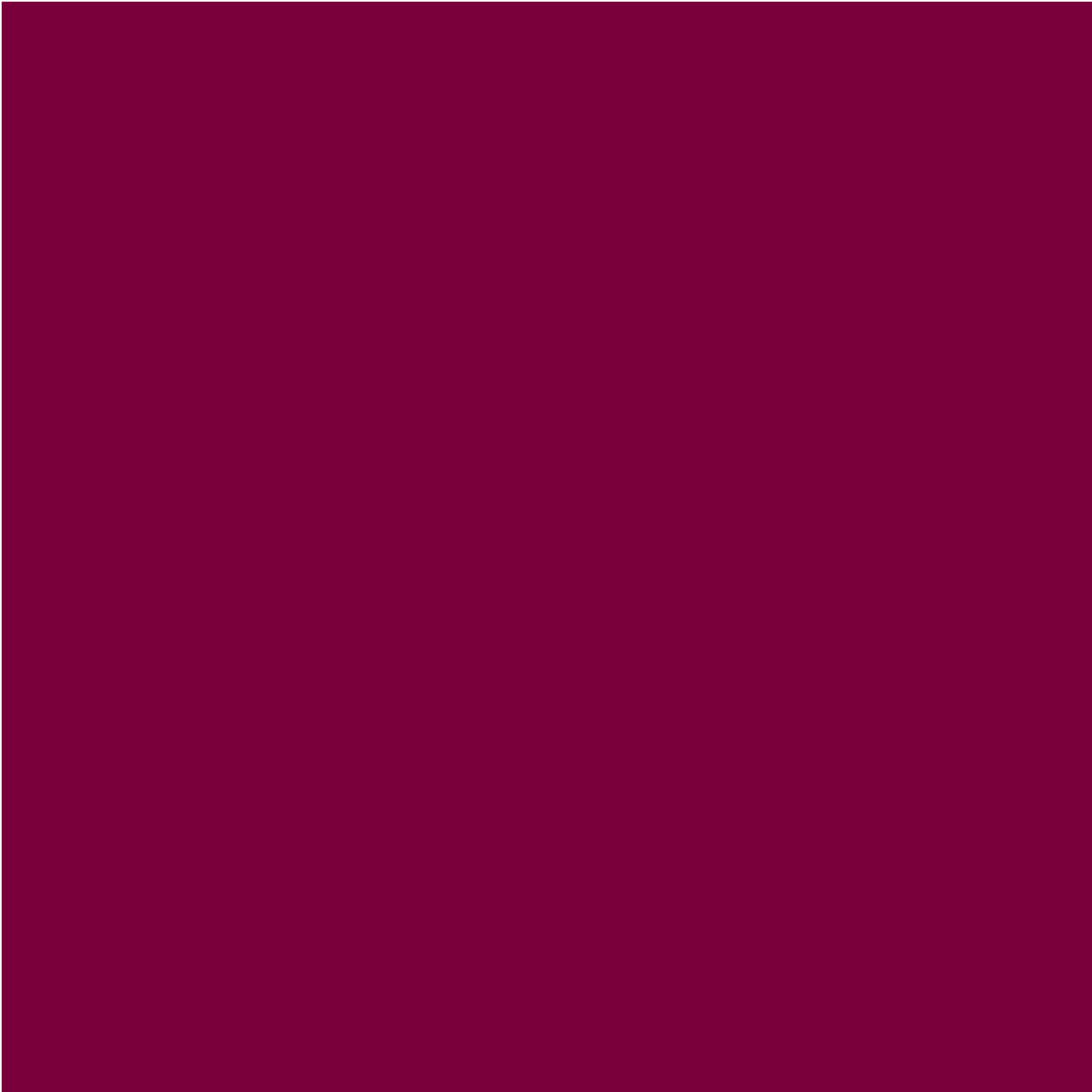


Semi-annual report
April–September 2003

Kosovo



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Serbia and Montenegro have asserted the formation of a joint independent state, but this entity has not been formally recognized as a state by the United States.

Legend:

- Republic boundary
- - - Autonomous province boundary
- ⊙ Province capital
- ++++ Railroad
- Road
- ✈ Airport

Scale 1:1,060,000
Lambert Conformal Conic Projection,
standard parallels 38°N and 47°N

0 20 Kilometers
0 20 Miles

3

1 Recent Developments in Kosovo

1.1 The Political Situation

The main events on the political arena in Kosovo during the past six months have been the Kosovo participation in the European Council Meeting in Thessaloniki at the end of June, Mr. Michael Steiner handing over his assignment as SRSG and head of UNMIK to Mr. Harri Holkeri, and the preparations for the direct dialogue between Belgrade and Pristina due to begin on October 14.

The Provisional Institutions of Self-Government (PISG), including the Assembly and the Government have been up and running for about 18 months. The transfer of responsibilities from UNMIK to the PISG is still ongoing, albeit amongst continuous concerns from the PISG side regarding the speed of the process. SRSG Holkeri has announced that he foresees that the process of transferring the competences contained in Chapter V of the Constitutional Framework will be concluded at the end of the year. For the rest, the responsibility lies with the UN Security Council.

SRSG Holkeri has underlined that he will continue to pursue the “Standards Before Status” policy, including the benchmarks identified by SRSG Steiner. Normalisation of relations with Belgrade, through a dialogue process to resolve technical issues, is the benchmark that Holkeri has chosen to focus on from the beginning of his tenure. Fulfilment of other benchmarks is partly dependent on that normalisation.

The issue of conditions for participation in the direct dialogue were immediately politicised after the commitment to take part was made in Thessaloniki. The PISG and other elements of the local political life have used the dialogue to score political points, instead of actually preparing for the technical issues that were to be discussed. The SRSG announced that the dialogue will be launched in Vienna on October 14, with a high-level meeting. As soon as possible after that, technical working groups on transport and communication, energy, missing persons and return of refugees will be instituted and start their work.

Inter-ethnic violence has continued during the last six months, with fewer but graver incidents. When in August somebody shot at a group of bathing Serb boys, killing two of them, this was used to maximum political effect both by Belgrade and Pristina, not least since the shooting occurred only hours after Holkeri had arrived in Kosovo for his first visit.

1.2 Economic development

Kosovo's economy has noticeably improved. The growth rates enjoyed during the recent past have been admirable, but its causes are diminishing. These were primarily the flow of donor funding and remittances from abroad. The economy was estimated to grow at a 4.5% rate during the year 2003, but the visible slowdown in activity during the second-half of the year have put that into question. If the estimate holds, than Kosovo's GDP should measure about Euro 2.1 billion. Per capita GDP during the year 2003 should amount to about Euro 1,200.

Consumptions, however, will be much higher than this, since financed by donor funding and remittances from abroad. Kosovo remains one of the poorest parts of Europe, with over one-half of the population poor and 12% living in extreme poverty. Poverty is widely visible, more than ever, and the number of poor is growing at worrisome rates. One reason for this is the continuing high birth rates, especially in rural areas where poverty is much more prevalent. Unemployment remains very high. Officially, it stands at more than 50%. The unemployment rate is expected to continue growing, primarily because of the young structure of the population, that leads towards a large number of people joining the "active resident" group.

In the fiscal sector, improvements are well noticeable. The Kosovo Consolidated Budget has increased drastically, primary due to the introduction of new taxes. The issue of budget management is still very much disputable. Budget funds are not spent appropriately, and continue to be carried forward. The Kosovo Consolidated Budget for the year 2003 was approved at Euro 489.1 million, however up to the end of June, only about 28% of the allocated funds were used. In the meantime only 56% of the carried over commitments from previous years were spent. The budget continues to be financed primarily by border taxes, accounting for about 64% of total revenues. A positive development is the fact that domestic taxes have increased their share of budget financing. The budget is expected to grow for the year 2004 to somewhere around Euro 600 million. This will be possible thru the application of new revenue generating measures, centrally and locally, and an increase in compliance rates.

The banking sector continues improving, and the credit markets keep expanding. The volume of loans has grown on average of 32% yearly. The loans are of short-term maturity and have punitive interest rates, which are also decreasing. The deposit base has stabilised, with a minor positive trend noticeable. A worrying characteristic is that only little more than 30% of the total deposits are marketed in Kosovo. This implies that about Euro 300 million in deposits are placed by Kosovo commercial banks overseas. The improvement of the legislative framework is urgently needed in order to correct this. The insurance sector is experiencing its first problems. One insurance company "Drini" has already been relegated under the BPK management. There are troubling signs that many other insurance companies are facing liquidity problems.

Prices have been experiencing a downward trend. This is not surprising since Kosovo has adopted the Euro as its legal tender; therefore, it has imported the deflationary trends of the euro zone. A more worri-

some factor is the enormous trade deficit that it is suffering. Without access to international capital markets, or international financial institutions, Kosovo cannot continue this unbalance. The trade deficit has already impacted the money supply, which is shrinking.

The much anticipated privatisation process has hit the wall. Recently, the third group of companies offered for tendering has been postponed. KTA executives have expressed concern about their personal liabilities in case of potential lawsuits, and for that reason have decided to put the process on hold. Of the 31 companies offered, to date, 25 were “contracted” for, but only 4 contracts have been signed.

1.3 Social development

The social situation in Kosovo continues a sense of stillness. This does not necessarily mean improvement, but rather uncertainty. Constant political developments and a deteriorating economic situation hold the social order at the edge. Overall, crime rates have continued decreasing. Yet cases, publicly spoken as being politically motivated keep occurring, and go on unsolved. A development in that sense is that UNMIK police has initiated a special squad to investigate these “high-profile” crimes. One such recent act is the murder of the youths of Serbian minority during the past summer in the Dukagjini region and the murder of the Serbian family in the Obiliq region, followed by burning of the house. A noticeable exception to these incidents is the increasing presence of minorities in the majority areas of Kosovo, especially urban. In general, the country still remains deeply divided on ethnic lines. The Serbian minority population continues to reside, predominantly, in Serbian dominated areas, in part motivated by recently discovered “supplemental” income provided by the Serbian government.

Although much effort and resources are being allocated to returnees, the situation remains bleak. Returns continue to be focused in areas where the returnees ethnic group dominates in number. The number of the returned minority population during 2003, to date, is 2653. Of them about 44% are Serb, about 32% Roma/Ashkali/Egyptian and 9% Albanian. The demographic composition of the returnees is not promising. Most of them are elderly, or families with less potential to create a better life for themselves anywhere else. There are virtually no younger professionals among the returnees.

The infrastructure of the country continues to be detrimental to its social and economic development. Power cuts continue and are supposed to be worst during the coming winter season. Water supply is still rationed, with rural areas being hit the hardest. It is estimated that only about 44% of the population drinks tested water.

The educational system needs drastic reforms. The “public servant” status of the academics makes them the lowest paid professional group in Kosovo. The high functional illiteracy rates, limited enrolment possibilities and the young population is having a negative effect on the quality of the labour force.

Despite a drop, Kosovo’s population is still the fastest growing and youngest in Europe. This in itself stretches the resources very thin. The public health care sector, although improving, cannot provide the

quality service necessary nowadays. The risk of infectious disease in the future is very high. Lack of preventive medicinal experience, coupled with poor nutrition and lack of access to health care providers, contributes to a relatively high infant mortality rate.

2 Swedish Development Co-operation and Donor Co-ordination

2.1 Development Co-operation Strategy and the Development Co-operation Agreement Kosovo

The present Swedish Development Co-operation with Kosovo, implemented by its Government Agency Sida, is based on the Strategy for Development Co-operation with Kosovo November 2002–December 2004 adopted by the Swedish Government. The volume of assistance is being reduced to approximately SEK 100 million annually, and development co-operation is being redirected from pure humanitarian aid to more long-term measures such as institutional building, economic reform, the civil society and promotion of multicultural coexistence. The co-operation continues to help sustain EU's Stabilisation and Association Process, which is the foremost instrument for speeding up the integration of Western Balkans into EU structures, in order to work towards the overall goal of Swedish Development Co-operation to raise living standards and to fight poverty in all aspects.

Lessons learned are used from other countries of the region when preparing similar projects and programmes in Kosovo. There are also several regional programmes, especially within Human Rights and Democracy, which also covers activities in Kosovo. Besides the general development objectives for Kosovo – *lasting peace in region, democratic development, return of refugees, social and ecological market economy and growth* – as well as guiding principles – *EU-integration, regional perspective, multi-ethnicity, local ownership, donor co-ordination* – efforts are increasing regarding gender equality and environment impact assessments as well as to mainstream gender and environment into all programmes. Within all projects and programmes there is also high elements of capacity building, training and education.

Sida is now fully integrated into the newly established Liaison Office of Sweden, headed by a representative from the Ministry of Foreign Affairs as well as part of the Embassy of Sweden in Belgrade. The development co-operation is in legal terms based on the signed Agreement on General Terms from Development Co-operation, between UNMIK and the Government of Sweden.

2.2 Commitments and Disbursements

Sida has committed approximately SEK 110–120 million for 2003. This is in accordance with the gradual decreasing of Swedish funds during the Strategy period. Disbursements are at date a bit more than SEK 70 million. There are still some major committed disbursements to come during the rest of the year 2003, especially within infrastructure, but also in e.g. the integrated area programmes, microcredits, local institutional building (see Annex 1 for details).

2.3 Donor Co-ordination

Donor Co-ordination continues to be a difficult and contested challenge in Kosovo. It takes place at various levels and in different forums, even though it might be more accurate to call it “information-sharing” rather than actual co-ordination. On behalf of the local authorities, the Ministry of Finance and Economy (MFE) invites multi- and bilateral donors to both general and sector meetings on various topics. A specific local donor co-ordinator is assigned within the MFE. On the policy level, increased capacity for donor co-ordination at the Prime Minister’s Office is being developed. Among European bilateral donors the European Agency for Reconstruction (EAR) arranges meetings every second week.

2.4 Project support for EU-integration

Many of the Sida-financed projects are core activities directly supporting the EU:s Stabilisation and Association Process (SAP). Especially projects supporting an efficient public administration (within Statistics, Cadastre, Municipalities), the establishment of a market economy (including the reform of transport or energy companies), as well as an environmentally sustainable development. Several activities are also indirectly supporting the SAP, i.e. projects strengthening democratic principles and human rights, projects facilitating the return of refugees or internally displaced persons and projects supporting social development. Several of the programmes are in direct attachment to CARDS and EAR funded programmes, where Sida contributions add value to ongoing and more extensive EU-programmes.

3 Sida Programmes and Projects

3.1 Human Rights and Democracy

According to the strategy for Kosovo, ongoing projects in the field of democracy and human rights are to be continued and expanded. The support to and development of a strong civil society is mainly channelled through the three framework organisations active in Kosovo, namely Olof Palme International Centre (OPIC), Kvinna till Kvinna (KtK) and the Swedish Helsinki Committee (SHC) and the cooperation has been productive and fruitful. The Strategy also points out the importance of gender equality in all aspects of Swedish development cooperation. Gender issues have also been an important issue during this reporting period and will continue to be so, with for example gender training for all partners of Sida in Kosovo. The follow up of the evaluation of IOM's anti-trafficking project has also been a priority.

KtK is the only framework organisation that so far has a local office in Kosovo. KtK supports eleven women organisations and their work with education in, for example English, human rights and Internet will continue. The National Action Plan on the Achievement of Gender Equality (NAP) in Kosovo was presented in May 2003 and several of the partner organisations of KtK have taken an active part in the work with the NAP. Another step forward for gender equality in Kosovo was the establishment of a system of Municipal Gender Officers in each of the 30 municipalities by the UNMIK Office of Gender Affairs. There exists a good co-operation between several of the partner organisations of KtK and some of the Municipal Gender Officers. Another issue of concern is violence against women and trafficking of women and children and this was also given special focus in the annual report of Center for Protection of Women and Children. Freedom of movement is a problem for several of the women organisations. KtK in Sweden was also granted support for their regional anti-trafficking programme, which will also include Kosovo in future activities.

OPIC continues to work with the same five organisations adding one new partner, Qendra 1999, working with children rights. OPIC continued to support the development of KIPRED, within the framework of Kosovar Civil Society Foundation, an IT-based democracy platform. KIPRED aims to facilitate and support the consolidation of democracy within Kosovar institutions and political parties and several interesting

initiatives have taken place. Kosovo Humanitarian Law Center continued to monitor trials and raise the awareness concerning human rights in Kosovo. The two-year project management course organised by IPKO Institute started in the beginning of the year and has been successful so far.

SHC continued its activities with financial support to eight different projects. The support is focusing on various forms of media. The partners of SHC in this field varies from newspapers with national coverage such as Zeri Daily to local radio stations with a multi-ethnic perspective such as for example Radio K. SHC has also further developed the co-operation with their partners focusing on children and youth questions (Qeshu-Smile and Youth Vision).

An evaluation of the regional counter-trafficking programme of IOM took place during the spring and summer. The evaluators did not visit the office in Kosovo. During the summer and early autumn, intense discussions about the evaluation and possible follow-up has taken place between the IOM office in Kosovo and the Liaison office of Sweden. A Swedish JPO will start working at IOM – Counter Trafficking Unit during the autumn.

3.2 Justice and Home Affairs

The guidelines for Swedish bilateral support within the sector of Justice and Home Affairs for the Western Balkans was ready during the summer and an intensified work with the guidelines started. Discussions with several different actors within this sector in Kosovo are taking place at the moment concerning possible future support.

3.3 Institutional Capacity Building, Public Service

Sida's support to the Statistical Office of Kosovo (SOK), continues thru the implementing partner, Statistics Sweden. This support has been conducted in two separate fields, agriculture and economics/IT.

The Agricultural Statistics project started in a new phase in March 2003 and includes activities of increased capacity building for compilation and publication of agricultural statistics, agricultural economy etc. The objectives are to build sustainability into the project through more basic training and to monitor the effectiveness of the methods already transferred.

The IT component has been deployed, and training has been ongoing. Considering the IT capacity of the staff at the initiation phase of the project, this component has been quite successful.

The field of economic statistics remain the most sensitive part of the development effort at SOK. The need for appropriate information from local decision-makers has exponentially increased, while production of economics has been slow. Many factors have contributed to the lack of productions. The important thing is that production is far behind satisfying the need of the stakeholders. The business register is yet to be published, and the Household Budget Survey is not frequent enough. Local capacity still lacks the ability to work independently, in most cases.

The development of SOK has been prioritised by many other agencies. Involved in the project, separate of Sida, are also EAR with its

implementing partner, ICON Institute, Eurostat, and as of January 2004 a resident advisor appointed by the International Monetary Fund is expected to support in the development of National Account Statistics.

The Kosovo Cadastre Support Programme is reaching its end at 31 October 2003. The general impression is that the mission has been quite successful, after the 3-year backing of Sida as well as the Governments of Switzerland and Norway. Throughout the past 6 months the objective for establishing a capacity to develop relevant cadastral activities at the central level co-ordination with municipal offices, resulted into capacity to undertake the specific cadastral activities within the KCA in respect to supporting the reconstruction of the Property and Rights Registries in Kosovo. Appropriate services from central level has been supporting the overall cadastral activities for reconstruction of the property rights, as well as for building a longer-term sustainable land registration system, including the strategy and the model for the future land registration system in Kosovo. Building the capacity of the Municipal Cadastral Offices through direct technical support and upgrading of the equipment, enable Municipal Cadastral Offices with capacity (human resources and survey/data processing equipment) to produce appropriate services on cadastre, land and property registration and transaction.

Regarding the trainings (this shared with implementing partners Norway and Switzerland) the training unit is established and in operation, the outcome, teachers from Kosovo trained. Staff from MCO units within KCA trained in general Cadastral systems and special items to meet the demands.

3.4 Integrated Area Programmes (IAP)

The minority return is high in the political agenda and one of the priority areas for UNMIK. Sida continues to support this process through using its IAP Implementing Partners.

Erikshjälpen started with a new program in March 2003. The plan was to build 90 houses in five municipalities (Fushe Kosove/Kosovo Polje, Lipjan/Lipljan, Obiliq/Obilic, Podojeve/Podujevo and Prishtine/Pristina) with the aim to reach a figure of 45 houses for minorities. Verification process for minorities was done in a close collaboration with ICMC (International Catholic Migration Commission) and UNHCR. The representative of the NGO conducted also two visits in Serbia to verify a real situation of returnees. From 96 houses approved for reconstruction, 44 houses will be reconstructed for minorities and that is almost according to the plan. From 44 families, 18 will be returnees from Serbia and Macedonia and the rest are families that already live in Kosovo. Erikshjalpen will also include two infrastructure projects, one in Fushe Kosove/Kosovo Polje and the other in Prishtine/Pristina.

LWF ended the program 2002–2003 covering 18 villages of two municipalities (Vushtrri/Vucitrn and Skenderaj/Srbica) by different projects. Project of house reconstruction covered more houses than planned. The plan was 279 houses and the result of the project was 361 reconstructed houses. Minority cases are mainly Ashkali returnees from Vojvodina to Vushtrri town. Rural infrastructure is improved by rehabilitation of 2 village feeder roads. Agriculture and Environment covers sheep distribution, vegetable production, different trainings,

improvement of school compounds and machinery pool & milk collection points (ownership remains under LWF for two years until repayment of the loan and other contractual obligations). Social development was implemented through establishment of women-centers, income generation activities, literacy trainings, scholarships for girls to attend secondary schools in towns and different trainings.

The new LWF program 2003–2004 started in July 2003. The main part of the program will be reconstruction of 90 houses with the aim to reach a figure of 50% for minorities while other components of the program will be very similar to the previous program. For all the projects they will try to balance the inputs between minority and majority part of the community for creation of the sustainable living conditions for everybody. So far during the reporting period, it has proven difficult to encourage minority return, especially Serb minority return, and to reach the 50% goal.

Caritas Switzerland proposed for program 2002–2003 to reconstruct 200 houses in two big villages in the municipality of Glogovac. Because of the great needs in that municipality and having in mind that the program is the last big one they decided to build a bit smaller houses and include more villages instead. Also the building material was cheaper than expected and that was the other reason to reconstruct more houses. None of the houses received labor assistance as the villagers needed to help each other to get another material for continuation of reconstruction. The result of the program was reconstruction of 339 houses in five villages. Infrastructure component included repair of the distribution network in some villages. Sida participated in the inauguration of the biggest electrical project and for villagers it was a big event as from that moment they can use their electrical equipment at homes. Agriculture includes mainly delivery of milk cows and in construction of stables.

3.5 Culture and Health

Sida granted support of approx. 9.872 MSEK for 2003 and 2004 to Culture Heritage without Borders (CHwB) for the restoration and capacity building in the sector of cultural heritage in Kosovo. During previous years, CHwB has for example restored different Kullas (traditional Albanian houses) in villages such as Isniq and Decan. During this reporting period, CHwB has focused on institutional capacity building and different workshops. A Culture Heritage Week is also planned for, taking place in Isniq in the beginning of October.

During the reporting period International Aid concluded their program of biomedical equipment repair training and building of workshop with tools and test equipment. The programme is reported to have ended in a success. Some left over funds will be used to strengthen the Don Bosko School in Pristina so it is positioned to continue the biomedical equipment repair technician training on its own for the future.

3.6 Local Institution Building

Sida continues to support the municipal part of the Treasury Ledger Programme (Free Balance). The organisational problems with merging the Central and Fiscal Authority into the Ministry of Economy and

Finance, affected the Treasury Ledger Programme as well. However, the initial issue has been solved to the satisfaction of all parties.

The project was formulated to enable timely and accurate updating of the budget, remotely from the offices of various municipalities. The network issue was favourably solved, where UNMIK has allowed the project to utilize its Wide Area Network (WAN) for its needs. However, the future of the network is still undecided. UNMIK has yet to make a decision on whether the WAN will be left for the needs of the Government of Kosovo, but indications do imply a positive response to that question.

To date, a large number of potential users have been trained and certified. Training encompasses not only the software itself, but also elementary financial accounting. The end goal is to have 60 Free Balance workstations in: all municipalities and regional ministerial offices. To date, 36 workstations have been installed and networked. These workstations are used to basically automate three various functions: revenue, expense and purchasing.

During the current phase of the project, IT issues have appeared. During certain times, the system down time has been unacceptable, and has interfered with the process. The Ministry of Economy and Finance has created a task force, encompassing the IT department and the Free Balance team to tackle the problem. Serbian majority municipalities have been lacking behind in training, notably due to the difficulties to travel. The Ministry has reached an agreement and will be sending trainers locally to conduct the training.

3.7 Private Sector Development

Sida has supported ADIE International in the “Rural Finance Project Kosovo” (RFPK). According to reporting, the project has improved. Progress reports cite a 92% sustainability ratio, and a high payback rate. The requests for loans keep increasing and the population it serves welcome the project. Field trips by Sida staff helps to assure that. Loan Officers previously trained have already achieved a level of experience that allows them to become even more efficient. Credit committees discuss the issue properly, and most of the decisions are brought unanimously. To date there are 18 Savings and Credit Associations (SCA). The original planned called for a higher number to be in existence, however funding issues forbade that from occurring.

The ABU loan of Euro 3.3 million was negotiated over a period of 7 months. In the end, ADIE and ABU could not agree to the term of the loan, therefore the loan application was initially rejected. However, after a short period of time, the negotiations were restarted, and there are still chance that the loan might be approved. Another issue that arouse was that of the savings component. Originally, the savings component of the project was a necessary pre-condition for the projects sustainability. But, rules and regulations of the BPK place a very low ceiling on the amount of savings that can be collected without submitting the necessary capital requirement, which for the project is unattainable. Therefore, the savings component has been put aside. Still, the project is continuing, albeit on a slowed pace. The umbrella organization covering the SCA's association has been formed and name “Kreditimi Rural i Kosoves”

(KRR). This is a shareholding company, shares of which will be equally divided among ADIE International, SIDI (a French Investment Company) and FIEK (the SCA association).

Sida is considering extending its support, and will be undertaking an evaluation of the project before reaching a conclusion. The private sector of Kosovo is planned to be the pillar for the economic development in the future. Sida is carefully considering various alternatives for support.

3.8 Environment, Agriculture and Forestry

Sida has asked Regional Environment Center (REC) and Ministry of Environment and Spatial Planning (MESP) to present a joint proposal for making an Environmental Action Plan for Kosovo. A concept paper was presented in late August, which also contained a proposal on how to continue ongoing projects to strengthen civic society and environmental NGO's. Discussions are ongoing. Sida has decided to support MESP in finalising their Environmental Strategy, a precondition before starting the work with an Action Plan.

Sida has taken initial contact with the University to discuss possible support for their MSc in Integrated Pollution Control and Prevention. Discussion has also started with Central Regulatory Unit (CRU) for future support in the Public Utilities Sector. Discussions with Trepca are ongoing to find out possible future projects. Main present topic is to finalise current work at Gracanica tailings area.

Environment

The project "Environmental Remediation in Gracanica" aims at improving the situation at Paddock tailing dam; a part of mining company Trepca. Trepca has started co-operation with the municipality and this will provide much of the cover material for the tailings area at minimal cost over time. The design that has been done of the tailings area closure works have been assessed as too advanced. Trepca has suggested drawings to be re-drawn to apply for Kosovo conditions. Due to this and other delays, Trepca is unable to complete the project by the end of this year. They have therefore required an extension to the current Sida/UNMIK agreement.

Sida is funding Regional Environmental Center (REC) in a number of projects. The School Activity Fund is ongoing and will be open until October 15. Numerous of applications has been approved and some also finalized. REC's NGO Coaching program 'Cactus' has finished almost all training of the NGOs. Two NGOs are still to be trained; expected start is in early September. The NGO's have expressed their needs for further training. It is too early to assess the long-term result of the school activity fund and the Cactus program, but a follow up to see if there is an increased commitment amongst those taking part would be valuable. The Aluminium can recycling center is yet not sustainable and REC will in September start an information campaign to increase the collection of cans.

Agriculture and Forestry

Sida has decided to support a Forestry Education and Training program, even if the original set-up with a co-operation between MAFRD and

MEST has been abandoned. The program has good potential for creating growth and improving forestry from an environmental point of view. If the outcome is good it could also develop to a regional programme, all mentioned aspects are in line with the strategy. The programme is planned to begin in the spring of 2004.

For programmes of Agricultural Statistics and Cadastre see under “3.3 Institution Capacity Building”. Concerning the Rural Finance Project see under “3.7 Private Sector Development”.

3.9 Infrastructure

Energy/District Heating

Sida have started discussions with KTA, EAR and Termomit; the district heating company (DHC) in Northern Mitrovica, for possible future support. Sida has been requested to support the project with technical assistance, initially to help KTA/EAR by preparing a detailed procurement plan and project implementation schedule. A fact-finding mission, done in September assessed the project as reasonable, from a technical, economical and human resource point of view.

Management support to KTA/District heating

The project started in June and is running fairly well. The co-operation between the consultants and the Termokos staff seems excellent. The involvement of the Gjakova DHC seems less satisfactory and needs to be improved. Gender issues have so far not been prioritised due to initial focus on the top-level management, where no women are employed. In their continued work, at other levels of the companies, gender may more easily come into focus. The Mitrovica DHC is supposed to be involved in the Management Training Program. The impression is that they in the beginning were slightly neglected. Sida has stressed the importance of the issue of ethnic and gender equality. The consultant team has established co-operation with the CRU and their development of an appropriate legal framework for the sector. This will be crucial for success in improving billing and collection.

Installation of Control Valves and Meters, Thermokos/District heating

Project started in late July, which was one month later than planned. The delay was caused by UNMIK. The contract is therefore prolonged, which might cause insufficient heat supply for some costumers in the beginning of the heating season. Minor additional costs, for scrapping redundant parts of some old sub-stations, have been negotiated between Rörbyg and KTA.

Consultancy Services to Central Regulatory Unit

The project has been started in good way in August. Planning has been slightly modified compared to tender/contract, to reflect actual development of the ERO. Drafting of the DH-law and the first efforts on tariff regulation will be their first main issue.

Electricity

Sida is currently evaluating the Ferizaj Distribution project. The evaluation is undertaken partly to determine if the objectives of the project

have been fulfilled but merely of KEK ability to operate and maintain the new system in a sustainable manner. The evaluation will also serve as a basis for Sida's tentative decision on support to the extension of Bibaj Substation which has been envisaged for 2004. The evaluation has not yet been finalized as the consultant has not been allowed access to the AUDIT of KEK. The Audit has been deemed essential before making any conclusions and recommendations for further investments. The consultant meanwhile was requested to assist UNMIK-KTA as a co-ordinator in the procurement process of "Turn around Management Team" to KEK. Sida immediately agreed to support UNMIK/KTA in this process by financing the contract for the Swedish co-ordinator. The Turn-around Management is hoped to be a key factor in getting the electricity to function in Kosovo. A stable electrical supply would improve the preconditions for economic and private sector development.

Transport/Management support to UNMIK Railways

In April a bomb damaged a bridge in northern Kosovo. This hampered the goal to start up the northern line for freight traffic this year and have set UNMIK Railways under economic pressure due to lack of anticipated increased income. The railway is now open for traffic again but no cross-border freight traffic has yet been seen on the northern line. As a response to the Gender report, a consultant has been at UNMIK Railways to develop and implement a Gender Equality Plan. Response was very positive but since it came in the end of Swederrail's contract, it will be difficult to follow up. A short-term consultant has started to draft the legal framework for the railway sector. The goal is to harmonise law and regulations according to EU principles and anchor this way of thinking within the Ministry of Transport. Swederrail's management support was meant to end in September. UNMIK Railways asked the 22nd of July 2003 for continued support in form of purchasing coaches and a framework agreement for requesting consultancy services lasting till year 2005. Before taking any decision on the consultancy services Sida will evaluate the current program. Still, emergency assistance in the financial and marketing field has been approved as an addendum to the current contract with Swederrail, lasting till December. These fields are very weak due to problems in finding persons with appropriate knowledge and attitude. The procurement of ten second-hand railway coaches has also been approved, with an option for another 15. The emergency assistance and the coaches are important parts of UNMIK Railway's possibilities to become a part of the regional railway system.

Development Program of Transport Policy

The paper elaborated by the consultants has been criticised for being inadequate and not taking enough interest in the railway sector. Right now the project is at a standstill. The consultants have presented a way to move forward, which has been accepted by both Sida and Ministry of Transport. The remaining work will eventually be concluded during November/December

4 Concluding remarks

The general political, economic and social development of Kosovo is progressing, however still with uncertainty and instability. Without the status-issue solved, the development process remains difficult even though economic progress, institutional building and rule of law is needed whatever status Kosovo might get. Kosovo still lacks a clear strategy for development, without a Poverty Reduction Strategy Paper and with a poor government platform as well as lack of proper sectoral policy papers and action plans. The EU and its SAP remains Kosovo's greatest track for development and progress, however, the EU instruments and tools for integration are far from efficient and coherent enough.

Sweden and Sida continue its long-term development co-operation with Kosovo, in order to support efforts to fight poverty in all aspects and integrate Kosovo into EU structures. Sweden remains one of the few donors with a long-term perspective and is presently one of the largest and major donors in Kosovo. Sida's efforts to shift its support from humanitarian aid into development co-operation with increased local ownership is ongoing. Strong elements of capacity building and training are present in all programmes, as well as increased awareness of gender and environment mainstreaming.

Sida Pristina has established a full-fledged development team, including two newly recruited National Programme Officers to join the team. As part of the Liaison Office of Sweden, Sida Pristina now possess great potential and possibilities of conducting an efficient development programme for Kosovo.

Annex A

Kosovo Project List, Committed and Disbursed 2003

Sectors of Development Co-operation	Commit 2003	Disbursed 2003
Human Rights and Democracy	10 381 337	8 469 774
Institutional Capacity Building, Public Services	18 518 450	15 309 165
Integrated Area Programs, Return of Refugees	24 636 279	20 747 379
Health, Culture and Youth	10 233 000	6 945 000
Local Institution Building	10 271 736	4 100 708
Private Sector Development	0	0
Agriculture and Environment	5 489 727	1 037 596
Infrastructure	36 846 317	14 390 426
Various	4 186 424	2 098 939
	120 563 270	73 098 987

Human Rights and Democracy

Description of committed projects	Commitd '03	Total Commitd	Disb. 2003	Project dates
LFA training for Sida countreparts within HR&Democracy	121 337	121 337		Apr03–Jun03
KTK 2003 framework agreement	3 200 000	6 400 000	3 200 000	Jan03–Jan04
SHC, framework agreement (regional)	3 520 000	3 520 000	1 760 000	Jan03–Dec04
OPIC, framework agreement 2003	3 300 000	6 765 000	3 300 000	Dec02–Dec03
Analyses of mainstreaming of gender in Sida projects	240 000	240 000	209 774	Jan03–Feb03
	10 381 337	17 046 337	8 469 774	

Institutional Capacity Building

Description of committed projects	Commitd '03	Total Commitd	Disb. 2003	Project dates
Kosovo Cadastre Support Program (consultant)	3 000 000	15 623 240	1 973 887	Nov00–Oct03
Hum Law Centre, Training judges, prosecutors, def lawyers	378 000	378 000	118 000	Mar03–Feb04
Economic Statistics and IT	6 961 950	8 759 000	2 189 289	Dec01–Jun03
SCB, Assistance to Economic Statistics and IT	2 084 900	6 716 917		Jun03–Dec03
SCB, Agriculture statistics in Kosovo.	1 993 600	3 143 600	427 989	Mar03–May04
Cadastre Support Program	4 100 000	27 600 000	10 600 000	Jul00–Jun03
	18 518 450	62 220 757	15 309 165	

Integrated Area Programs

Description of committed projects	Commitd '03	Total Commitd	Disb. 2003	Project dates
ADRA project audit	17 000	17 000		March03–Ap03
Rec. 228 houses, agr, social dev, Vushtrii, LWF	196 900	26 396 600		Apr01–Jul04
LWF rec 279 houses, agr, infrastructure	1 332 300	28 832 300	1 332 300	Jul02–Jul03
LWF rec 90 houses, infrastructure and social	11 675 000	12 155 000	8 000 000	Jul03–Jun06
Erikshjälpen, return and minorities (90 fam)	8 886 000	8 886 000	8 886 000	Mar03–Dec03
Caritas, rec 200 houses, loc infra, agric in Terstenik and Baice	2 529 079	21 529 079	2 529 079	May02–Aug03
	24 636 279	97 815 979	20 747 379	

Health, Culture and Youth

Description of committed projects	Commitd '03	Total Commitd	Disb. 2003	Project dates
Health; International Aid, Repair Bio-medical equipment	2 800 000	10 000 000	2 000 000	Aug01–Jul03
Culture; CHwB, preservation of cultural heritage		567 000		Apr02–Mar03
CHwB, Financing for repair of kullas-houses	1 460 000	2 110 000	1 460 000	Jul02–Jul03
Culture; Swedish Institute, cultural exchange	90 000	270 000		Jan02–Dec04
Culture; Culture Heritage withouth Borders, 03–04	5 598 000	9 872 000	3 200 000	Apr03–May05
Youth; Cross Cultures Proj Ass, Open Fun Football Schools	285 000	285 000	285 000	Jan03–Jan04
	10 233 000	23 104 000	6 945 000	

Local Institution Building

Description of committed projects	Commitd '03	Total Commitd	Disb. 2003	Project dates
Financial Management System for Kosovo municipalities	10 271 736	26 749 000	4 100 708	Dec01–Nov04
	10 271 736	26 749 000	4 100 708	

Private Sector Development

Description of committed projects	Commitd '03	Total Commitd	Disb. 2003	Project dates
ADIE International; Rural Finance project		10 000 000		Feb02–Jan03
	0	10 000 000	0	

Agriculture, Forestry and Environment

Description of committed projects	Commitd '03	Total Commitd	Disb. 2003	Project dates
Env; REC, improved environment and env. awareness	850 000	1 700 000	500 000	Mar02–Jan04
Agr: Agr statistics, SCB	1 993 600	3 143 600	13 210	Mar03–May04
Agr: Agr statistics, SCB	2 227 100	6 941 500	297 568	Feb02–Jan03
Agr; Analysis of the potential for increased firewood production	384 027	650 000	191 818	Sep02–Nov03
Forestry study	35 000	35 000	35 000	2 003
	5 489 727	12 470 100	1 037 596	

Infrastructure

Description of committed projects	Commitd '03	Total Commitd	Disb. 2003	Project dates
District Heating Consultants	6 120 338	42 000 000	3 239 983	Aug00–Dec03
UNMIK, electrical distribution system in Ferizaj	698 686	32 000 000	424 541	March00–Jun03
Env; UNMIK/PURK; Public Utilities Regulatory Authority	1 000 000	3 000 000		Feb03–Feb05
UNMIK, District Heating 3, dev	20 000 000	32 000 000	3 901 420	Feb02–Dec04
Railways, plan & monitor ongoing restructuring support	97 064	200 000	65 250	Feb02–Dec03
Railways, Management support, UNMIK railways, SwedeRail	8 748 759	25 300 000	6 615 046	Sep01–Aug02
Railways, temporary support	181 470	804 000	144 186	2002–03
	36 846 317	135 304 000	14 390 426	

Various

Description of committed projects	Commitd '03	Total Commitd	Disb. 2003	Project dates
LFA courses for coop. Partners in Kosovo and BiH	121 337	242 674		March03
LFA courses for coop. Partners in Kosovo and BiH	115 087	115 087		Apr03–Jun03
Admin. Costs	800 000	1 600 000	923 288	Jan02–Jan04
Admin. Costs	1 250 000	1 700 000	969 548	Jan02–Jan04
Admin. Costs	1 900 000	2 600 000	206 103	Jan02–Jan04
	4 186 424	6 257 761	2 098 939	

Regional Projects committed and decided. SEK amounts are for the entire region, not country specific

Human Rights and Democracy	Commitd '03	Total Commitd	Disb. 2003	Project dates
Minority Rights Group, minority questions/rights		1 345 000		Nov01–Oct04
PRONI, youth research, coop w Council of Europe/Stab Pact		2 730 000		Jan02–Jan03
PRONI, evaluation of PRONI's projects in the Balkans	458 000	458 000	436 956	Aug02–Oct02
OSCE, Task Force on Trafficking		575 000		Jul02–Jun03
KtK, Trafficking Western Balkans		5 000 000		Dec02–Jan04
Evaluation of IOMs organisational capacity	300 700	300 700	89 611	Jan03–Sep03
Evaluation of IOMs counter-trafficking programmes	296 600	296 600		Jan03–July03
IOM, Regional Counter-trafficking-programme	30 000 000	30 000 000	15 000 000	Jan03–Jan04
IWPR regional programme 03–05:	3 200 000	10 200 000	3 200 000	Jan03–Jan06
Save The Children, Action Research on Child Trafficking	1 700 000	1 950 000		Jun02–Nov03
CoE Criminal Law Reform; trafficking in the Balkans	550 000	1 100 000	550 000	Jul02–Oct03
Media Task Force of the Stability Pact	390 000	780 000		Jul03–Dec04
MDLF, Media Training Centre and Newspapers on the Web	2 285 000	8 240 000	2 285 000	Apr03–Apr06
TOL, Balkan Reconstruction Report	1 700 000	3 500 000	1 700 000	Jan03–Jan05
East West Institute program on Regional and Transfrontier Coop	1 426 000	3 922 000		Jun03–May05
	42 306 300	70 397 300	23 261 567	

Institutional Capacity Building				
ILAC, regional judiciary sector strategy development	725 715	1 451 430	725 715	Nov02–Apr03
RPS, Admin. costs International Secr. 2001	272 540	272 540		Jan–Dec03
SCB, Framework agreement Statistics in Balkans	6 185 000	12 728 500	487 257	Nov02–Nov04
	7 183 255	14 452 470	1 212 972	
Culture				
PRONI audit	164 000	164 000		Jun03–Jul03
Youth; Balkan Children and Youth Foundation	3 000 000	3 000 000	1 500 000	Jan03–Sep04
	3 000 000	3 000 000	1 500 000	
Private Sector Development				
WV, regional micro credit program Alb, BiH, FRY, Mac, Kos		14 500 000		Jun02–May03
Quality infrastructure training	2 700 000	2 700 000	2 667 685	Jan03–Dec03
Study on free trade agreement	48 000	48 000		summer 2003
OECD, Study Trade in Services in SEE	2 280 000	2 750 000		Sep02–Jun03
	5 028 000	19 998 000	2 667 685	
Agriculture				
Agricultural consultant	396 000	396 000	292 686	Jan03–Dec03
	54 913 555	92 242 730	26 947 653	

Annex B

Priority List, July–December 2003

Human Rights and Democracy

- Undertake possible actions due to the evaluation on Gender mainstreaming in development projects in Kosovo.
- As a result of e.g. the critical report on IOM within counter-trafficking projects, closely be in contact with IOM in Pristina to follow their activities.
- Improve contacts and have closer co-operation with both Swedish and Kosovo implementing partners.

Institutional Capacity Building, Public Services

- Discuss and evaluate future support for the Kosovo Cadastre Agency, based upon project proposals and what other donors are planning to do in the area.
- Make decisions on continued support for the Statistical Office of Kosovo.

Justice and Home Affairs

- Further analyse the specific situation in Kosovo and evaluate possible project proposals.

Integrated Area Programmes.

- Continue to closely follow possible minority returns within IAP:s and have close discussions with UNMIK/ORC, UNHCR, other donors and local authorities on strategies for minority return and integration into society.

Local Institutional Building

- Re-start discussions on new projects in the area of “local democracy”, especially with Kosovo Association of Municipalities, in co-ordination with EAR.

Economic and Private Sector Development

- Evaluate the micro-credit project and recommend possible future support or not.
- Undertake a study with the objective of identifying possible future programmes in the Economic and Private Sector Development Sector.

Environment, Agriculture and Forest

- Prepare suggested projects in environmental sector.
- Closely follow evaluations of performed and suggested projects in agricultural sector.
- Start mainstreaming other Sida funded projects.

Infrastructure

- Closely follow the initial phase of consultancy support in district heating sector.

Information about Sida in Kosovo

- Further increase information about Sida's activities in Kosovo among Swedish, international and local stakeholders.

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



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