

A Case Study of Kosovo

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Kosovo hosted a wide range of missions from both governmental and non-governmental organisations (NGOs) during the period of foreign administration from 1999 to 2008. Those who praised the commitment of the international community tended to highlight the fact that Kosovo received the highest-ever per-capita aid. The economic impact of the funding was, however, poor and in some cases even had adverse effects. The high salaries of the mission staff drained personnel away from the local authorities that were to be strengthened by the international missions. At the same time income disparities between the international and the local personnel inside the missions caused absurd situations and, consequently, tensions and corruption. Private business development was generally neglected.

Kosovo had been by far the poorest region in former Yugoslavia, with a GDP of only 28 percent of the average of the republics and the autonomous provinces in 1979. Industrialisation had started only after WW II, thereby focusing mainly on the exploitation of natural resources, such as lead and zinc. After 1989, when the Yugoslav state started to collapse, conditions in Kosovo deteriorated even further. Albanian management staff was dismissed by the Serbian authorities unless they signed a pledge of loyalty towards the Serbian state. Companies in “social ownership” were taken over by the Republic of Serbia. Production came to a halt even in the mine of Trepca, the source of most of the province’s income. With Serbia as a whole under sanctions, no modernising investment was possible for almost a decade. Vocational education and training on the job were impossible for high school graduates. NATO air raids considerably damaged the remaining infrastructure in 1999. Estimates about the soaring unemployment rise to 40 percent for the general population and 80 percent among young people.

During the years of the Albanian “underground republic” from 1991 to 1999, few private companies were active. Some of them engaged in illegal trafficking, which was tolerated and at the same time exploited by the Serbian authorities. Most families survived on what their emigrated family members sent them home. The influx of money triggered grey economy services, trade and small scale business. The number of family-run small enterprises rose from 1,700 in 1989 to 18,000 in 1995.

International aid came soon after the bombardment ended in June 1999. The provisional government’s first few budgets were entirely financed by foreign donors, mainly states and international organisations. A United Nations Mission in Kosovo (UNMIK) was installed with the mandate to administrate the province and build up state institutions. The United Nations High Commissioner for Refugees coordinated the return of displaced persons, ascending to more than 700,000, and took care of food and housing supply. In economic terms the international missions soon became the most important source of income. From 1999 to 2006 the UNMIK mission spent around 2.6 billion Euros in Kosovo. UNMIK alone contributed to Kosovo’s GDP, directly or indirectly, 9 percent of the overall amount. At the same time, the rise in demand generated by the arrival of foreign missions and mission employees caused a rise in retail prices, a fact that cuts their contribution to the GDP down to 6.5 percent.

The sudden influx of money resulted in disparities in the market for human resources. According to a study by UNMIK, salaries for local employees amounted to 75-120 million Euro, whereas foreign nationals were paid between 150 and 300 million Euro, spending around 20 to 45 million of their income in their host country. Out of all the expenditures on commodities and services only 4 to 20 percent remained in Kosovo.

In the early years of foreign administration up to 30 percent of all jobs in Kosovo were offered by international organisations, missions, NGOs or individual foreigners. The demand was particularly high for English speakers, who were needed not only as interpreters but also for more responsible jobs in the international administration and within NGOs. Right from the beginning the foreign administration heavily competed

for human resources with the local structures it was meant to build up. Although any comparison is problematic, UNMIK salaries were, according to the UNMIK study, 5.7 times those of the average Kosovar salary. The gap was palpable also for the foreign administrators and impeded their efforts to set up autonomous institutions. A Kosovar journalist in her thirties, for example, was offered the position of a spokesperson to the government of Kosovo. This was a responsible, prestigious and crucial job, as there was virtually no public information policy, a fact that impeded the development of democracy and allowed for conspiracy theories to thrive. In the end she refused and decided to stay in her far less senior position in the EU mission. She could not afford the change, because she was the provider for several relatives. Taking the job of a government spokesperson would have cut her salary by more than half.

Even ministers made considerably less money than professionals in international organisations. In principle, the detrimental impact of international salaries on a poor local population is well known.

- First, disparity encourages corruption. Even in extremely responsible positions officials make relatively little money. If their job is to distribute funds among people that are much better off, they will be tempted to abuse their authority, using it to ask for bribes.

- Second, it is impossible to cooperate on an equal footing when salaries are so divergent from each other. There was a so-called “twinning system” in the early days of the Kosovar administration, when every authority was headed both by an international and a Kosovar official. The salary relation between these two persons was one to ten, turning the sometimes small gap in skills and experience between them in a large gap of power and prestige.

- Thirdly, there were acute personnel shortfalls in responsible jobs outside the international administrations. It is still virtually impossible for a state school in Kosovo to find an English teacher. Even university professors chose to work as interpreters. When it comes to the few people with administration skills, the situation is even worse.

The trap proved impossible to evade. Lowering the income of internationally-hired local staff would have eased some of the problems and aggravated others. Competition with the local authorities would have certainly decreased. On the other hand, lowering the incomes of the locals would have increased the disparities within the missions. Even for the first years of international administration, the enormous income differences of international and local staff in official UNMIK positions are hard to justify. Further lowering would soon have created impossible conditions. An international organisation such as the UN hires staff from all over the world, also from countries that are even less developed than Kosovo. A Kosovo-Albanian with a valid passport of Albania, as quite a number do, would be hired as an international staff member and earn up to ten times as much as his or her brother or sister without a non-Kosovar passport.

Lowering the salaries of the international staff was also out of question. Even now the missions in Kosovo have problems recruiting skilled personnel from abroad. The need for them was, and still is, enormous. Not only administrators are needed, but also judges, expert bankers, energy supply specialists and crime investigators. To work in Kosovo is not prestigious any longer, and not even adventurous. The recreational value of the country is very limited, as are living conditions, shopping opportunities and communication with the outside world. Mission employees live far from their families and friends in a closed international community with a high turnover, in poorly insulated flats with ugly furniture; landlords tend to put the cheapest and oldest appliances into the flats they put to rent. Leisure activities are mainly restricted to going to pubs or attending one of the countless farewell parties for other internationals. All these miseries are rewarded with high salaries and many special allowances.

The consequence is that people stay only for a short time, which decreases their value considerably. "You need at least half a year to understand what is going on here," says a local analyst from Prishtina, "and that is the point where people are about ready to leave." Locals observed that the quality of the international staff was quickly deteriorating. The first ones to come brought with them a certain degree

of idealism, but this was soon used up. “Between 15 and 20 percent are adventurers and impostors,” says a German judge sent to Prishtina to investigate corruption in the UN administration.

While recruitment of international staff abroad becomes increasingly difficult, senior officials turn to recruiting on the spot. Given that there are numerous missions both of government and non-government organisations in the country, there is also a chance to hop from one job to another, which more and more people do. In theory, mission collaborators are sent from abroad, stay for a certain time period and then leave, returning to their respective home countries. Eventually, an increasing number of them just stay in the country and look for new jobs after their contracts expire. Among them is a high percentage of people at the beginning of their careers, who would find it difficult to get a job in their country of origin, let alone earn a comparable salary. There is now even a scene of freelance professionals around the missions who offer themselves as consultants. Taking on the mantle of a consultant gives officials the opportunity to bypass the lengthy and bureaucratic decision-making process of their own national administrations.

The departments of the international administration, which extensively used outside consultants, suffered considerable control problems. When in doubt, consultants felt loyal to the person that hired them rather than to their political superiors, which complicated administration governance.

The practice of hiring staff among the “international community” on the spot opened the fortress gates to crooks and imposters. Anti-corruption investigators in Prishtina detected that a 25-year-old American had been given a 50,000 \$ contract just to instruct his successor over one month, or a Canadian who hired an “expert” for his wife. A striking example is the so far highest-ranking fraudster in the mission, the German Jo Hanns Trutschler, who stole more than 4 million Euro from the Kosovar electricity plant he was supposed to run. Trutschler had his roots, if the notion is appropriate, in the uncontrolled space of international organisations. He had started his career in an international Baptist mission, later changed to an equally international management school.

His skills and degrees had been evaluated exclusively abroad. He found it easy to get away with a false university doctor's degree and skills he had never achieved. There were no control mechanisms in place that would certainly have stopped his career in his own or another country. It took years until he was caught in the end.

Recruiting local staff has always been done on the ground, as the name indicates, but has also been the case with internationals. Control measures are designed to target nepotism among locals, because Kosovars are often suspected to give preference to relatives. But if something comparable happens among internationals, the measures fail. With no fixed rules about whom to hire and whom not to hire, international officials tend to make up their own and hire relatives of their landlords or the girl they happened to meet the previous night in their favourite pub, a skilled Albanian administrator says. She had found out one day that one of her daughter's most infamous classmates had been hired by her superior, and also affirms that some offices look like brothels.

In official reports and speeches international missions are consistently praised as important stimulating factors for the local economy. It is true that Kosovo received the highest per-capita aid that has ever been given to a country. Nevertheless, it is difficult to find out how much of this money actually ends up in the pockets of mission employees, consultants or foreign suppliers. In addition, a large part of the economic impact that the missions have is anything but positive. Real estate prices, high anyway in the most densely populated area of the Balkans, rose to 10,000 Euro for a detached house in the popular Dragodan quarter of Prishtina – a price bubble that will inevitably burst soon. International missions are also slow payers. Their payments are subject to the complicated control procedures that have been designed for EU member states and cannot easily be adapted to Kosovar conditions, thus causing constant delays. Political considerations make the situation even worse. The Russian KFOR contingent left without paying their 300,000 Euro electricity bill.

Finally, the high turnover in foreign human resources in Kosovo contributed to the extremely tortuous nature of UN policy making. There has been constant disagreement on certain issues, mainly between those from Anglo-Saxon missions and those from continental European ones, particularly when it comes to the judicial system, due to conflicts between the case-based approach of the English-speaking legal tradition and the abstract and general rules preferred by the French, and arguments over the merits of private versus public systems when it comes to education. The approach taken depends mainly on the nationality of the person in charge. But even among co-nationals there is little continuity. Newly arrived officials tend to leave their traces behind by introducing methods that are up to date in their respective countries but do not at all match the needs of Kosovo.

Shortcomings and disparities in the realm of human resources are not the only adverse effects the international presence caused. Moreover, missions may have had little impact and, sometimes, may even have been counterproductive; measures that can barely be implemented in a developed economy might severely damage the emerging economy of Kosovo. Few local enterprises were still working, and even if they did, they hardly have had the chance to win tenders for the supplies and services issued according to the international rules of the respective organisation. Construction material was scarce. Factory buildings were often directly affected by the war or have been neglected over the years. The few that were still functioning have often been claimed as barracks or administration buildings by the international missions. The international administration, which had acted as administrator in the period between the time when Kosovo had been a part of Serbia and the country's full independence, in fact blocked the territory's access to international finance institutions. Privatisation remained an unsolved issue. It took years to achieve a consensus that companies and estates could be leased over 99 years, but full judicial security was never achieved. Not even inside the UN system the Kosovo Trust Agency gained the confidence it would have needed. As only 46 out of 192 UN states recognised Kosovo's independence, the problem is still unsolved. After nine years of UN administration about 85 per cent of Kosovo's merchandise is still imported.

Lessons from the failures and shortcomings in Kosovo are not easy to find. Clashes are inevitable when developed systems and economies meet less developed ones, let alone in unstable post-conflict societies. The gap in the income levels between locals and international administrators cannot be bridged. Yet, an institutionalised self-reflection in international missions can help to ease the consequences. Administrative institutions should not only target violations of rules and procedures but also examine the rules and procedures themselves. At the very least the dubious recruiting system should be challenged.

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