

KOSOVO UNDER UNSCR 1244

Kosovo's economic growth has been steady since the end of the conflict in June 1999, attributable in part to large public investments in post-conflict reconstruction as well as an increase in private investment. GDP growth, reflecting the massive donor-funded reconstruction effort and high public and private investment, averaged 4 percent since the end of the conflict and reached 5.4 percent in 2008. Growth reverted to about 4 percent in 2009 in the wake of the global economic crisis, a much better outcome than in the rest of Southeastern Europe, which suffered declines in output. Kosovo has established the euro as the local currency, which has led to relatively low inflation.

The relatively small impact of the global financial and economic crisis on real growth up to this point reflects Kosovo's limited international integration with the world economy. Although Kosovo's exports suffered a sharp decline (about 20 percent) in 2009 after a 4-5 year period of rapid growth, their still-small contribution (5 percent) to GDP meant the impact on overall growth was proportionately small.

The mining and energy sectors are potential key sources of future growth. Kosovo has abundant resources of lignite, lead, zinc, ferronickel, magnetite, and crushed stone, as well as duty-free access and relatively low transportation costs to the EU and Central European markets. In particular, utilization of lignite resources by attracting strategic foreign investment could turn the energy sector into an engine of growth rather than a drain on public resources and major constraint to doing business. Similarly, with fertile land and a temperate climate, agriculture is another potential source of economic growth.

In transport, Kosovo has embarked on a major road building programme, which contrasts with underinvestment in railways. European Commission reported very limited progress in the rail transport sector. The Law on Kosovo Railways envisages the separation of infrastructure management and train operations. This has not been achieved. Compensation offered to railways for the provision of public passenger services is granted, but does not cover costs. Rail transport is not a government priority.

Limited resources have been allocated to this sector. The condition of Kosovo's railway infrastructure and rolling stock and the level of railway services remain poor. By contrast, Kosovo's Multi-Modal Transport Strategy identifies investment needs over € 500 million for Kosovo's railway infrastructure, and a further €230 million in rolling stock, for the next 20 years.

Kosovo Railways have recently finalized the optical network on the main railway line Hani i Elezit – Mitrovicë; on the lines of the second range Prishtinë – Klinë – Pejë and from Klina to Prizren. Optical transmitting equipment of the type Siemens OTN (150Mb/s) have been installed and are functional in 15 railway stations.

Background figures in railways (2009):

430 km length of lines

333 km electrified lines

| Economics | 2008 | 2009 |
|--|-------------|------|
| GDP (current billions US\$) | 5.66 | 5.35 |
| GDP growth (annual %) | 5 | 4 |
| Exports of goods and services (% of GDP) | 10.4 (2007) | - |
| Imports of goods and services (% of GDP) | 57 | - |
| Industry, value added (% of GDP) | 20 (2007) | - |

Ease of Doing Business Rank 2010

| | |
|-------------------------------|----------|
| World | rank 113 |
| Eastern Europe & Central Asia | rank 22 |

