tackling this type of unemployment.

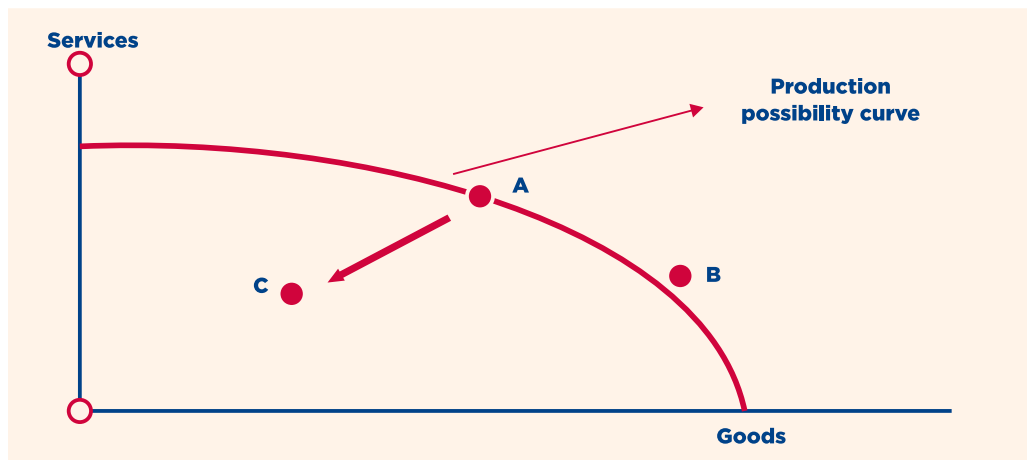
## UNEMPLOYMENT AS THE MAIN MACROECONOMIC PROBLEM

Now that we have explained how to calculate the unemployment rate, along with the deficiencies that follow, and now that we have addressed the various causes that contribute to the growth of unemployment, it is time to go back to our initial question: Why is unemployment considered a major macroeconomic problem?

In order to provide a more serious discussion of this legitimate question, we will rely on a variety of concepts that are probably new and unfamiliar to the reader. We will use the concept of economic resources, the production possibility curve, and the concept of production gap. Every economy, however great in absolute terms, at a certain point in time faces approximately the same question. How can we, with a limited amount of available resources (workforce, workflow, capital and managerial talent), produce the maximum

possible amount of goods and services? This maximum output is essential if we try to maximize the level of citizen satisfaction. As a starting point we can say that we must use all available resources and use them in the best way possible. The maximum possible output of goods and services can be illustrated best through the so-called production capacity gap shown in Figure 1.

FIGURE 1: **PRODUCTION POSSIBILITY CURVE**

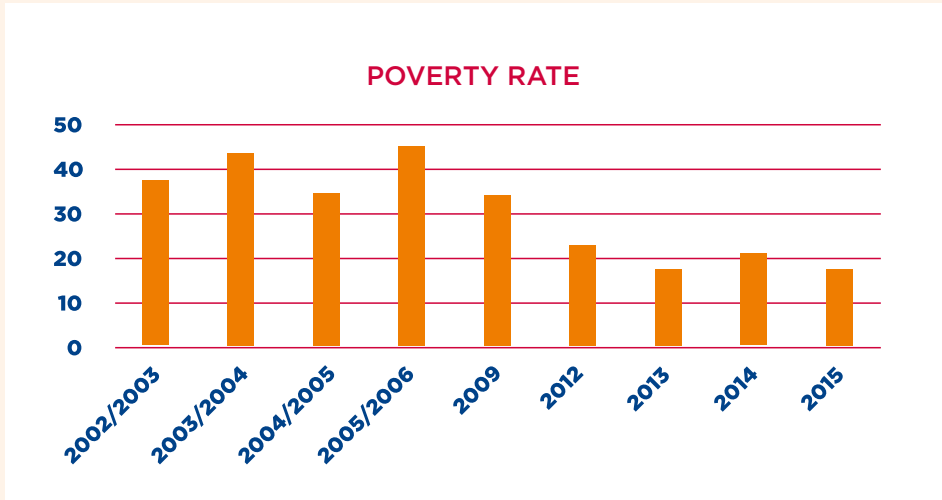


When drafting this curve, we have fixed both the amount of resources available and their quality (including technology). In this diagram we must know that our goal is to produce somewhere farthest from the origin (point zero), whereas the possibility curve shows us the limit of our opportunities. Consequently, our efforts would be to reach a point somewhere in the gap (such as point “A”). The concave form of the curve is the result of the fact that resources are not necessarily equally suitable both for the production of goods and services, so the more goods the company decides to produce, the greater the sacrifice of services would be on the other side.

Besides this specific term, economists have also tried to quantify this volume of GDP that is not realized due to unemployment. Actually, one of them, the American economist Arthur Okun has become famous thanks to the law that still holds his name, the Okun Law. According to Okun, whenever cyclical unemployment rises by one percentage point, the economy loses 2% of GDP, a very high loss in monetary terms. In the case of Kosovo, if we assume that some 20 percentage points of the unemployed do not work because of the lack of aggregate demand or efficiency of resource use, it turns out that each year it costs society over 2.5 billion euros. Try to imagine for a moment all the roads, schools, hospitals and other development projects that would be possible to make with 2.5 billion euro plus annually. There is no doubt that unemployment results in a very high economic cost for the country, without even mentioning the non-economic costs that accompany it, such as the decrease of the health quality of the unemployed, problems with self-respect, discomfort in the family and many other problems.

**BOX 3. Characteristics of poverty in Kosovo after 2002**

Since the end of the conflict, Kosovo has recorded high rates of poverty, ranking it among the poorest countries of the region. Data on poverty in the first post-conflict decade make it impossible to analyze the poverty trend in Kosovo over the years, since there have been changes in methodology (changes of questionnaires, samples, etc.). Consequently, data on poverty has moved (from 45 to 34 percent) without any clear trend, but always being the highest rates in the region. Although after 2010, the methodology of estimating the poverty rate in the country has not changed, fluctuations of absolute poverty have continued. This makes it difficult to follow the trend and progress of the country in reducing poverty.



Source: World Bank (); ASK (2011); ASK (2017)

Data from the Kosovo Agency of Statistics show that absolute poverty in Kosovo in 2015 was 17.6 percent whereas extreme poverty was 5.2 percent. This means that according to Household Survey, 17.6 percent of the population live below the absolute poverty line (equivalent of 1.82 euros per adult per day) and 5.2 percent live in extreme poverty (equivalent of 1.30 euros per adult per day). If the poverty profile in Kosovo is analyzed according to the source of income, it turns out that the poorest families in Kosovo are families that live in social assistance and pensions. The poverty rate is also high in households whose main source of income is waged labor (KAS, 2017). Poverty also affects most people with low levels of education as well as families with large numbers of members.

We should mention the fact as well that the increase of unemployment directly impacts the family budget endangering the minimum required level for survival. Box 3 shows the rate of poverty in Kosovo, the incidence of which is in a positive correlation with the rate of unemployment in the country.

## CHARACTERISTICS OF UNEMPLOYMENT IN KOSOVO

There is almost no serious study about economic development in Kosovo that does not emphasize the high unemployment rate. At the same time, this highlights the need for careful consumption of statistical information about the labor market in Kosovo, due to the generally inferior quality of official statistics.

Analyzing Table 4 provides some key lessons about the situation in the labor market in Kosovo:

- The unemployment rate is extremely high and according to official reports in 2016 it was at least about 28%. Even if we take this figure as an approximate value, we can see it is too high. By way of comparison, the main reason why the major economic crisis of 1929-1933 that hit the United States and other countries of the world is termed the “big depression” was the increase of the unemployment rate to 25%, the highest rate recorded in US history.
- Unemployment is very high despite the fact that a large part of the working age population remains inactive. The rate of inactivity is very disturbing especially for women, as 4 out of 5 working age women are not at all active in the labor market. When we add this to the high female unemployment rate, it turns out that only one out of nine women able to work has a job, a figure that is certainly extremely low when compared internationally.
- The unemployment rate is very high especially among young people, where more than half of those in the job market are still searching for work. Based on the scale of economic activity among young people, it turns out that less than 1 in 4 people under the age of 25 has a job.
- A very high percentage of young people, about 30%, has a very disturbing status. They are neither working, in education or training.

TABLE 4. MAIN INDICATORS OF THE LABOR MARKET IN KOSOVO

	2012			2013			2014			2015			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>Labour force participation rate</b>	55.4	17.8	36.9	60.2	21.1	40.5	61.8	21.4	41.6	56.7	18.1	37.6	58.3	18.6	38.7
<b>Inactivity rate</b>	44.6	82.2	63.1	39.8	78.9	59.5	38.2	78.6	58.4	43.3	81.9	62.4	41.7	81.4	61.3
<b>Employment-to-population ratio (employment rate)</b>	39.9	10.7	25.5	44.0	12.9	28.4	41.3	12.5	26.9	38.7	11.5	25.2	43.0	12.7	28.0
<b>Unemployment rate</b>	28.1	40.0	30.9	26.9	38.8	30.0	33.1	41.6	35.3	31.8	36.6	32.9	26.2	31.8	27.5
<b>Youth unemployment rate (15-24 years)</b>	52.0	63.8	55.3	50.4	68.4	55.9	56.2	71.7	61.0	54.2	67.2	57.7	47.2	65.4	52.4
<b>NEET share of youth population (15-24 years)</b>	30.7	40.1	35.1	30.0	40.9	35.3	26.6	34.0	30.2	28.3	34.9	31.4	26.5	34.2	30.1

Source: KAS (2017)

## LABOR MARKET PUBLIC POLICIES

This high degree of unemployment, however, is of concern to the political class and consequently most of the implemented economic policies aim, either directly or indirectly, to create opportunities for generating new jobs or to care for the less fortunate people in the labor market. The economic policies that address the problem of unemployment are generally classified as active or passive policies. Active labor market policies usually involve public sector intervention in the labor market with the aim of increasing the likelihood of the unemployed people finding a job. We can think of direct policies such as public employment projects, or even more indirect ways such as training of the unemployed or supporting companies that hire certain categories of the unemployed. A special role in this case is dedicated to policies that enable the reintegration of those who are unemployed for a long period of time, usually longer than one year. Let us add here an unpleasant detail regarding unemployment in Kosovo and mention the fact that the vast majority of registered unemployed citizens are locked in this status for more than a year. Passive policies are usually aimed at providing alternative income to unemployed people, such as financial benefits for the unemployed, social schemes, free health services and the like.

The list of active and passive labor market instruments implemented in Kosovo either by the public sector or by various donors is pretty long. Here are just a few examples:

- public investment in infrastructure;
- short-term compensation of wages;
- subsidized jobs;
- grants for investment;
- favorable loans for businesses; and
- training, and others.

The fact that unemployment remains at a very high level either signals for a need to review public policies in the labor market or for insufficient allocation of financial resources for their implementation.

Although the Ministry of Labor and Social Welfare seems to be the main institution responsible for combating unemployment or increasing jobseekers' ability to find a job, funds allocated for this goal from the central budget are so insufficient that they make this ministry a peripheral participant. Employment is still hoped to be generated through major infrastructural projects, such as motorways or energy and tourism projects. Despite current engagement, unemployment remains the main challenge for Kosovo in the sphere of economic development. The level of unemployment is still at a worrying level, and especially the fact that the vast majority of the unemployed have this status for more than a year. This absolutely hampers their prospects of finding a job and hence routinely invalidates the few skills they have accumulated. Unemployment remains at a concerning level, especially for young people as well as women, leaving untapped a very valuable economic resource. A particular concern is the fact that many young people have no job, and are not involved in the education system or in any training at all.

## INFLATION AS A MACROECONOMIC PROBLEM

Now that we are familiar with the reasons why unemployment is considered a major macroeconomic problem, with the direct and indirect cost of unemployment, and with the key characteristics of the phenomenon of unemployment in Kosovo, we should turn to the next phase of the business cycle and the problem that accompanies it, the expansion phase, and inflation. Inflation is experienced when there is a constant increase of the average price level of commodities and services in the economy. We must note that under this definition, during all inflation periods, not all prices need to mark an increase, it suffices to have a higher price level on average, as measured by the Consumer Price Index (CPI).

In order to measure inflation on a monthly, quarterly or yearly basis, we usually rely on the so-called “consumer basket”, a hypothetical basket in which we put a group of goods and services that are usually consumed by a typical family (say an urban family of 4 or 5 family members and 1 or 2 employed). Each product or service put in this basket will then be assigned an importance depending on the relevance it has on the monthly household expenses. The entire relevance of this basket in the initial year (or the base year) is set to 100. Then we follow closely what happens with the cost of the same basket over the years. As an illustration, if in the first year after the base year the same basket has an index (known as the Consumer Price Index) equal to 104, we know that within this year, the rate of inflation was 4%.

The formula applied in this case is:

$$\pi = \frac{CPI_t - CPI_{t-1}}{CPI_{t-1}} \times 100$$

Where “ $\pi$ ” stands for the inflation rate, CPI stands for Consumer Price Index and “t” for the calendar year.



## IMPLICATIONS OF INFLATION

However, if higher prices imply higher sales revenue for retailers, and then higher spending on their part, or even higher wages as a result of workers' efforts to maintain their purchasing power, then why should we be worried about inflation? What complications arise from inflation that take it to a level similar to the problem of unemployment?

Let us try now to provide an overview of some of the complications that arise from inflation and the consequences felt by citizens or businesses.

1. Inflation means a decrease in the purchasing power of money. In fact, there is a precise relationship between these two variables. A price increase leads to a corresponding decrease of purchasing power.
2. Inflation Creates additional transaction costs for traders, buyers and manufacturers. Consumers find it harder to decide where to buy products and how to interpret price increases. Traders have additional costs of calculating new prices and replacing old price tags with new ones. Businesses find it difficult to interpret signals coming from the market and to decide whether they want to increase production capacities or reduce them.
3. Inflation makes the performance of the banking system more difficult, especially their instrument of credit. When setting the interest rate, banks know how much of a real return they want on lending but find it difficult to predict the inflation premium (increase in interest rates as a result of inflation expectations).
4. Inflation means the redistribution of income by creating winners and losers. Those who, for example, have fixed income will be losers from inflation. This also applies to lenders who are damaged in real returns from lending. But at the same time those who have borrowed can benefit from the price increase as they need to return less money in real terms. Even businesses that have increased their product prices more than the inflation rate will emerge victorious from this rise in prices.
5. Inflation can lead to the loss of citizens' trust in the money-supplying public institutions (the Central Bank of the country).

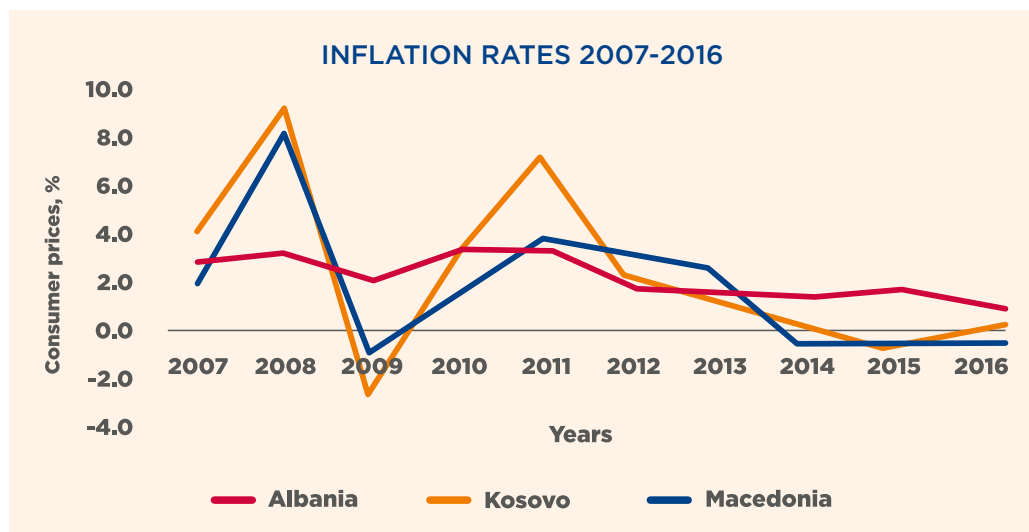
It is also worth noting that the intensity of the presence of some of the abovementioned complications also depends on the way inflation has occurred. Namely, whether the market participants knew there would be inflation, or whether it came as a surprise. It also depends on the options available to protect against the negative effects of inflation (for example, a possible paragraph on labor contracts that requires a salary increase at the same pace of price increases).

A question that could preoccupy us now is how to find the "culprit" for the price increases. Why should some of the products or services traded from one day to the next appear with higher prices? Usually economists find two "culprits". Prices will rise if consumers increase

their demand for goods and services and are ready to offer higher prices when faced with shortages of products – **DEMAND INFLATION**. Or, businesses are forced to raise their product prices each time they face a rising cost of production (increase of resource prices or increase of taxes imposed by the Ministry of Finance) – **COST INFLATION**. Thus, not only the extent of the damage, but also the life expectancy of inflation and the selection of policies to fight inflation, depend largely on the initial reasons that led to rising prices. Another element that distinguishes inflation from the problem of unemployment is the extent of the impact. While unemployment only negatively affects those who lose their jobs, price increases affect each citizen and each business, though not with the same intensity.

From the chart below, we can see that consumer prices or the inflation rate in Kosovo fluctuated more in Kosovo than in two neighboring countries, Albania and Macedonia. This is especially true for the first four years after the declaration of independence, a period that is consistent with the global financial crisis. After 2011, the country entered a period of stability with an annual rate oscillating at around 1 or 2%. The chart also shows that Macedonia in 2008 and 2014, and Kosovo in 2008 and 2015, have gone through a period of price decrease or deflation, which we will address below. The fact that Kosovo has managed to maintain low inflation rates in the post-2012 period surely deserves commendation. However, there still remains a challenge for the Central Bank institution to find and use instruments that best contribute to price stability at a time when this stability is not officially declared as a top priority. We will talk about this in more detail in the section dedicated to monetary policy.

FIGURE 2: **ANNUAL RATE OF INFLATION IN KOSOVO\*, ALBANIA AND MACEDONIA**



Source: World Bank (World Development Indicators database)

\*Kosovo Agency of Statistics (askdata, 2018)

## INFLATION, DEFLATION AND HYPERINFLATION

Following the arguments listed in the above section, we can agree on the negative effects that emerge from a continued rise in the level of consumer prices. In this context, it may be easy for us to think that while inflation seems to be harmful, perhaps the opposite, deflation would be beneficial to citizens. This is because all consumers can directly benefit from constant price reduction which translates into more purchasing power. Although this might seem logical on the individual plane, such a conclusion turns out to be wrong at the aggregate level.

The increase of consumer purchasing power is completely equal to the decrease of the purchasing power of those who produce or sell the same products. They will have to respond with less production, which turns into job cuts. Dismissed workers are forced to lower their consumption, imposing further reductions in production and new worker dismissals. At the same time, systematic price reductions affect citizens' expectations, as, expecting lower prices in the coming weeks or months, they may decide to postpone the purchase of certain longer life products. In conclusion, deflation can put the country's economy in a vicious spiral of continuous and recurrent aggregate demand, declining corporate profits, reduced income available, declines in aggregate demand, prices decrease and so on.

Therefore, we can rightly say that while inflation is considered "harmful" to the economy, deflation is deservedly attributed the "more harmful" epithet.

Now let us consider a third scenario in which prices grow at an accelerated rate, reaching figures of more than a 50% increase on a monthly basis. Such a situation has often occurred in the past in countries such as Greece, Germany, Hungary, Israel, Bolivia, Yugoslavia and others. Under such circumstances, the situation is simply out of control, and perhaps the only fully active institution will be the Central Bank printing unit. Employers demand that payments are done on a weekly basis out of fears that a monthly payment will completely devalue the purchasing power of their income.

They then immediately spend all their income by purchasing products that they do not necessarily need, with the sole purpose of protecting themselves from price increases. Families refuse to save because their savings can easily be depreciated. Banks refuse or are unable to give out loans as they find it difficult to determine the nominal rate of capital financing. Businesses cannot invest because of the inability to find financial resources since households reduce their savings. Social unrest is almost inevitable. Can we therefore agree that hyperinflation should be attributed the "much more harmful" epithet?

## INFLATION AND THE CENTRAL BANK

Price increases are usually billed to the Central Bank of the country as it has the mandate (and monopoly) to “control”, “manage” or “guide” the amount of money in circulation, which is considered the primary source of changes in aggregate demand which then translates into price changes. Even one of the most well-known economists of the last century, the American, Milton Friedman (*The Counter-Revolution in Monetary Theory, 1970*) very confidently states that “Inflation is every time and everywhere a monetary phenomenon”

The Central Bank has many functions which range from coin printing; preserving or promoting the stability of the financial system; determining mandatory reserve deposits in the banking system; setting the discount rate (interest rate on the borrowing of the banking system from the Central Bank); taking over the role of the lender as last resort for banks facing difficulties; and functioning as a fiscal agent of central government, money supply control, etc.

When setting key goals, central banks have at their disposal a choice of options. In addition to price stability, they may decide to seek employment growth; economic growth; preserving the stability of the country’s financial system; currency value protection or even stabilization of interest rate fluctuations. It is precisely the strong influence of price fluctuations on economic decision-making in particular, but also the well-being of citizens in general, that has contributed to the promotion of price stability as the main objective of most of the central banks around the world.

Most of them, besides setting this overriding priority, go one step further and quantify it, emphasizing the goal of keeping the annual inflation rate within the range of 1 to 3%. Naturally, based on the specifics of Kosovo (the adoption of the currency of another country), the Central Bank of Kosovo cannot perform all these functions or cannot complete them entirely. This is in turn reflected in the setting of the primary goal (the Central Bank of Kosovo is the only one in the region that does not have price stability as the main goal but focuses on financial system stability) as well as in the selection of the instruments with which it interacts.

# BUSINESS CYCLE AND ECONOMIC POLICY

The importance of the business cycle and the problems that accompany it have been mentioned several times throughout the chapter. We then explained in detail the characteristics of unemployment and inflation as problems that accompany this business cycle, pointing out their costs and the consequences for the economy and households. Now we are ready to face perhaps the most important question in Macroeconomics: Can the government use its policies to act against the business cycle? Can the government fight unemployment (or the decline of aggregate demand) during the recession phase, as well as the inflationary trends during the expansion phase?

If the answer to this question is negative then there is no room for dwelling on the different schools of thought, or for listing instruments recommended to the government in such situations. But if we answer this question positively, then the immediate additional question would be: What can an active government do? Which policies may it have available? When can it use them and for how long? A simple answer would underline the importance of government tax policy, budget spending allocation, policies that guarantee price stability, employment policies, and policies for promoting trade relations with the outside world; and, policies that support market competition or policies that provide for protection of property rights. Some of them are more suitable for long-term impact on the economy and some are attractive for short-term intervention, as well as to counter the problems associated with the business cycle. This is also the main reason why we prefer to classify such policies as anti-cyclical policies. If the business cycle is affecting the decrease of aggregate demand or job growth, we need policies that drive the economy out of this downhill. If the business cycle has contributed to a rapid increase in aggregate demand, then we need policies that curb this trend and prevent inflationary pressures from occurring.

We will now focus on three of the aforementioned policies to become familiar with their role and to present Kosovo's experiences with the same policies. First, we will address fiscal policies (budget revenues and expenditures); and then, monetary and trade policies.

## FISCAL POLICIES

The term fiscal policy refers to changes in the country's tax system and in the composition of budget expenditures with the aim of reducing unemployment during a recession and

lowering the inflation rate during expansion. This falls within the domain of the stabilizing function of fiscal policy, namely the idea that through these policies, fluctuations of economic activity can be mitigated (not eliminated) during the business cycle. Naturally, fiscal policies have other functions, some of which are extremely important. One of the initial fiscal policy functions used was that of redistribution; take more from the rich and give to those who fail to realize sufficient income to secure their economic existence. Also, fiscal policies can have an impact on the allocation of resources to certain sectors; take from some sectors and use these means for other sectors, such as education, health, or security. And in later periods, an important fiscal policy role is to support the government's long-term efforts to boost economic growth.

There are two ways in which government fiscal policies are guided (this is most important for the stabilization function, but it also applies partially to the other three functions as well). Decision-making on fiscal policies can be left to the discretion of an institution, which may be the government or the finance ministry as part of the government. But this way of making decisions may be disturbing to those who doubt the competence or even the intentions of this institution and so would not usually prefer the concentration of so much decision-making power in a small group of individuals.

Instead, they would prefer to find mechanisms that produce well-defined rules, which in every case anticipate or "detect" economic performance and intervene with a response. They prefer a kind of injected automation in decision making that minimizes the discretion of government officials. So, the debate focuses on the advantages and disadvantages of these two forms of leadership of government anti-cyclical policy.

During a recession, it is thought that the main variable influenced is the decline in demand for goods and services, which then compels businesses to cut jobs. The government or the Ministry of Finance has two instruments available for a response. It can cut taxes, to increase available income for a household and motivate them to increase consumption. Or it can compensate this reduction of demand in household consumption by increasing public demand. The opposite will happen in the expansion phase. Pressure on the price level that comes from over-optimistic market participants needs to be mitigated either through increased taxes, that lower disposable income for household consumption, or by cutting public sector spending.

If we agree on the importance of fiscal policies to tackle the business cycle or act against it, then perhaps we should also be familiarized with the direct consequences of these interventions. Throughout the recession phase, when economic activity and the volume of aggregate demand declines, government tax revenue is expected to decline. At the same time, the consequences of the economic crisis in employment and even health indicators exercise pressure for an increase in government spending. Consequently, the collected revenues will not be sufficient to cover all government spending requirements,

producing a minus that in theory is known as a budget deficit, i.e. the difference between expenditure and budget revenues. If this situation is repeated in later years, then the government collects unfulfilled financial obligations which are known as public debt.

TABLE 5: **BUDGET REVENUES IN KOSOVO FOR THE PERIOD 2014-2018**

Description	2014	2015	2016	2017	2018 (draft budget)
<b>I. Tax revenues</b>	<b>1,162</b>	<b>1,269</b>	<b>1,421</b>	<b>1,512</b>	<b>1,607</b>
Direct tax	188	198	232	251	267
Corporate income tax	55	68	81	84	84
Personal income tax	109	109	124	135	146
Property tax	20	20	25	25	33
Other direct taxes	4	2	2	7	4
Indirect tax	1,007	1,107	1,227	1,292	1,378
VAT Value Added Tax	560	611	694	748	819
Customs	126	131	130	116	111
Excise	315	361	403	422	446
Other indirect tax	5	3	0	6	2
One-time revenue from collecting tax debt	0	0	0	10	4
One-time tax revenue from SE debt	0	0	0	3	4
Tax returns	-34	-36	-38	-44	-46
<b>II. Non-tax revenue</b>	<b>171</b>	<b>188</b>	<b>175</b>	<b>201</b>	<b>202</b>
<b>III. Budget support and grants</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>
<b>IV. Grants committed by donors</b>	<b>12</b>	<b>13</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>Total revenues I+II+III+IV</b>	<b>1,345</b>	<b>1,470</b>	<b>1,608</b>	<b>1,725</b>	<b>1,829</b>

Source: Kosovo Budget 2018, Ministry of Finance

The opposite takes place during the expansion phase. Increased economic activity and citizen optimism, translated into consumer spending, contributes to more revenue collection for the budget, while at the same time, improved employment indicators will reduce the pressure on social policies. This implies that the government would collect more revenue than needed to finance budget programs, thus generating a budget surplus, a positive difference between revenue and budget spending. If this situation were to be repeated in later years, these surpluses could be used to reduce the burden of public debt or the tax burden on citizens. We will look back at the issue of budget deficits and implications for public debt in a moment, but we will first address the Kosovo tax system as well as the main characteristics of the country's budget expenditures.

## TAX SYSTEM IN KOSOVO

The first experiences in setting up a tax system date back to 2000, under the leadership of the international administration of the United Nations Mission in Kosovo (UNMIK). Based on accumulated economic problems, the drastic decline of industrial production in the country, and the relatively sluggish level of organization of the newly established tax administration body, UNMIK imposed a tax system that relied heavily on international trade, or the customs administration. It is understandable that tax obligations are more easily accumulated if we concentrate on a small number of border points rather than relying on thousands of businesses operating within the country's territory. Therefore, the main sources filling the state budget were taxes on goods consumption and customs duties, leaving in the background direct taxation, using the income of individuals or corporations as a basis for calculating the tax burden.

Despite constant improvements in the quality of tax administration (and customs), the situation has not changed visibly so far. The country has marked a strong increase in the volume of collected revenues, but not in changing the weight of specific taxes in the totality of budget revenues. Let us look more carefully at Table 5 in order to identify the main characteristics of the Kosovo tax system. It is noted that:

1. Direct taxes continue to be relatively inferior in relation to indirect ones, meaning that consumption continues to be considered as the main basis for tax purposes.
2. Despite the relatively high number of registered businesses, Kosovo's budget manages to secure "only" 5% of corporate income revenue, which is very low in every international comparison.
3. Value added tax continues to provide the golden ratio of budget revenues with approximately 50% of all tax revenues secured from a single source
4. Most of the revenues (over 2/3) are still collected at customs points, mainly in the form of value added tax on imported products, excises on specific imported goods (tobacco, alcohol, oil and its derivatives, vehicles etc.) and customs duties on imports.



When talking about taxes, the most sensitive part is setting the tax rate, or the portion of the tax base that will be transferred to the state budget. These tax rates, besides reflecting the country’s “burden” on the shoulders of businesses and citizens, may also serve as indicators of a country’s relative attractiveness in regional and international comparisons. Table 6 provides an overview of tax rates for some of the most important taxes in Kosovo, Albania and Macedonia. The main lesson learned from this table is that Kosovo generally has low tax rates, not only in comparison with other European countries, but also within the region. Keeping a low level of personal income tax, corporate income and contributions to social schemes is the main determinant of the labor cost and competitiveness of a country’s international business.

TABLE 6: **TAX RATES COMPARED TO OTHER COUNTRIES OF THE REGION, 2017**

	Kosovo	Macedonia	Albania
Corporate income tax	10%	10%	15%
VAT	18%	18%	20%
Personal income tax	Progressive rate: 0%, 4%, 8% and 10%	Fixed rate: 10%	Progressive rate: 0%, 13% and 23%
Social insurance, contributions	10% (5% employee; 5% employer)	27% (13.5% employee; 13.5% employer)	27.9% (27.9% employee; 16.7% employer)

Source: [http://idmalbania.org/wp-content/uploads/2017/05/PB2-RHEM-20.04.2017\\_Final.pdf](http://idmalbania.org/wp-content/uploads/2017/05/PB2-RHEM-20.04.2017_Final.pdf)

## MAIN CHARACTERISTICS OF BUDGET EXPENDITURES IN KOSOVO

Undoubtedly, the greatest impact of the public sector on both the economy and the lives of citizens is achieved through the allocation of budget expenditure. How big will the public administration be; what education or healthcare system will be built; to what extent will the vulnerable categories of society be protected; how will the sectors of economy that provide basic public services (energy, drinking water, sewerage, telephone services, etc.) be treated; what priority will road infrastructure enjoy; how much space will the governing administrations at the municipal level have; how much will the state budget help in strengthening the country’s economy; and many and many other questions are answered by the decisions related to the allocation of the state budget.

Table 7 provides an aggregated summary of budget expenditures in Kosovo for the period 2014-2017. From the table we can see that the main public sector orientation in Kosovo in this period has been in capital expenditures, grants and subsidies, and salaries for public

sector employees (the majority of them are concentrated in three sectors: education, health and security). The table is aggregated, but if we want to go into the details behind these figures, we will see that for example, around 84,000 citizens are employed in the public sector, of whom more than half are working under the administration of local governments. It can also be noted that the category of grants and subsidies is dominated by basic pensions, paid to each individual who has reached the age of 65, regardless of whether or not they contributed to the creation of value added, and also social assistance and payments for war invalids. The category of capital investments, we can see that it is dominated for more than a decade by investments in the completion the country's road infrastructure.

Another feature of interest is the role of local governments, which take under their management roughly over 1/3 of all budgetary expenditure. Municipalities secure the necessary funds through taxes they have under management (in most municipalities, with the exception of Pristina, this is a minor source of revenue), and from three other sources coming from the central budget. The Ministry of Finance, through the grant commission, and using certain formulas, allocates to the municipalities three special grants: An administrative grant that helps cover the expenses of the municipal administration; an education grant, necessary for the financing of salaries and some other expenses in pre-university education; and a health grant, dedicated to financing payroll and some other expenses in primary and secondary healthcare.

TABLE 7: **BUDGET EXPENDITURE 2014-2018**

Description	2014	2015	2016	2017	2018 (draft budget)
<b>I. Current Expenditure</b>	<b>1058</b>	<b>1149</b>	<b>1221</b>	<b>1309</b>	<b>1383</b>
Wages and salaries	489	525	544	566	589
Goods and Services	208	205	203	245	264
Subsidies and Transfers	361	418	475	495	525
Current Reserve	0	0	0	3	5
<b>II. Capital Expenditure</b>	<b>411</b>	<b>404</b>	<b>444</b>	<b>501</b>	<b>687</b>
<b>III. Lending for NP</b>	<b>0</b>	<b>-2</b>	<b>-7</b>	<b>-11</b>	<b>0</b>
<b>IV. Grants committed by donors</b>	<b>11</b>	<b>13</b>	<b>15</b>	<b>12</b>	<b>12</b>
<b>Total Expenditure I+II+III+IV</b>	<b>1480</b>	<b>1564</b>	<b>1672</b>	<b>1811</b>	<b>2082</b>

Source: Kosovo Budget 2018, Ministry of Finance

It may be of interest for the reader to look at the functional composition of budget expenditures. Budgetary tables over the years, which can easily be downloaded from the online site of the Ministry of Finance, offer very valuable information on the nature of budget expenditures and the weight given to the more important sectors of the economy. From this data, we can learn, for example, where education, health, agriculture and national security, for example, sit in the hierarchy of public expenditure.

## BUDGET DEFICITS AND PUBLIC DEBT

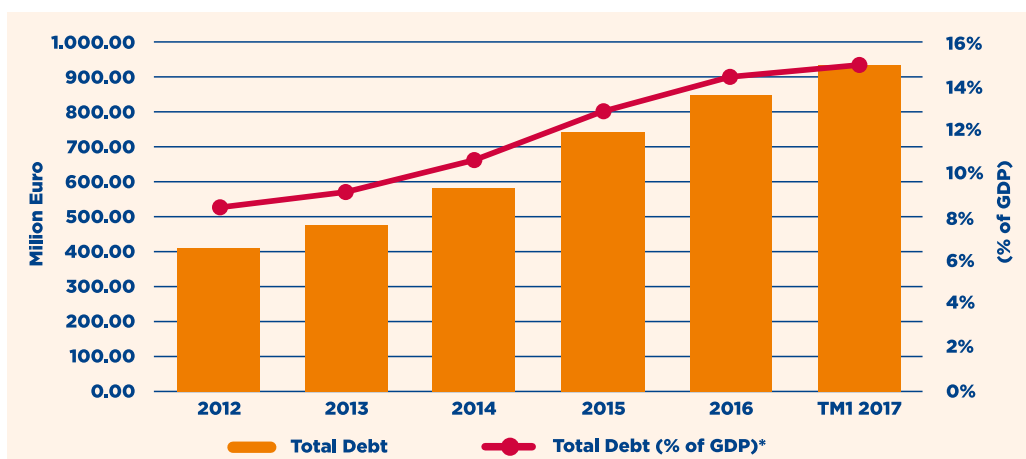
Every year that the government spends more money than it has managed to accumulate as budget revenue, it operates with a budget deficit. This deficit is then added to the amount of deficit realized in previous years, thus increasing the volume of the government's financial liabilities, known as public debt. On the contrary, if the government operates with a budget surplus, the same can contribute to reducing the burden of public debt.

It is well known that citizens usually resort to commercial banks when they want to borrow money. But how do state governments do this? Do they also go to the banking system and apply for a loan? As a rule, governments use three main channels to borrow whenever their planning requires such borrowing (for example, a new loan or a loan to meet an earlier financial obligation). They use mandatory instruments known as treasury bonds and using the Central Bank's infrastructure they exchange these treasury bonds with agents of the banking system or savings institutions or investment funds.

They can turn to the foreign financial sector, but they can also borrow from other countries' governments. In this context, the entire public debt can be classified into two main categories: domestic and foreign debt. Since the cost of borrowing (interest rate) and maturity conditions are not necessarily the same, the country's government at certain times may decide to borrow from abroad, and at some other times, may prefer domestic borrowing. This in turn has implications regarding the currency in which the loan is borrowed.

Although public debt is usually expressed in millions or hundreds of millions of the currency used as a means of exchange, such an indicator does not give much information on its size within a certain economy. It would likewise render it impossible for any international comparison. Instead, economists prefer to rely on alternative indicators. As a rule, public debt is expected to be calculated as a proportion of GDP or as a proportion of the volume of exports and imports. Alternatively, part of the state budget that is used on an annual basis for the servicing of the existing debt can be used.

FIGURE 3: KOSOVO'S PUBLIC DEBT



Source: Department of Treasury of the Ministry of Finance of the Republic of Kosovo.

Kosovo at first glance looks very good, considering each of the indicators mentioned. The country's public debt is still at a low level and as such it can be said that it does not pose any major concern for policy making. Chart 1 shows that the share of public debt to GDP in Kosovo is still relatively low and is around 15%. This figure is significantly lower than in other countries of the region. However, a careful analysis reveals a very rapid growth rate of borrowing in the last 8 years. It seems that within a short period, public debt has more than doubled. Continuing at such a pace would certainly be a serious problem in the near future. This may have been the main reason that pushed the country's members of parliament to limit through legal provisions the government's discretion in obtaining new debts. By introducing a "fiscal rule" into the law, MPs have prevented the government from uncontrolled borrowing, setting a maximum at 2% of GDP on an annual basis.

This intervention by MPs may stem from their conviction that the rise of public debt could pose a risk to the country's macroeconomic stability. Borrowing may seem inevitable in order to finance large infrastructure projects, from which a positive impact on economic growth can be expected. But there are also a considerable number of economists who are concerned with the possible negative impact of public debt, an impact that can also be transferred to future generations of society. It goes without saying that the key institution that has the responsibility for implementing fiscal policies is the Ministry of Finance, through the departments and agencies under its management (the Tax and the Customs Administration, Budget Department, Fiscal Policy Department, and Macroeconomic Analysis Unit). With regard to the management of public debt, the Central Bank, as a fiscal agent of the government, plays an important role. The Central Bank manages not only the market placement of Kosovo government treasury bonds, but at the same time, its policies enable the promotion of a secondary securities market as a prerequisite for long-term liquidity insurance in this market.

Despite current achievements in securing sufficient tax revenues at a relatively fast pace, the list of problems and challenges in the field of fiscal policy remains very long. Here are just a few of them:

- The state budget continues to rely heavily on tax revenue on international trade. Such an option is extremely unsustainable in the long run and reflects the lack of maturity of the country's own tax administration.
- The state budget continues to rely primarily on consumption as a taxable base, while income taxes remain unimportant. Although understandable in an environment where unemployment and informal employment are worrying, and where businesses face many difficulties, in the long-term this contributes toward building a tax system incompatible with that of the European Union.
- Tax legislation is still rudimentary, incomplete and leaves room for discretionary interpretations by tax officials or inspectors.
- Budget expenditures continue to be dominated by salaries and transfers, sometimes inspired by the idea of using these budgetary positions for electoral purposes.
- Capital expenditures remain focused on a small number of large infrastructure projects, which have little impact either on the sustainable decrease of unemployment or in boosting economic growth.
- A good portion of the budget, about a quarter, is allocated to local governments, which still lack sufficient capacity to ensure the efficient use of these resources.
- Public debt, although still low in the region, continues to increase at distressing rates. This increase is not only unstable in the medium to long term, but as it is focused mainly on the domestic market, it may prevent the reduction of interest rates that are essential for promoting private investment.

## MONETARY POLICIES

Let us now look at the possibility other public institutions have to influence the economy. In addition to changes in the tax system and the volume or structure of public spending, another effective way of influencing aggregate demand is changing the amount of currency in circulation. Interventions of this kind are recognized by the term 'monetary policy', and the institution responsible for their design, implementation and monitoring is referred to as the Central Bank. Each sovereign country has its own Central bank, whose functions we discussed in a previous section.

The Central Bank, thanks to the monopoly (which has recently been challenged by the global development of crypto-currency markets) it has on printing money and other instruments at its disposal, has the ability depending on requirements, to reduce or increase the amount of cash in circulation, thus manipulating the desire of market participants to buy goods and services. But how does monetary policy work? Below we will try to provide a simplified presentation of how monetary policies are implemented.

- As a first step, we define the main goal/goals that are expected to be achieved by monetary policies. Usually price stability is the main goal, but we mentioned earlier that other goals can be selected as well. It is preferred that this objective then be made concrete by setting an approximate indicator (goal) to be used for assessing the success/failure of monetary policy. For example, if we have chosen price stability as the primary goal, this could be defined as the goal of maintaining inflation within the margins of 1-3% on an annual basis.
- Considering that inflation is directly impacted by consumers on one hand and producers or retailers on the other, without the presence of the Central Bank, the question arises as to how this institution can be trusted with preserving a variable, which it doesn't seem to be involved in setting. This is also partially correct. But the Central Bank has the potential to indirectly influence inflation, by orienting an in-between variable (or objective). Commonly, either interest rates in the banking system or any of the monetary aggregates (used to measure the amount of money in circulation) are used as intermediary objectives. Those who study monetary policy are familiar with the terms M0, M1, M2 or M3 that measure the amount of currency in circulation depending on the criterion of liquidity.
- Since these intermediary indicators as well are mainly set by the banking system and by the desire of individuals to hold money, the Central Bank needs an additional step, or an additional objective, with which to operate. Usually, either the interest rates on interbank loans (when one bank borrows funds for a single day or a few days from other commercial banks) or the monetary aggregate M0, that only includes the amount of direct money created by the Central Bank itself, serve as such targets.
- The last step is to use the instruments the Central Bank has in order to influence operational objectives. Standard instruments used are the government treasury bond operations in the open market; the discount rate and the minimum mandatory reserves of the banking system.

As a process it would look like this: let us say that the information provided shows that the country will face a higher rate of inflation and the intervention of the Central Bank is needed. The Central Bank will use its instruments (in most cases treasury bill sales). When the Central Bank sells treasury bonds to commercial banks, it provides them with these government bonds (which are not money) and, in exchange, takes the money that these banks have as mandatory reserves in their accounts with the Central Bank. To meet their obligations, commercial banks that are now lacking sufficient reserves turn to other banks to borrow their reserves. This increase of demand for reserves will necessarily increase the interest rate on interbank loans. The increase of this interest rate (Euribor) serves as an orientation for other inflation rates, and in parallel, affecting their increase. Increasing interest rates on the market discourages customers and businesses from taking loans and consequently reduces aggregate demand. This reduction in aggregate demand is then anticipated to reduce the pressure on price increases, thus contributing to the achievement of the primary objective. It is easy to track the performance of the operations and so to identify a need to inject additional money into circulation.

The above seems somewhat complicated and it can be seen that the effectiveness of interventions largely depends on the predictability of one variable's influence on the other: operating with mandatory reserve treasury bonds, the mandatory interest rate reserve for interbank loans, how this affects the interest rate on other market credits, aggregate demand, and finally the inflation rate. If only one link of this chain ceases to work, the entire Central Bank's efforts may fail. It should also be emphasized that a prerequisite for success of policies in reaching primary goals is to guarantee and maintain the Central Bank's functional independence. This independence can extend to various components of the bank's function, including financial autonomy, management, but also autonomy in the selection of the instruments with which it operates. But as a compromise, an arrangement is possible for the authority of setting key priorities and quantifying them to rest with the parliament as a direct representative of the sovereign.

## CENTRAL BANK OF KOSOVO

The functioning of the Central Bank in Kosovo is regulated by law (Law No. 03/L-209). The law precisely defines the bank's objectives, functions, instruments used, procedures, mandates and independence. According to the law, the bank is:

1. guaranteed full respect for its autonomy and independence at every time (Article 6);
2. given the primary goal of guaranteeing the stability and security of the financial system (including the payment system (Article 7);
3. given a series of primary functions (Article 8);
4. provided with the main instruments to operate, such as trade operations, minimum reserves, instruments required for credit control and support with liquidity (Articles 11-14);
5. given a monopoly in setting, and if necessary, printing currency (Article 16). Note that Kosovo has unilaterally decided to give up on issuing its currency and to use the Central European Bank as a substitution, the Euro, which is estimated to be the most stable and secure currency;
6. prevented from directly crediting the government (Article 33); and
7. allowed budget independence (Article 66).

The law sets out the preservation of financial stability as the primary objective of monetary policy. This implies that the Central Bank is responsible for monitoring the entire banking system in the country (see Box 4), as well as other active institutions in the financial markets. This includes microfinance institutions, insurance companies, and the Kosovo Pension Trust. As a fiscal agent of the government, the Central Bank has under its management a few hundred million euros accumulated from the privatization of publicly-owned assets.

Overall, we can conclude that the Central Bank has been relatively successful in achieving its objectives. However, there are still a number of challenges ahead, out of which we can list:

- The number of commercial banks remains low, and the majority are owned by foreign capital, and the market is dominated by two main actors. This increases the possibility of inter-bank cooperation to the detriment of citizens (potential agreements for fixing interest rates and avoiding free competition).
- Bank interest rates on loans remain high in comparison with countries in the region, increasing the cost of access to capital and thus affecting the competitiveness of local companies.
- Insurance companies continue to face difficulties, and some survive only thanks to tolerating practices incompatible with the market economy or by failing to meet their obligations to insured subjects.
- The transformation of the microfinance sector into a proper financial sector or its closure seems to be a very complicated and politically sensitive process.

#### **BOX 4. Main characteristics of the financial sector in Kosovo**

The financial sector in Kosovo consists of 10 commercial banks, 15 insurance companies, 2 pension funds, 48 financial auxiliary services, and 16 microfinance institutions. In December 2016, Kosovo's asset value of the financial system was 5.39 billion euros. The main contributors to the expansion of the financial system are commercial banks and the pension sector (CBK, 2017).

Kosovo's commercial banks are: NLB Bank; Bank For Business; Turkiye Cumhuriyeti Ziraat Bankasi; Economic Bank; Raiffeisen Bank Kosovo; Procredit Bank; TEB SH.A.; National Commercial Bank; Turkiye Is Bankasi; and Commercial Bank AD Beograd. Only two of these ten banks are domestic (the Economic Bank and the Bank for Business); all the others are banks with international capital.

During 2016, the banking sector marked an upward trend in loans (by 10 percent), increasing lending in two directions: enterprises and households. More than half of the enterprise loans go to the trade sector, whereas agriculture continues to be listed among the under-funded sectors (about 4%). 2016 was also characterized by an increase in deposits in the banking sector (of 2.90 billion euros), with an increase of 14.5 percent and 8 percent, by enterprises and, respectively, households (CBK, 2017). At the same time, interest rates on loans have declined steadily; for example, the average interest rate on households was 8.4 percent in December 2015 and 7.9 percent in December 2016.

Similar to commercial banks, microfinance lending institutions noted a decline in the level of non-performing loans in 2016 and at the same time marked a significant increase in annual profit (CBK, 2017).

2016 saw an increase in assets for both the pension and insurance sectors. The pension sector consists of the Kosovo Pension Fund (FKPK) and the Kosovan Slovenian Pension Fund (FSKP) and their asset value was 1.43 billion euros in 2016. Despite the fluctuations and uncertainties in the financial markets, both funds (FKPK and FSKP) realized positive investments. While insurance assets noted an increase, this sector recorded a loss of 25.6 million Euros since costs from incurred damages exceeded premium revenues.



# INTERNATIONAL TRADE AND TRADE POLICIES

It has been mentioned in previous sections that the main concern of an economy is the most efficient use possible of the limited resources it possesses. Only if societies manage to make the most of the available resources and use them efficiently can they produce somewhere in the production possibility curve. Another problem that economies of every country face is the mixture of resources they possess. Some countries have more land, others have more manpower; some more mineral resources; others perhaps more capital or even a more appropriate climate. But not all of these resources are needed to produce each product. For example, to produce lap-tops, economies need capital and a well-educated labor force. Producing wheat requires agricultural land and lower skilled labor. Producing kiwi fruit depends on a suitable climate as well as agricultural land and manpower.

If we combine these two elements, the unequal distribution of resources in geographic areas and the different kinds of resources needed to produce a certain commodity, then it is clear that not all countries can produce the same commodity or service with the same efficiency. Depending on the mixture of available resources, a country will be more successful at producing some goods or services, but less successful at producing others.

British economist David Ricardo has offered, as early as 1817, an excellent elaboration on the benefits that may come from international trade as a result of differences in the distribution of resources and the combination needed for the production of various goods. This theory, known as the Principle of Comparative Advantages, convinces us that:

- Every country likely has comparative advantages in at least one product or service, as long as the number of products offered on the market exceeds the number of countries.
- Free trade brings benefits to every country that promotes it.
- Free trade with other countries contributes to a more efficient use of every country's resources and leads inevitably to the growth of the overall global product.
- Free trade promotes competition internationally.

Kosovo's economy is also based on this principle and so it promotes the free movement of goods and services. This has resulted in relatively low tariffs for imported products and at the same time as ongoing efforts to access new markets for Kosovo producers. Free trade agreements with various countries have been signed; agreements which ensure the preferential treatment of Kosovar producers (with the European Union and the United States of America); the country has joined in initiatives that promote free trade such as CEFTA (Central European Free Trade Agreement); and the process of membership in the World Trade Organization (WTO) has been initiated, the WTO representing the main international institution that promotes the removal of trade barriers in international trade. See Box 5 regarding the steps undertaken so far towards WTO membership.

## FREE TRADE OR TRADE BARRIERS?

Although theoretical opinions are very convincing in favor of promoting free trade, at certain moments and for certain reasons countries decide to intervene and impose restrictions on the free movement of goods and services. To reach this goal, policymakers have a wide range of instruments available, each of them with a different form and intensity with regard to restricting free trade.

Countries that attempt to establish trade barriers may directly affect the price of imported goods by increasing prices through selective taxes that apply only to imports (tariffs); they can limit import volume (quotas); and can set standards and technical barriers or even other conditions. It is relatively easy to identify the negative effects of trade barriers on the level of production within the country, the level of exports and imports, the redistribution of national income, the variety of goods available to citizens, and the competitiveness of the local economy etc.

It is therefore appropriate to ask questions about the rationality of measures that do not bring benefits but instead harm the country's economy. The list of arguments that are usually provided in support of such barriers is relatively long. Attempts are made through these measures to protect certain sectors in the initial stages of production; protect the state's economy from the cheap labor force of other countries; protect domestic producers from the trade policies of other countries (dumping or selling their goods at a price even lower than the cost of production); and to create more space for generating jobs, etc. Perhaps the main argument behind these barriers would be that they are set by politicians and are in the function of achieving political goals, and do not necessarily derive from the goal of maximizing the country's economic interests.

### **BOX 5. Kosovo and its membership of the World Trade Organization (WTO)**

For more than a decade, Kosovo's institutions have made clear their intention to join the WTO. The Department of Trade within the Ministry of Trade and Industry is responsible for Kosovo's application to join the WTO; this Department is also responsible for drafting Kosovo's trade policies in accordance with WTO legislation.

Led by this department, Kosovo has already prepared a document called the "Memorandum on Foreign Trade Regime". This document presents Kosovo's economic and trade policies and it is the first document the WTO requires of a country seeking membership of this organization. At the time of writing this chapter (January-February 2018) Kosovo has not yet submitted a membership application as it is still under discussion whether the application is for the status of a full member or an observer.

Kosovo's membership of the WTO is considered to be important for political and economic reasons (MTI, 2015). The political reasons are tied to strengthening Kosovo's vision of state-building, while the economic and institutional reasons are tied to the fact that membership of the WTO increases the need to improve the quality of Kosovo's institutions. Through reforms and improving the quality of institutions, favorable conditions will be created for the development of the market economy, and Kosovo's image will improve as well as the climate of doing business in Kosovo (MTI, 2015).

At the same time, membership of the WTO could be unfavorable for local businesses since the post-conflict experience with liberal trade policies has shown that many domestic businesses have been damaged by these policies (MTI, 2015).

TABLE 8: KOSOVO'S TRADE BALANCE (2008-2016)

Indicator/Year	2008	2009	2010	2011	2012	2013	2014	2015	2016
Trade balance for products (mil. €)	-1644.7	-1646.3	-1741.6	-2047.1	-2050.1	-1995.6	-2058.6	-2109.3	-2290.8
Trade balance for services (mil. €)	146.6	227.0	176.0	395.7	499.6	520.0	459.9	457.1	614.1
<b>Trade balance for goods and services (mil. €)</b>	<b>-1498.2</b>	<b>-1419.3</b>	<b>-1565.6</b>	<b>-1651.4</b>	<b>-1550.5</b>	<b>-1475.5</b>	<b>-1598.7</b>	<b>-1652.3</b>	<b>-1676.7</b>

Source: Central Bank of Kosovo (<https://bqk-kos.org/?id=55>)

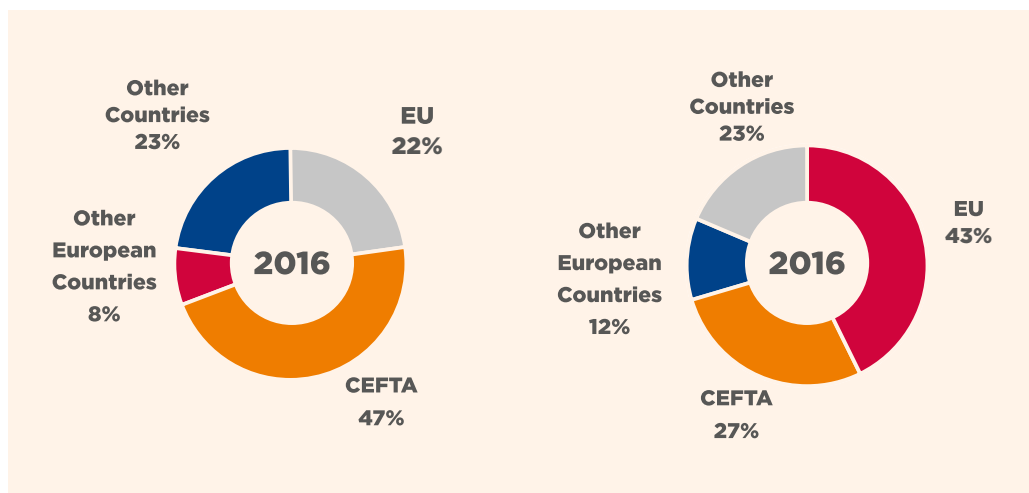
## MAIN CHARACTERISTICS OF INTERNATIONAL TRADE IN KOSOVO

A number of factors have all together contributed to Kosovo continuously importing more goods and services than the level of exports: The promotion of free trade by the Government of Kosovo; the relatively large inflow of external economic aid after the 1999 conflict and remittances from the Kosovo diaspora; the strong damage to Kosovo's economy before and during 1998-1999; and the use of the currency of the European Union. In fact, while imports have been pretty high in proportion to the GDP, exports have remained at a symbolic level.

Table 8 summarizes the data on Kosovo's trade balance in the post-independence period. Here we can see that the difference between export and import of goods and services is very high and reaches more than 1.5 billion euros, or over  $\frac{1}{4}$  of GDP.

This table only presents the aggregated figures which don't tell us more about the composition of exports and imports. Nor does the table allow any analysis of the geographical orientation of international trade. Since the type of products traded with other countries and the main trading partners represents important information, it is worth analyzing both import and export charts in Figure 4.

FIGURE 4: KOSOVO'S EXPORTS AND IMPORTS BY GEOGRAPHIC LOCATION, %



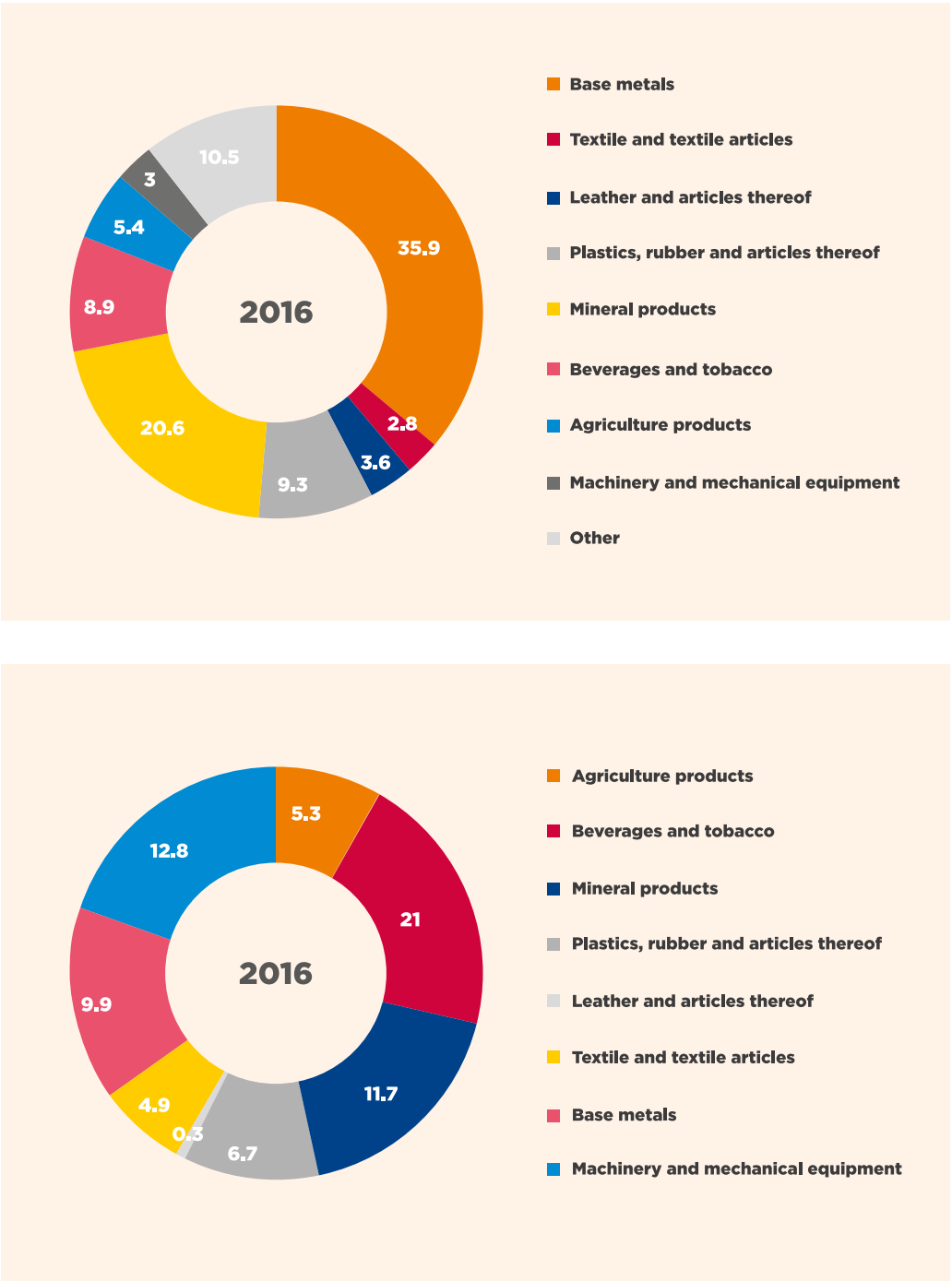
Source: Central Bank of Kosovo (<https://bqk-kos.org/?id=55>)

From Figures 4 and 5 we learn that Kosovo mainly exports into the countries of the region (CEFTA), where it trades nearly half the volume of its exports, while the European Union accounts for approximately one-fifth of Kosovo's exports. The situation is different with imports, as in this case, the European Union is the main trading partner (mainly Germany, Italy and Greece) followed by the countries of the region (Serbia and Macedonia, and to a lesser extent, Albania and Bosnia and Herzegovina). Turkey dominates among the category of 'other European countries', while 'other countries' mainly covers imports from China.

When talking about the types of goods and services traded, we note that Kosovo's exports are dominated by metals and mineral products, as well as a small number of agricultural products, beverages and tobacco. The situation again changes with regard to the structure of imports. Kosovo mainly imports beverages and tobacco, machinery, textiles, rubber and leather products and similar goods.

The two main institutions in the design, implementation and monitoring of trade policies are the Ministry of Trade and Industry (Department of Trade, Department of European Integration and Department of Policy Coordination) and Ministry of Finance. Improving or reducing the trade imbalance with other countries is certainly the main challenge in the field of trade policy. So is changing the export structure, aiming to shift exports from raw material and metal waste to final products with higher added value. Another challenge is the drafting of policies that prevent placing Kosovo businesses in an unfavorable position in relation to foreign businesses. And lastly, another challenge involves the diversification and reorientation of trade, in order to reduce the dominance of certain countries, as in certain cases this may cause short-term market distortions.

FIGURE 5: **STRUCTURE OF KOSOVO’S EXPORTS AND IMPORTS BY CATEGORY, %**



Source: Central Bank of Kosovo (<https://bqk-kos.org/?id=55>)





FATON BISLIMI

# LOCAL GOVERNANCE AND PUBLIC POLICY MAKING IN KOSOVO





# 1. INTRODUCTION:

## LOCAL GOVERNANCE AS SELF-GOVERNING OF COMMUNITIES

In an effort to improve people's lives and renew the relationship between the government and its citizens, the concept of good governance has gained great currency in recent times. The term was used in 1992 in a World Bank report titled "Governance and Development" where it is defined as: "the manner in which power is exercised in the management of a country's economic and social resources for development". Today the characteristics associated with good governance include free and open elections, the rule of law with the protection of human rights, citizen participation, transparency and accountability in government, among others. (Wilson, 2000). But it is local governance that has received the most attention, because it applies across many different contexts, and it is seen as the best way to overhaul a political system especially in developing countries. In 2004, the UNDP stated that: "Local governance comprises a set of institutions, mechanisms and processes through which citizens and their groups can articulate their interests and needs, mediate their differences, and exercise their rights and obligations at the local level. The building blocks of good local governance are many: citizen participation, partnerships among key actors at the local level, capacity of local actors across all sectors, multiple flows of information, institutions of accountability, and a pro-poor orientation."

Local governance emphasizes the need to look beyond the narrow perspective of legal frameworks and local government entities. It seeks to include the multiplicity of formal and informal relationships between different actors in development (e.g. local government, the private sector, associations, de-concentrated agencies, and Civil Society Organizations) that shape and influence the output and effectiveness of political and administrative systems at a sub-national level (Olsen, 2007). Local governance, therefore, includes the diverse objectives of vibrant, living, working, and environmentally preserved self-governing communities.

Moreover, good local governance is not just about providing a range of local services, but also about preserving the life and liberty of residents, creating space for democratic participation and civic dialogue, supporting market-led and environmentally sustainable local development, and facilitating outcomes that enrich the quality of life of residents (World Bank, 2006). And it is thought that active engagement in public life can help to give people a greater sense of agency over their lives.

The process of political and administrative decentralization which is underway in a lot of developing and post-conflict countries, including Kosovo, places a new responsibility on local governance. Decentralization, as a new form of governance in Kosovo, was proposed by the UN Special Envoy, Martti Ahtisaari as a way to preserve political stability in the country. It is seen as a way to make government smaller and more effective and to promote democratic practice (Wilson, 2000). In Kosovo's context, in the "Report of the Special Envoy of the Secretary-General on Kosovo's Future Status" and the "Comprehensive Proposal for the Kosovo Status Settlement" the concept of decentralization was introduced as follows: "to address the legitimate concern of the Kosovo Serb and other Communities that are not in the majority in Kosovo and their members, encourage and ensure their active participation in public life, strengthen good governance, the effectiveness and efficiency of public services throughout Kosovo, an enhanced and sustainable system of local self-government in Kosovo".

However, following Kosovo's Declaration of Independence in 2008, despite the powerful backing of decentralization policies by the international community, local governance remains unsustainable. The dependence of central government on financial and technical assistance from international agencies has constrained its power and authority to drive change towards a new form of local governance. Local administrations are weak, dependent on central government financing and often confused about the ever-changing legal framework and its impact on their responsibilities and competencies. It remains a difficult challenge to reconfigure the state's role at all levels of governing and to establish better links between the center and local levels, as well as between citizen and state institutions (Agimi, 2014). Moreover, despite the assistance of international agencies assistance and their promotion of democracy, some practices fail in a post-conflict situation. According to a number of scholars, the idea of good governance is designed with developed countries in mind, and it doesn't align with the reality in developing countries. Governance must be explored in the context of developing and transitioning states as well, where there are areas of limited statehood (Risse and Lehmkuhl, 2006).

In addition, effective local self-government also serves as a mechanism for accommodating different ethnic group rights and facilitates inclusion of minority communities in the decision-making process. Establishing central government institutions, which are legitimate in the eyes of the citizen, is a crucial factor in state building, yet democratic local governance in the eyes of the population, is also of great relevance in post conflict reconstruction (Hohe, 2002).

Bearing in mind that what can work in one context, might not yield the same results in another, is crucial while planning and implementing new policy and new programs. Adapting to the working context, while promoting good governance values, is also important in order for beneficial policy, citizen inclusion, and positive community change to happen.

## 2. LOCAL GOVERNMENT - THE FRONTRUNNER OF GOVERNANCE

### 2.1. MAKING PUBLIC POLICY

The elected officials of cities, towns or counties take on a job that comes with a lot of responsibility. They are responsible for creating public policies that will serve the citizens of their communities on the premise of enhancing the quality of their lives.

This is done by providing different services and development programs, that not only serve to improve the current local situation but also set the pace of (non)development for the community's future. Local policy-making is complex. It demands the very best of local officials and staff. The public policy-making process is highly decentralized. Policy initiation, formulation, adoption, and implementation involve many interests. This process has been characterized as tending to be "fluid, incremental, confused, often disorderly and even incoherent." (Public Policy Making, Washington Style, Bone et.al. p.4).

It is important that formally adopted policies become a governing principle or a plan of action. Legislative bodies of the organization make public policy decisions, and others take charge of the administrative tasks and implement those policies. They could be a vision for the community, a policy for a specific local issue, a budget etc.

In order for this process to become more effective, it is recommended that all officials take time to understand their role and responsibility in the organization. In that manner, legislators will focus on policy issues, not administrative matters, and chief executive officers, like the mayor, will recognize and support the policy-making responsibilities of their local council members and commissioners. Often, there is no right or wrong answer or choice for the issue at hand, so the policy-making process should weigh and balance public values. Competing and conflicting interests and viewpoints often make this process adversarial, and the larger and more diverse the constituency, the more difficult the policy-making process.

In such circumstances, to alleviate tension, it is crucial that all relevant viewpoints are heard, and the rights of all individuals are protected (Municipal Research & Services Center of Washington, 2017).

The process of public policy, from inception to implementation, and then evaluation, is a multi-staged process. These stages include: problem identification, agenda-setting, policy-making, budgeting, implementation and evaluation.

*Problem Identification:* For a problem to gain the official's attention, it has to be defined and presented by individuals, interest groups, mass media or political parties. Problem identification is important since this is the point at which it is decided if the problem will be put on the local government's agenda or not.

*Agenda Setting:* After the problem has been identified, and it is assessed that it exists, it requires the attention of local government. Specific problems sometimes can be put on the agenda without much advocacy. The case of a natural crisis is an example. If a seasonal flood causes a lot of damage in one specific area or another, then the urban plan policy can be put on the agenda in case it needs to be amended. However, the typical key actors that help set the agenda are local interest groups, the media, think tanks or government officials.

*Policy Making:* To address the problems on the agenda, policies need to be formulated. After that, they are authorized and adopted through a number of bureaucratic processes. Sometimes, not acting upon a problem is policy-making in itself.

*Budgeting:* The budget is decided before the start of each fiscal year for local government. Generally, the policy needs to be authorized before any money is allocated for it in the annual budget.

*Implementation:* The executive agencies of local government carry out the implementation of the policy. Implementation could include providing services and products, changing rules and regulations, starting a new development program etc.

*Evaluation:* Evaluating the policy implemented is a crucial step, since it assesses the cost and benefits of the intended and unintended effects of the policy. The evaluation process sometimes brings new problems to the surface and creates a new round of agenda-setting and policy-making.

Policy-making is about creating the visions, goals, choices, and future possibilities for the community. When the goals of the community align with the vision of the local government, trust and community confidence is built. Since often there are limited resources, when there is trust and alignment, conflict can abate. In general, key policy-making activities include: Creating a community vision, community goals and objectives, a comprehensive plan, local services, budgets and capital facilities plans (Municipal Research & Services Center of Washington, 2017).

The community vision is necessary, since this is the “big picture” of the community and its future. It shapes the path the local government will take, based on important community values. The goals and objectives of the community provide direction for policy implementation. Different communities may have different goals. Those goals are usually set based on what is seen as problematic in the area. This might include, for example, reducing the crime rate or air pollution. Legislative bodies can then carry out specific action plans on how to go about those goals. Goals are qualitative statements, whereas objectives can be measured and are quantitative. The comprehensive plan sets the community’s policy for future growth. This plan assists in the management of the city or county by providing policies to guide decision-making (Small Communities Guide to Comprehensive Planning, Washington State Department of Community Development, 1993). The Services that are going to be provided make for a key activity in the local government. The local government decides what services are going to be provided to the residents, who will provide them, and the manner in which these services will be provided. The local services provided constitute an important step in the decision-making process of the citizens as well. Usually, the importance of the services provided guides the decision-making rationale behind the voter. Key to enabling the successful implementation of all these activities is the budget, often considered the strongest policy-making tool. The budget defines the spending, resource allocation and service prioritization of the local government.

## **2.2. THE LEGISLATIVE VS. EXECUTIVE BODIES: THEIR ROLES AND RESPONSIBILITIES**

As stated before, local government is divided into two substantive parts: the legislative and the executive. For policies to be implemented and carried out effectively, those two different groups must learn how to work and communicate with the other. Sometimes the distinction between formulation and implementation can be fuzzy, so having open channels of communication between legislators and administrators is vital for the process.

Making policy is the first priority for legislative bodies. They deal with the “What” question and must come up with action plans. They are most effective and most successful when they direct their focus on activities that guide the future of their communities. The process of assessing need and establishing priorities is a necessary function of the local government. It is a process that can be used to build citizen support, encourage efficiency, and improve productivity (Goal Setting in Local Government, ICMA MIS Report, vol.27, no.4, April 1995).

The executive body instead, deals with the “How” question. These two different bodies have different roles and responsibilities in local government. “The essence of the legislative process is the give and take of different interests, and the search for a compromise that is

acceptable to the majority. Often there are elaborate mechanisms to involve citizens and interest groups in the policy-making process. However, in the final analysis, legislative bodies make the decisions. Those who are not satisfied with the outcome can always seek to change the representatives by voting them out of office. But they must abide by the decisions whether they like them or not.” (Municipal Research & Services Center of Washington, 2017).

The executive on the other hand, the mayors, city managers and staff do not make policy decisions. Their authority is to carry out the council’s directives and implement the policy adopted by councils. However, they have a strong influence on the policy-making process and its resolutions. They can propose budgets, oversee the analysis carried out by staff, and make policy recommendations to councils. They maintain contact with key interest groups, and by garnering relevant information, they also influence other participants in the policy developing process. (Municipal Research & Services Center of Washington, 2017).

The staff of a local government are the employees engaged in the preparation and the implementation of local policies. Local governments that have more than a few employees organize their staff by departments which constitute the major parts of local staff structure. The primary consideration in the establishment of most departments is that they handle all matters affecting a particular purpose or activity, or two or more closely related purposes or activities. For instance, a city might have a security department to deal with all matters affecting public security and a fire department to handle all fire-fighting, or it might have a public safety department dealing with all police and fire matters. Other departments may be organized to handle such activities as public works, water supply, education and health. Such departments are also known as line departments (Jackson, 1959: 104).

Other departments are organized to deal with matters affecting one or more aspects of the management of local government activities. There may be, for instance, a finance department, a legal department, a records department, personnel, or a building and supply department. These non-line departments deal with matters that affect all local activities; sometimes these are called auxiliary or staff departments (Bromage, 1957: 313-324). Expanded mandates and responsibilities for new services require that local governments be endowed with discretion over processes for procuring goods and services, including service or management contracts, leases, concessions, or joint ventures. This in turn requires flexibility in the procurement laws and regulations and high-quality employees well trained in public procurement, ethics, and contract management (Brennan and Miller n.d.).

## 2.3. LOCAL GOVERNMENT: POLICY-MAKING OR ADMINISTRATION ONLY?

According to the Municipal Research and Services Center (MRSC), there is no distinct rule defining whether the work local government does is policy or administration, since there is always some overlap. Because of this, they state: “It is very important for executives, legislators, and key staff to develop ways to communicate and work together effectively”.

Despite this overlap, MRSC has made an attempt to list the activities that fall under policy, and activities that go under administration. They argue that the activities that fall primarily under policy are: Enacting a budget; defining the powers, function and duties of officers and employees; fixing the compensation of officers and employees; establishing the working conditions of officers and employees; establishing retirement and pension systems; regulating local affairs; setting fines and penalties for violation of ordinances; entering into contracts; establishing public utilities; licensing most types of business, for the purpose of revenue and regulation; setting tax rates and user fees consistent with state laws; approving claims against the city or county; deciding which governmental services will be provided, adopting budgets for their provision; granting franchise for the use of public ways; approving claims against the city or county and entering into agreements to accept grants and gifts.

Whereas, they state that the activities that count as administrative at the local government level are: Proposing budgets, spending within budgetary limits; filling positions with local ordinances; administering payroll consistent with budget and compensation plan adopted by council; ensuring proper working conditions are provided; administering pension and retirement plans; implementing and enforcing ordinances; collecting fines and enforcing penalties; proposing contracts, managing and enforcing them; negotiating terms of acquisition and sale of real estate, carrying out acquisition and sale; overseeing the day to day operation of programs and services provided by the local government; managing provision of utility services; enforcing terms of franchise agreement; administering business licenses as provided by the council; collecting taxes and user fees by bringing lawsuits, with legislative approval, proposing settlement of claims, paying approved claims; and proposing agreements, and carrying out the terms of agreements.

Of course, the categorization of these activities can sometimes be imprecise, and conflict can arise between personnel. MRSC suggests that the remedy for such situations is for the mayor and the council to review their roles within the organization, understand the limitations of their authority, and work together for best results.



## 2.4. EFFECTIVE PUBLIC RELATIONS: POLICY-MAKING THROUGH PUBLIC PARTICIPATION

The key to ensuring effective public policies is effective public participation and communication. In this regard Tocqueville (1935: 631) remarks as follows: “Town meetings are to liberty what primary schools are to science: they bring it within the people’s reach, they teach men how to use and how to enjoy.” Marshall (1965: 59) is more explicit, stating the following: “A principal objective of local government is that it should foster healthy political understanding. The citizens learn to recognize the specious demagogue, to avoid electing the incompetent or corrupt representative, to debate issues effectively, to relate expenditure to income, to think for tomorrow.”

There is no doubt that participation in local government politics provides an opportunity for councilors to gain experience in the mechanics of politics such as the process of law-making and budgeting (Laski, 1931: 31). Hence, besides gaining the trust of the community, the policy makers gain new insights into how to effectively implement them from enabling open discussions. Nevertheless, open communication during policy-making is often a difficult process. MRSC identifies possible communication barriers and offers a guideline to improve this public process. The communication barriers include: Power seeking, or representing different constituents; “political irrationality” versus “technical rigidity”, where some technical staff may find political behavior as irrational, and the elected officials see staff as inflexible; different perspectives on different problems; part-time versus full-time elected officials, with most working on a part-time schedule; technical experts versus citizens, since some experts may not take into account what citizens might say, and vice versa.

There can also be a general public apathy about government decisions and a feeling of powerlessness among the public, and since there are too many formal proceedings and rules, it creates the impression that the people’s voice does not have any influence.

In order to decrease the acrimony between both sides, MRSC suggests the following guideline for effective public participation: When there are public hearings, it is important to print the agenda and hand it out to the participants; change the “power differences” in a physical setting and sit around a table if possible; involve the interested parties in the discussion, where alternative solutions and approaches are generated; make sure there is plenty of time for Questions and Answers; use small groups to involve all participants; listen actively and ask clarifying questions; use good graphics and handouts to illustrate and summarize proposals; schedule meetings at convenient times, use comfortable settings, if the budget allows or there are private donations allocated provide food, and use a trained facilitator to conduct meetings, especially if the issues are controversial. Following these guidelines can help reduce the tension between elected officials and citizens, trust can be gained and strengthened between two parties, and the citizens will gain greater knowledge about the policy-making process and enhance their sense of active citizenship.

### 3. LOCAL GOVERNMENT IN KOSOVO: BETWEEN POLITICS AND POLICY

#### 3.1. MUNICIPALITIES: LEGAL FRAMEWORK AND EFFECTS OF DECENTRALIZATION

The reform of the local government in Kosovo began after the 1998/1999 war, with the establishment of the United Nations Mission in Kosovo (UNMIK) in 1999/2000, which had the legal power to administer the country and lay the foundations of a democratic local government system in Kosovo. UNMIK issued regulations, including the key piece of then-local government legislation in Kosovo, known as UNMIK Regulation 2000/45 on Self-Government of Municipalities in Kosovo,<sup>1</sup> that administered local municipalities from 1999 until Kosovo declared independence in February 2008, when it adopted new laws on local self-government.

Since 2008, the Constitution of the Republic of Kosovo represents the basic legal framework that sets the ground for the local government. Article 123 of the Constitution lays out the basic principles of local self-government which include: good governance, transparency, efficiency and effectiveness in the delivery of public services, and paying special attention to the needs of communities that are not in a majority and their members.

According to the provisions of this article, the municipality represents the only level of government that serves as an essential, functional unit of local governance, with citizen participation playing the crucial role in decision-making. Right after the declaration of independence, the rights and the responsibilities of the local authorities were limited, since they were defined by UNMIK regulations and were less autonomous than the competencies gained over time, as defined by the laws of the Republic of Kosovo.

So over time, with the new legal framework, local authorities gained more rights and autonomy in the decision-making process. According to the Ministry of Local Government Administration, in their 2013 report *Organization and Functioning of Local Self-Government in Kosovo*, the new legal framework provided a strong basis for the decentralization of government to local self-government bodies and created special legal

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1 UNMIK Regulation 2000/45 is available from: <http://www.unmikonline.org/regulations/2000/reg45-00.htm>

conditions for the establishment of new municipalities governed by the Serb majority. These local self-government bodies have the right to enact municipal acts that are in the general and special interest of the respective municipality, as long as they are in accordance with the legal framework of local government, and other laws in force in the Republic of Kosovo.

The process of drafting and approving the Constitution, the highest legal act of the country, was preceded by the Comprehensive Proposal for the Kosovo Status Settlement of the Ahtisaari Package, prepared by Martti Ahtisaari, the United Nations Special Envoy. This package was the result of ongoing political negotiations with Serbia, mediated by the international community, as a plan to protect the rights of the Serbian community in Kosovo and to include them in the public decision-making processes, and it was also seen as the right way to increase political stability in the country. The process and scope of decentralization, as derived from the Ahtisaari Plan, intended to bring the Serbian minority within the parameters of Kosovo legislation. There are three main forms of decentralization implemented in Kosovo: “Fiscal decentralization, entailing the transfer of financial resources in the form of grants and tax-raising powers to sub-national units of government; administrative decentralization, where the functions performed by central government are transferred to geographically distinct administrative units; and political decentralization, where powers and responsibilities are devolved to elected local governments. This form of decentralization is synonymous with democratic decentralization or devolution.” (Scott, 2009)

Based on this plan, the Assembly of Kosovo adopted the Law on Local Self-Government, which has four main pillars that define proportional political representation in decision-making as the principle of local democracy. The pillars are:

- Local democracy (election of municipal bodies)
- Powers of local authorities (local autonomy)
- The organization and functioning of the system of self-government
- Supervision of local authorities

The legal framework creates the right for municipalities to enter into inter-municipal and cross-border cooperation, but without the right to form a second level of government or to mediate. “The municipality is allowed to enter into cooperation with other municipalities, to strengthen local economic development, the efficiency and effectiveness of service delivery to the citizens and various interest groups. Right of cooperation at the local level, both in terms of inter-municipal national and that municipal international, as well as the right to form and to join the association, is one of the rights and principles promoted and guaranteed by the Charter,” (European Council: European Charter on Local Self Government). The law also gives municipalities the right to form associations for protecting their rights and common interests, but they have no right to exercise any kind of power. The work of such municipal bodies is supervised by the Ministry of Local Government Administration (MLGA), to ensure that all activities are in accordance with the laws of the Constitution of Kosovo.

Many scholars have researched the effect of decentralization in Kosovo. According to Markus Schultze-Kraft (2013), “despite efforts by the international community to help establish a functioning system of decentralized governance, accountability in the country remains weak, and issues of accountability have been of secondary importance.” Tranchant concludes that, “decentralization dampens all forms of ethnic violence for groups spatially concentrated enough and/or for groups having a local majority...” but there is need “to build checks and balances mechanisms at the regional level for local minorities not being harmed by the decentralization process.” Siegle and O’Mahony find that, “decentralization initiatives that support increased levels of local government expenditures, employment, and elected leaders have been less likely to succumb to ethnic conflict.” The Kosovo Serbs are attempting to implement roughly the same approach in Kosovo, by enabling the construction of ethnic parallel structures and institutions, including the recent attempt to establish the Association of Serb Municipalities with extra powers compared to those with a majority of Albanian inhabitants (Beha and Visoka, 2010).

In 2008, in order to assess views on decentralization, the Center for Social Development conducted a survey of the Serbian community of Gracanica, Partes, and Novo Brdo in which 78.8% of them supported decentralization. This was strongly due to the fact that the system granted them a high degree of autonomy and full integration in the institutional economic and social life of the country. However, according to the Ministry of Local Government Administration, “the system of local self-government was built in accordance with international standards and the needs of the citizens of Kosovo, but improvements are necessary and adjustments of several aspects of the way it functions, which have been proven practically to not work well. Such improvements and adjustments are integral to the system, aiming to develop the locality where they act and not just the system. Improving the system never ends since a citizen’s request for a better life also never ends”.

## **3.2. THE ORGANIZATION OF LOCAL GOVERNMENT IN KOSOVO: MAYORS AND MUNICIPAL ASSEMBLIES**

The local government structure in Kosovo is simple and has clear functions. Municipalities represent the basic unit of local government, consisting of two main bodies: The Municipal Assembly and the Mayor. Both of these main bodies are elected through a democratic process, through the citizen’s vote by a secret ballot. The assembly consists of elected representatives of the country’s political parties, with the majority holding the decision-making power. It consists of two permanent committees, ensuring professional and legal work.

However, the chief executive authority is held by the Mayor of the municipality. In this position, the mayor has the right to appoint his/her deputy and the heads of the municipal administration. Moreover, the mayor is in charge of establishing policy, organizing, directing and managing the budget of the municipality, and overseeing project implementations, with the help of administrative offices.

### 3.3. LOCAL GOVERNMENT AS A SERVICE PROVIDER

Providing a range of quality services for its citizens is the main function of the local self-government system in Kosovo. Those services help establish a link with the local government, and at the same time, to maintain a link between local government and the central government. Based on the needs of the community, the municipality provides three categories of different services: Basic services, transferred services and specialized services (MLGA, “Report on the Capacity Assessment of the Municipality”, 2011).

The main areas of basic municipal services are: The creation of conditions for local economic development in both rural and urban areas, supporting citizens in land planning and agricultural development, creating and protecting a healthy environment, providing public spaces and assistance to local emergencies, providing public pre-school, elementary, high-school, and higher education, providing public housing for citizens in need, creating and naming addresses, licensing public services such as cultural activities, housing, markets, food, public transportation, maintaining public spaces, providing primary health care and public health education/awareness, promoting and developing tourism and culture, and providing social welfare.

Transferred services on the other hand are the services that primarily are provided by the central government, but they can also be delegated to local authorities, provided that the municipality fulfills the conditions of offering quality services.

In Kosovo, there are six types of transferred services, and those are: cadastral services, civil registration, voter registration, business registration and licensing, distribution of social assistance payments and protection of forests. The Government of Kosovo has the right to delegate other services as well, proved that the municipalities have the capacity to cover them; however, if the central government assesses that the municipality is not delivering the services transferred to them successfully, this right can be withdrawn. (MLGA, Organization and Functioning of Local Self-Government in Kosovo, 2011).

Because of the political context in the country, some Serb-majority municipalities are entitled to provide services that are the exclusive right of the Government, including: The provision of secondary healthcare services, provision of services at the university level, protection and promotion of Serbian cultural and religious heritage and participation in the nomination of the police commander for the Serb community (Assembly of Kosovo: “Law on Local Self-Government, 2008).

The funding for all these services comes in different forms. The municipal budget derives from its own municipal revenues, by providing administrative services to the citizens, as well as from government grants and donations from various agencies. The budget has three main components: wages and salaries, goods and services and capital expenditures. To fulfill these expenditures, the municipality receives: general grants,

grants for enhanced competences, transfers to the delegated competences, extraordinary grants, financial assistance from Serbia (for the Serbian community), and revenues from municipal borrowing (Assembly of Kosovo: "Law on Local Government Finance", 2009).

In Kosovo, the functioning of the system is evaluated on principle, by measuring the provision of services to citizens, and the Ministry of Local Government Administration has built an administrative system for this purpose. There are different Municipal Performance Management Systems (MPMS). The Municipal Performance Management System is based mainly on standards and measurable indicators according to the SMART method i.e. Specific, Measurable, Attainable, Realistic and Timely. The MPMS system in Kosovo has 95 indicators that correspond to the achievement of the municipalities in 15 fields of services, out of 28 services provided in total (MLGA, Organization and Functioning of Local Self-Government in Kosovo, 2011).

### **3.4. BEYOND MUNICIPALITIES: LOCAL GOVERNMENT COOPERATION AND RELATIONS WITH CENTRAL AUTHORITIES**

Despite the fact that decentralization offers a high degree of autonomy in policy and decision-making in the country, in order to create the desired results and the support needed, local government should foster healthy cooperation with the central level. Decentralization reforms often lead to tensions among various stakeholders, because decentralization is about redistribution of power within and between levels of government, with different actors having opposing interests in the reforms. Four actors are typically relevant in local accountability systems: local residents, local governments, producers of local government services, and higher levels of government, including central government (Schroeder 2004: 5). Each has particular relations of accountability with the others. These relations depend on the historical, social, and political constitution of the powers of each actor, which may be based on ideology, wealth, heredity, election, appointment, or other means (Agrawal and Ribot 1999).

There are several preconditions that determine successful relationships between central and local government, as indicated by the World Bank (1989: 88) and Heymans & Totemeyer (1988: 6). These preconditions are:

- the need and urge for a strong system of local government in a democratic political environment;
- that local government be allowed to play a vital role as a full partner in regional and national development;
- a fair division of financial resources between central, regional and local bodies;
- a fair division of human resources between central and local government;
- formal and effective checks and balances between central and local government;
- full and adequate consultation and a regular flow of accurate information at and between all levels;

- the full participation of each citizen, irrespective of race and gender at all levels of administration and government; thus, the extension of democracy to all spheres of government;
- political and social harmony;
- defined legal relations between the different levels of government and the ability for local pressure on central government to change legislation;
- trust and honesty as basic principles of government; and
- openness to innovation.

So, cooperation between these two levels is essential in order to drive the necessary development in the country. The administrative review of municipal acts by the central authorities in their field of competencies is foreseen as a good opportunity to limit legal violations during the work of municipal bodies as well. Despite the high degree of autonomy that the municipalities possess in carrying out their activities, the legislation has established a degree of dependence in relation to the central authorities, to ensure prevention of violations of the law (Republic of Kosovo, MLGA: “Report on functioning of municipalities”, 2013).

With regard to illegal acts, the law allows the Mayor with the approval of the Municipal Assembly to take two measures in order to avoid violations of the law:

- A request addressed to the Municipal Assembly to review a municipal act before it enters into force, when considering that the act violates the applicable legislation and/or the interest of the communities.
- The possibility of a supervisory organization reviewing the legal act in order to provide an answer in regard to the possibility of implementation of a general sub-legal act (MLGA, Organization and Functioning of Local Self-Government in Kosovo, 2011).

And, although municipalities enjoy a high level of local self-governance, central authorities are competent to supervise and control them for the purpose of ensuring all acts are according to the law. The legal framework sets out the mechanisms of administrative review and supervision of the implementation of legality from the central level. “Every administrative control of activities of local authorities should aim only the respect of law and constitutional principles” (Council of Europe: European Chart for Local Self-Government, 1991).

Technology has also helped ensure no law is violated, through an online monitoring of the municipalities in Kosovo. The Ministry of Local Government Administration installed a special program to enable supervision from a distance by telecommunication. This was done with the purpose of advancing the system of monitoring and communication with the municipalities in the Republic of Kosovo. The software for citizen service centers was also installed integrating them into the municipal websites (MLGA: “Guidance for the system of monitoring and supervision of municipalities, p.13, 2012). This was done to promote transparency and to increase levels of trust between the citizens and their representatives.



## 4. CONCLUDING REMARKS

Creating policy that helps improve the lives of the citizens of a country is one of the core responsibilities of the government. Since providing quality services one-on-one is an arduous process, the establishment of local governments helps lessen the challenges of this responsibility. The local government establishes the essential link between the government and the citizenry, since it provides a platform for the voices of citizens of a particular geographical area to be heard and taken into account in the decision-making process. This aspect of local governments ensures that one of the main tenets of democracy, free speech and a free, transparent election process is accomplished. Local government is also a channel for citizens to raise their concerns about specific community problems, and to help achieve what cannot be done alone, thus working together to determine the public agenda, and so to push forward the development of the community and tend to their needs. With globalization and information technology advancing daily, governments are trying to reexamine the roles of different levels of government, in an effort to improve the relationship between the government and civil society. On this basis, the reforms have enabled the shifting of a number of responsibilities from central to local government.

Decentralization, inherently a political process, has helped push these objectives forward, in the hope of creating a stronger local government, increasing citizen engagement in the public decision-making process, and reducing the majority/minority tension that exists especially in post-conflict countries, and thus to advance post-conflict reconstruction. The level of autonomy granted to the local government, that comes with decentralization, is seen as a step in the right direction to promote and preserve human rights, especially for geographical areas with citizens who are not a majority in the country. Creating effective policy is a process that does not come without a lot of challenges and conflict, since most communities represent different interests and interest groups. However, in a democracy, an open way of communicating between different parties and interest groups is the only method to manage conflicting views and help to reach a resolution.

With open communication between decision-making authorities and a development mindset for the community, positive change can happen not only within the time during which the elected officials serve, but also in the community's future. The elected officials should be cautious to work effectively so they meet the needs and interests of the community, since seeing positive results and improvements in their quality of life is the only way to gain the citizens' trust, and help create the preconditions for a more collaborative, participative citizenry.



## APPENDIX 1:

### List of Municipalities of Kosovo<sup>2</sup>

Official name (Albanian)	Official name (Serbian)	Population (2011)	Area (km <sup>2</sup> )	Density (km <sup>2</sup> )	Settlements
Deçan	Dečani	38,984	180	216.6	37
Dragash	Dragaš	33,997	435	78.2	35
Hani i Elezit	Elez Han	9,389	83	113.1	11
Ferizaj	Uroševac	108,690	345	315	45
Gjakova	Đakovica	94,557	587	161.1	91
Gjilan	Gnjilane	90,015	385	233.8	54
Glllogoc/Drenas	Glogovac	58,531	290	201.8	37
Graçanicë	Gračanica	10,675	131	81.5	16
Istog/Burim	Istok	39,289	454	86.5	50
Junik	Junik	6,078	86	70.7	10
Kaçanik	Kačanik	33,454	221	151.4	31
Kamenicë/Dardanë	Kosovska Kamenica	35,600	423	84.2	58
Klinë	Klina	38,496	308	125	54
Klllokot	Klokot	2,556	24	106.5	4
Fushë Kosovë	Kosovo Polje	34,827	83	419.6	15
Leposaviq	Leposavić	18,600	539	34.5	42
Lipjan	Lipljan	57,605	422	136.5	70
Malishevë	Mališevo	59,722	361	165.4	43
Mamushë	Mamuša	5,507	11	500.6	-
Mitrovicë	Kosovska Mitrovica	71,909	350	205.5	45
Mitrovica Veriore	Severna Kosovska Mitrovica	29,460	11	2,678.2	-
Novobërdë/Artanë	Novo Brdo	6,729	204	33	24
Obiliq/Kastriot	Obilić	21,549	105	205.2	19
Rahovec	Orahovac	55,053	276	199.5	32
Partesh	Parteš	1,787	18	99.3	3
Pejë	Peć	96,450	603	160	14
Prishtinë	Priština	198,897	572	347.7	41
Prizren	Prizren	177,781	284	626	74
Besianë	Podujevo	90,499	663	133.5	76
Ranillug	Ranilug	3,866	78	49.6	18
Skënderaj	Srbica	50,858	378	134.5	49
Shtërpçë	Štrpce	6,949	247	28.1	16
Shtime	Štimlje	27,324	134	203.9	23
Suharekë/Therandë	Suva Reka	54,613	306	178.5	42
Viti	Vitina	46,959	278	168.9	39
Vushtrri	Vučitrn	69,870	344	203.1	67
Zubin Potoku	Zubin Potok	14,900	333	44.7	29
Zvečan	Zvečan	16,650	122	136.5	35

<sup>2</sup> Data obtained from the Kosovo Municipalities Association ([www.komunat-ks.org](http://www.komunat-ks.org))

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## ABOUT THE AUTHORS



**BESNIK BISLIMI, Ph.D.**

Besnik Bislimi became a member of RIT Kosovo (A.U.K) faculty in November, 2004. Since then he has taught several economics courses including Microeconomics; Macroeconomics; Public Finance; Monetary Analysis & Policy and Natural Resource Economics.

Besnik Bislimi studied Macroeconomic Analysis at the Faculty of Business Administration, University of Zagreb, Croatia, from 1990 to 1994. He received his PhD in Macroeconomics, with specific focus on Public Finance from the University of Freiberg, Germany in February 2005. In addition, Besnik spent four months as Fulbright Scholar at the Andrew Young School of Policy Studies, at the Georgia State University in Atlanta in 2008.



**CHAD BRIGGS, Ph.D.**

Chad Briggs, Ph.D. teaches courses in international relations and public policy at RIT Kosovo (A.U.K). Dr. Briggs's current research focuses on post-conflict environmental health and energy reconstruction, disaster planning in the Arctic and Europe, and integration of energy and environmental risks to joint planning and intelligence operations.

Dr. Briggs received his PhD in Political Science from Carleton University in Ottawa, Canada in 2001, and has also worked for US and international governments in fields from communications policy to defense planning. His research specializes in translation of complex scientific data into risk assessments and strategic planning, and he has taught at various civilian and military institutions in the US and abroad.



**FATON BISLIMI, MPA/ID**

Faton Bislimi is an expert on socio-political developments in the Balkans and especially in Kosovo. An American educated scholar with several published refereed articles and academic book chapters mainly on state building and international intervention in Kosovo, and US-EU relations and their impact on the Balkans region.

In 2005, he graduated, summa cum laude, from Texas Lutheran University with a bachelor's of science degree in computer science and a bachelor's of arts degree in mathematics. In 2007, he received a master's degree in public administration and international development from Harvard University's Kennedy School of Government, where he was a Kennedy Fellow. In 2010, he graduated from Dalhousie University in Halifax, Canada, with a master's degree in international relations, where he also served as a research fellow at the university's Centre for Foreign Policy Studies.

Currently, he is completing his Ph.D. in political science at the University of Alberta, in Canada, where he has been a recipient of a SSHRC Joseph Armand Bombardier Scholarship and an EU Centre of Excellence Doctoral Fellow.



**GARENTINA KRAJA, MA**

Ms. Kraja initially joined RIT Kosovo (A.U.K) in 2013 to teach Religion and Globalization, International Relations, Comparative Politics, and Public Speaking. She was the first faculty member to teach the Faith and Globalization class at RIT Kosovo (A.U.K). Ms. Garentina Kraja served as the Advisor on Foreign Policy and Security to Kosovo's President, Madam Atifete Jahjaga. In addition to her duties as an advisor, Ms. Kraja was also a speechwriter for the President.

Ms. Garentina Kraja graduated cum laude from Yale University with both a Bachelor of Arts and a Master of Arts in Political Science. In the same year, Ms. Kraja was awarded the Charles W. Clark Prize for the best senior essay in Comparative Politics, from the Department of Political Science of Yale University.



**MARK A. BASKIN, Ph.D.**

Dr. Mark A. Baskin is Director of the Peace and Conflict Program and teaches public policy and international relations at RIT-Kosovo (AUK). Earlier he was Research Professor of Political Science at the University at Albany's Department of Political Science, a senior fellow at the State University of New York Center for International Development, and director of research at the Pearson Peacekeeping Centre in Canada.

He worked in UN peacekeeping in Kosovo, Bosnia-Herzegovina, and Croatia on second track diplomacy, policing, rule of law, local government, missing persons and war crimes. He has held academic fellowships in the Balkans and at the Woodrow Wilson International Center for Scholars in Washington, D.C. He has consulted for many governments, international organizations and NGOs, and has managed development projects in the Balkans, Middle East, Asia, Pacific Islands, and Africa. He has published on policy making in the Balkans and in developing countries, ethnic nationalism, Balkan economic and political transitions, Russian foreign policy, rule of law and distributive politics.



**MENTOR NIMANI,  
ESQ. LLM/MA, MALD.**

Mentor Nimani is a Lecturer of Public Policy and International Relations at RIT Kosovo (A.U.K). Among others, he worked as a Research Assistant with Global Development and Environmental Institute, Tufts University in Boston, United Nations Secretariat on the Convention on Human Rights for People with Disabilities in New York City, and National Albanian American Council in Washington, D.C.

In 2001, Mentor received the full scholarship award from the Rule of Law Center, he graduated with LLM/MA Master of Arts in International and Comparative Law Degree at The George Washington University Law School, Washington D.C. In 2003, he graduated with the Master of Arts in Law and Diplomacy at the Fletcher School of Law and Diplomacy, Tufts University in partnership with Harvard Law School, Boston, Massachusetts.



**ROBERT MUHARREMI, Ph.D.**

Robert Muharremi has graduated in law at the Universität des Saarlandes, Germany, and he has obtained a Ph.D. from the Universität des Saarlandes, Germany, in law. He has also earned a Master of Science in Public Policy and Management at the University of London/SOAS.

Dr. Robert Muharremi Robert has provided legal and policy advice to several government institutions in Kosovo, including the Office of the Prime Minister, the Assembly of Kosovo, the Ministry of Economic Development, the Ministry of Finance, the Ministry of Trade and Industry and the Ministry of Health. He has published in various academic journals on legal and public policy topics. He is a member of the International Law Association and an Associate with the Chartered Institute of Arbitrators in London.



**VENERA DEMUKAJ, Ph.D.**

Venera Demukaj joined RIT Kosovo (A.U.K) Faculty in March 2011. She teaches Economics of Less Developed Countries and International Trade and Finance. Previously she has worked at the University of Prishtina and Institute for Development Research Riinvest.

Venera received her Ph.D. from the School of International Studies, University of Trento, in June 2011, with a dissertation on 'Aid Effectiveness in Post-Conflict Countries.' During her Ph.D. research, Venera has spent three months as an intern at UNU-WIDER in Helsinki. She holds a Master's degree in International and Development Economics from HTW in Berlin and Bachelor's degree in Banking and Finance from University of Prishtina.

Katalogimi në botim – (CIP)

Biblioteka Kombëtare e Kosovës “Pjetër Bogdani”

352(496.51)

Principles and Practice of Public Policy in Kosovo / edited by Mark Baskin and  
Faton Bislimi. - Prishtinë: RIT, 2019. – 235 f.: ilustr.; 24 cm.

1. Baskin, Mark 2. Bislimi, Faton

**ISBN 978-9951-8982-0-1**





ISBN 978-9951-8982-0-1



## ABOUT THIS BOOK

Governments enact public policies to address the domestic and foreign problems facing society and to improve living conditions in the country. "Policy making" takes place in national and local government, in the executive, the parliament and judiciary.

This book emerged from the authors' work with public servants from Kosovo ministries, agencies and local government over the past three years. It includes a comparative introduction to public policy and chapters on important issues facing policy makers: Rule of law, child labor and social protection, environmental and natural resources management, security and terrorism policy, macroeconomic performance in Kosovo, and local governance and public policy making.