

# ***Structural characteristics of Kosova's economy***

*Fetah Reçica\**

## ***Abstract***

An important role for the economic development of the country plays the adjusting of structural changes as well as the opportunities and conditions of development based on market demand for products and services delivered.

Development of industry and natural resources are of special importance in this regard. The industry contributes the most to economic growth and division of labor.

It creates opportunities for the reconstruction and promotion of other economic sectors as agriculture, communications, trade and others. The influence of industry in the transformation of economic and social structure of the country is high or low, depending on the level of overall economic development of the country.

Kosova's economy after the war has been facing major challenges as a result of poor management for a whole decade and of a devastating war. However, Kosova successfully passed the phase of reconstruction, which was very difficult.

The beginning of privatization, dynamic development of the private sector of small and medium sized enterprises, with particular emphasis on the manufacturing sector, the first initiatives of the integration process of the economy of the region through signing the agreement of free trade, involvement in the Stability Pact as a non equal member, are only the first steps of the long and heavy processes towards the development of market economy and integration into regional and international institutions.

In the postwar period, Kosova's economy was a consumer economy and its needs were largely met through the import by using "cash" as means of payment due to the lack of organized financial institutions.

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The economic structure of a country, regarding economic development, represents more than any other indicator the directions and reality of development. Therefore, it is treated as a current generator at any time and in any modern society.

**Key words:** Kosova's economy, economic development, natural and human resources, investments, privatization, statistical data.

### ***1. Main present characteristics of Kosova's economic development***

Kosova with a surface area of 10,887 km<sup>2</sup> presents, as a whole, a geographic latitude of 43<sup>0</sup>10 and 41<sup>0</sup>47 and a geographic longitude of 20<sup>0</sup>53 and 20<sup>0</sup>34.

In its Southern part, Kosova is bordered on Macedonia, in South West on Albania, North West on Montenegro and in the North Eastern and South Eastern<sup>1</sup> part on Serbia.

It is located in the central part of the Balkan Peninsula, and from all sides, with the exception of the Eastern part, it is surrounded by high mountains.

The Geographical, strategic position and the geomorphologic configuration enable Kosova to present the central point of the network of the communication infrastructure in this part of Europe.

Kosova's economic development between the two World Wars was characterized by the slow penetration of elements of capitalist production and the preservation of the feudal way of production, which led to the fact that for a long period of time nothing has changed in the way of living and standard of population in Kosova.

Economic Development, above all, should be considered as a general material, social intercommunication and conditions under which it is realized.<sup>2</sup> It cannot be right, if the past is not researched, and if a past no matter how it is, is not compared with modern forms of economic and social development.

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<sup>1</sup> Instituti për hulumtime zhvillimore "Riinvest", *Zhvillimi ekonomik lokal*, Prishtinë, 2004, p.69.

<sup>2</sup> Mr.sc. Fetah Reçica, *Komunikacioni, faktor i zhvillimit ekonomik të Kosovës*, doktorate thesis, Prishtinë, 2004 p. 38 (manuscript).

One of the frequent questions in underdeveloped countries is that about the decision of the methods of economic development.

The frequently asked question is whether one should give priority to the development of agricultural or industrial sector? The answer to this question should be clear. In underdeveloped countries, the agrarian structure and the weak division of labor prevail, which can be changed enormously and promoted by a more rapid development of industry and other economic activities.<sup>3</sup>

In Kosova, for a long period of time, agriculture was the main economic activity, with an unfavorable structure of agricultural crops, with primitive equipment and extremely low performance.

There were cultivated mainly cereals dedicated to food for the population and livestock. The livestock was extremely small and a race of poor quality dominated. Kosova's natural resources were known since ancient times which were exploited by the Illyrians, aboriginal people, then by other conquerors as such as: the Romans, Byzantines, and Turks and finally again the Slavs.<sup>4</sup> There were only few and poorly equipped industrial facilities with basic tools, which looked like craftsman workshops. Most of the industrial products were related to the colored metallurgy.

Generally speaking, between the two World Wars, except "Trepca" there was no set up at all of any building of particular industrial importance.<sup>5</sup> The exploitation of ore and other natural sources, despite the fact that they were used by foreign firms and capital, was done in a disorganized, harshly and quite primitive way. The development of other branches was invisible or of a very low level.

Historically seen, Kosova's economic development has gone through various stages.

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<sup>3</sup> *Op. Cit., p.42*

<sup>4</sup> Dr. S. Berisha, "Ekonomia e Kosovës - dje, sot dhe nesër", në *Seminari ndërkombëtar për gjuhën, letërsinë dhe kulturën shqiptare*, Universiteti i Prishtinës, Fakulteti Filologjik, Prishtinë 2003. p. 49.

<sup>5</sup> Dr. T. Abdyli, *Zhvillimi i industrisë në Kosovë*, Enti i Historisë së Kosovës, Prishtinë, 1978, p. 28.

In the period after the Second World War (1945), in the economic development of Kosova as well as of any other country that has emerged from the war, in particular, special significance was dedicated to the development of economic branches which absorbed largest labor force and which created higher incomes, as the industry which was oriented to the exploitation of natural resources.

After the Second World War, many countries of the world (developed and developing ones), show a relative development of productive forces.

However, there is the perception that developed countries have reached the pace of industrial development which has been difficult to follow by the developing countries, despite the fact that developing countries have achieved a relatively high degree of development.

Developing countries are increasingly presenting themselves to be a significant factor in the performances of world economic development. Usually, they realize higher degree of development than industrial developed countries.<sup>6</sup> At this time in Kosova dominated a great poverty. But by-and-by the need for other economic branches occurred.

## ***2. Present development periods***

With regard to the volume and the dynamics of investment in the period 1945-1960 a difference is made between the first processes when also the reconstruction and capability of existing capacities of the basis industry started, which intended to intensify the exploitation of natural resources in order to start the process of economic industrialization, which dates back since 1961.

There were no mentionable investments during this period. Investments were mainly non-return means and extremely small.

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<sup>6</sup> Dr. J. Sirotković, *Teorija i politika ekonomskog razvoja, Drugo dopunjeno izdanje*, "Informator", Zagreb, 1976, p. 124.

Therefore, this period is characterized by a slow pace of economic development and extensive use of factors of production.

Slow pace of economic development in this period, with all the difficulties inherited, have been the result of actions of many other factors, of which the most important one was the global strategy of the country's industrialization and system changes.<sup>7</sup>

The volume of investment; despite the created situation it did not at the least respond to the intensity and demands for economic recovery, there was a great disproportion between the economic and uneconomic investments.

There was no any long-term or immediate prospect for such an underdeveloped economy with very small investments, which also had an unfavorable structure of distribution according to the economic sectors and fields.

The rate of development, although it showed results, was still in a very low level in comparison to other parts of former Yugoslavia and from day by day the development difference of Kosova increased with the other republics of the former Yugoslavia.

Also, after the Second World War, many developed countries and those in development, indicate relatively high results in economic development. However, it is true that although developed countries have achieved lower levels of development, the difference between developed countries and developing countries is continuously growing, which was expressed at very high level also in Kosova, compared with other parts of former Yugoslavia.

In this period, the gross national product per capita was USD 88 (Yugoslav average 170 dollars), the national income 38,000 dinars (Yugoslavia 73,000 dinars),<sup>8</sup> which indicates that the level of national income in Kosova, compared with the average of Yugoslavia was about 52%.

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<sup>7</sup> *Koncepti i zhvillimit afatgjatë të KSA të Kosovës deri në vitin 2000*, "Instituti Ekonomik", Prishtinë, 1985, p. 27.

<sup>8</sup> *Op.cit.* p. 26.

A long time after the end of the Second World War, the concentration for a more intensive development was dedicated to other regions of former Yugoslavia, this policy lasted as long as the former Yugoslavia itself.

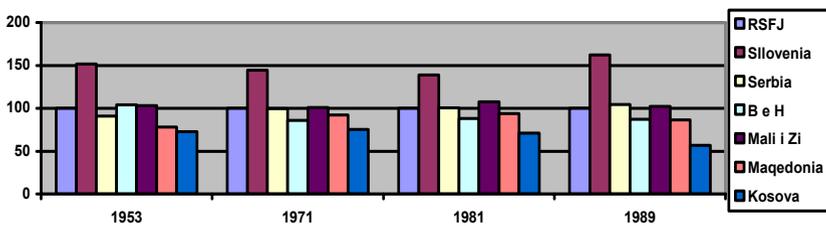
According to these development policies, Kosova was neglected, in other words the principle of “equal development of underdeveloped regions”,<sup>9</sup> was not respected.

Because of that, Kosova got the status of producer of raw materials for the other the most developed areas of Yugoslavia. This can be explained by the fact that only the energy and the colored metallurgy constituted approximately 50% of Kosova’s productions.<sup>10</sup>

This can be seen the best now after the end of the war in Kosova in 1999, where such capacities (mines) are facing difficulties for the activation process of production. It happened firstly due of the damages caused by the war, due to outdated technologies, as well as loss of the former market.

The stagnation in the pace of development and nonsupport by the state for equal development of all parts of former Yugoslavia led to very low participation of Kosovar production in the general Yugoslav production.

Such a change of Kosova's development in comparison with other parts of former Yugoslavia became more and more visible, and was expressed in analyses of various local experts. This can be also seen by the following data:<sup>11</sup>



<sup>9</sup> *Mr.sc. Fetah Reçica, op.cit. p.18.*

<sup>10</sup> *Dr S. Berisha, art.cit. p. 52.*

<sup>11</sup> *Vjetari statistikor i RSFJ, 1990.*

	Coefficient of development				Degree of development			
	1953	1971	1981	1989	1953	1971	1981	1989
<b>RSFJ</b>	100,0	100,0	100,0	100,0	-	-	-	-
<b>Slovenia</b>	151,6	144,3	138,8	162,2	1	1	1	1
<b>Serbia</b>	90,8	99,4	100,4	104,5	4	3	3	2
<b>B and H</b>	103,8	85,8	88,0	87,4	2	5	5	4
<b>Montenegro</b>	103,0	101,1	107,6	102,3	3	2	2	3
<b>Macedonia</b>	78,0	92,1	94,0	86,4	5	4	4	5
<b>Kosova</b>	72,6	75,4	71,1	56,9	6	6	6	6

*Performances of the investments in Kosova's economy  
after activities in the period 1959-1994<sup>12</sup>*

	Indus. Mining	Agricul. Fishery	Forest.	Hydro- Econ.	Con- stru.	Comm un.	Trade	Hot. Tourism	Handi- craft
<b>1959</b>	367,9	157,6	5,7	-	9,0	52,3	22,5	-	0,7
<b>1969</b>	1.392,2	126,9	4,4	7,0	22,6	273,7	71,4	20,0	3,8
<b>1979</b>	2,265,8	285,5	11,4	314,7	112,3	321,1	101,6	54,3	55,2
<b>1989</b>	380,0	200,0	10,0	10,0	10,0	140,0	60,0	20,0	60,0
<b>1990*</b>	29.284	67.815	4.645	-	7.272	47.906	19.834	2.199	4.413
<b>1991</b>	23.199	46.697	4.021	-	7.272	44.285	19.834	2.199	4.413
<b>1992</b>	10.663	45.636	3.204	-	7.272	21.004	16.232	2.194	3.990
<b>1993</b>	5.519	29.259	1.602	214	5.049	14.233	10.845	1.460	2.593
<b>1994</b>	5.093	27.451	1.600	191	4.349	12.424	9.557	1.254	2.407

To analyze better the level of economic development of Kosova, we have included some of the republics of former Yugoslavia and Kosova.

The reality of all this is that, regardless the number and type of indicators with which we would present the relative development of the republics and provinces of the former Yugoslavia, Kosova was in all cases and in all periods (years) the last one.

The slow development of Kosova compared with other republics of the former Yugoslavia was present in each comparative period of time.

The period from 1961-1975 was more dynamic in comparison with the last decennial period.

<sup>12</sup> Oda Ekonomike e Kosovës, 2001. (Në periudhën e viteve 1990-94, të dhënat janë në 000 dinarë të rinj dhe çmimet e vitit 1994; në milion dinarë - çmimet e vitit 1972.

Kosova's economic development was realized in the annual growth rate of 5,7%,<sup>13</sup> given that the comparative basis of development was symbolic. Economic development happened in the field of agriculture with severe problems in the sphere of social life and unemployment.

However, this development was an extensive one with problems and conflicts which contributed to the increase of development differences between Kosova and other parts of the former Yugoslavia.

Kosova's economic development in this period was mainly based on more intensive use of natural resources and labor force (which was a younger one in comparison to other countries in the region).

Up to the 70's there was no real result which is worthwhile mentioning. The economy had extensive agricultural character, with very poor preparation and low efficiency, which failed to meet even basic needs of the population with its products.

The economic performances in the 70's show many results in the overall economic development (increase of the physical production volume, as well as the advanced economic structure of Kosova).<sup>14</sup> This was also an indication that a politically independent Kosova would reach results also in economic independence for which the preconditions exist.

In the period from 1976-1989 Kosova experienced an economic revival with highest growth ever as a result of the equal autonomy of Kosova with other republics of former Yugoslavia.

This period presented many difficulties and unresolved problems, which have had lasting impact on the further development and on salvation of the problem of unemployment as one of the most important, not only for the economic and social development, but also for the political one.

At the beginning of the 80's, as a result of the commencement of an economic and political crisis in former

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<sup>13</sup> *Oda Ekonomike e Kosovës, Ecuritë ekonomike, Prishtinë, 1987.*

<sup>14</sup> *Kuvendi i KSA të Kosovës, Enti krahinor për planifikimin shoqëror, Ecuritë aktuale ekonomike në Kosovë, Prishtinë, 1989, p.19.*

Yugoslavia, the Kosova issue become very complex, which increasingly exceeded the borders of the former Yugoslavia.

The gross national product was in permanent decline, with all demographic increase of the population which was growing. The level of economic development in Kosova, compared to the average of the former Yugoslavia was in gradual decline (in the year 1947 it was 49% of the average of the former Yugoslavia and in 1989 it dropped to 27%).

Although, there has been general increase in the overall development, compared with other countries of the former Yugoslavia, it is very low.

The period from 1976-1989 showed a spontaneous development. When talking about Kosova's economic development one should also mention the period of Serb occupation (28 March 1989), which was fatal for Kosova's economy.

Assembly of Serbia decided to violent measures for 336 enterprises and institutions of Kosova with the pretext of protection of social wealth, but in fact with the aim of sacking it. The actions were too coarsely and militant, by ignoring the legality, even that approved by the Serbian Assembly.

They happened in various forms (violent integration and without the relevant documentation in Serbian enterprises, sale of enterprises at symbolic prices, privatization according to their nationality, political-family status, and then equipments, technology, financial means and others were stolen.

Since this period, Kosovar enterprises (social and public ones) have been stagnated.

After the war, Kosova's economy was destroyed and enormously plundered, in the public but also in the private sector. Most of the private and public enterprises faced difficulties in the activation of their capacities due to damages caused by war and the decennial stagnation.

Thanks to the transitional period, which has begun with the formation of private companies, Kosovar experts began to orientate their ideas and capital to such enterprises. This form of property has become from day by day more successful. The number of private enterprises of all economic sectors grows

more and more, with special interest in the economic development of the independent Kosova.

As in all transitional countries, also in Kosova public and social enterprises face difficulties in attracting new investments, and activation of capacities for numerous reasons (security of investment, unspecified property holder in social and public enterprises, outdated technology, etc.) although there is a great interest and assistance of the international community.

The war in 1999 left Kosova in a terrible situation, with a standard of living today not higher than half of the level existed at the end of the 80's.

Only a third of the population able to work is employed, the manufacturing sector is not at a competitive level in comparison to the region and there is a lack of basic infrastructure facilities and public services.

The reconstruction of Kosova in the post-war period developed in two stages. In the first stage quick measures were taken to overcome the very serious post-war situation, which is known as the emergency stage.

The emergency stage of reconstruction lasted from June 1999 until the end of 2000, which involved the selection of the most severe problems for Kosova, caused by the war (housing of the population, activation of the production and service capacities as well the public infrastructure, creation of an appropriate legal basis for economic development).<sup>15</sup>

The second stage also known as the substantial one, included the essential measures that had to be taken in order to build a new economic system.

Special emphasis has to be put on the contribution of foreign donors granted Kosova during this period, which was managed by the European Agency for Reconstruction, more detailed presented in the table below, showing that foreign donors, through the European Agency for Reconstruction, have donated nearly 854 million Euros<sup>16</sup> for the reconstruction of Kosova and vital services.

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<sup>15</sup> *Raporti vjetor i aktivitetit të donatorëve në Kosovë, janar-dhjetor 2002, shtator 2003.*

<sup>16</sup> *Dr. S. Berisha, art .cit. p. 61.*

Sectors	1999	2000	2001	2002	Total
<b>Energy and public services</b>	25	136	155	60	<b>376</b>
<b>Reconstruction</b>	14	60	38	16	<b>128</b>
<b>Civil administration</b>	41	10	39	17	<b>107</b>
<b>Infrastructure</b>	14	15	18	6	<b>53</b>
<b>Agriculture</b>	1	12	27	9	<b>49</b>
<b>Enterprises</b>	5	15	22	10	<b>52</b>
<b>Health care</b>	1	10	14	5	<b>30</b>
<b>Organization expenses</b>	5	4	14	3	<b>26</b>
<b>Others</b>	21	-	3	9	<b>33</b>
<b>In total</b>	<b>127</b>	<b>262</b>	<b>330</b>	<b>135</b>	<b>854</b>

*The contribution of donors for the reconstruction of Kosova in million, Euro*

The taken measures were oriented mainly to the activation and stabilization of electricity, the functioning of telecommunications, air traffic and the establishment of the financial system.

The substantive stage of postwar development continues even now with the privatization process of socially owned enterprises, construction and regulation of road network, water supply, sewerage, power supply lines, irrigation systems, heating etc.

The construction of these facilities which are known as municipal infrastructure facilities, are important for two reasons. First, they influence positively the establishment of the level of living standard, family and general social standard, and secondly they are a precondition for economic development, building capacity where in addition to the increase of industrial capacities it has to be invested in the implementation of concrete projects.

The economy will be built on the basis of free competition, which means equal access of the enterprises to the market, regardless of the ownership; they will not be hampered by various governmental measures regarding customs, taxes, loans, establishment etc.

### ***3. Problems which will accompany Kosova's economy in the post war period***

The problems which have accompanied the economy of Kosova after the war can be divided in two groups:

- Unstable electricity supply;
- Slow privatization and reconstruction;
- Lack of investments, especially investments from abroad as a result of political insecurity;
- Lack of financial capital market (high interests for short term return);
- A too liberal market. Here we have to distinguish the goods from Macedonia, Serbia and Montenegro, which comprise over 50% of all imported goods. This is only because the goods entering Kosova from those countries are not subject to regular customs tax;
- The high charging of capital investments and materials imported with tax and duty (at borderlines), which discourages the domestic production, and on the other hand stimulates imports from the countries listed above;
- The insufficient support of the young businesses and SMEs, either through incentives and various professional consultations organized in the form of seminars, or through training by the state or state institutions and business associations;<sup>17</sup>
- Difficulties for the rapid and efficient movement of businessmen abroad.

During the postwar period, investments were oriented mainly to trade (the construction of petrol stations), in energy, in the construction, maintenance and rehabilitation of road network, construction of facilities devastated during the war and a smaller part in manufacturing enterprises.

Kosova's economy is showing a growth of gross domestic product (GDP) in the postwar period compared with the previous period.

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<sup>17</sup> *Sistemi buxhetor i Kosovës- politikat dhe qëndrueshmëria, Prishtinë, prill 2003.*

But the level of income, which is among the lowest in Europe, is a cause for concern. Kosova is facing with widespread poverty, but not with a very deep one. Also, the unemployment rate which is estimated at over 50% continues to be among the highest in the region.

Therefore, the reduction of the disproportion must be a long-term priority. The economic policy to overcome this situation must focus on the growth of manufacturing businesses and increasing competitiveness through export growth.

The performances of some key macroeconomic indicators, in the postwar period, can be seen in the following table:

	2000	2001	2002	2003	2005 <sup>18</sup>	2006	2007
<b>GDP</b>	746,00	1,12	1,28	1,32	3,289	3,528	3,896
<b>GDP per capita</b>	410,00	630,00	680,00	700,00	1,641	1,735	1,885
<b>GNP</b>	1,43	1,88	1,94	1,96	2,969	3,125	3,408
<b>GNP per capita</b>	783,00	1,02	1,04	1,04	1,485	1,537	1,645
<b>Consumption</b>	2,23	2,50	2,56	2,44	3,419	3,541	3,810
<b>Public investments</b>	628,00	588,00	411,00	524,00	629	739	967
<b>Inflation %</b>	0,--	11,70	3,60	0,00			
<b>Export</b>	18,88	10,65	27,32	36,20	213	286	343
<b>Import</b>	635,20	874,40	988,70	968,50	1,292	1,441	1,720
<b>Balance</b>	-616,32	-863,75	-961,38	-932,30	-1,079	-1,155	-1,377

*Main macroeconomic indicators (in million EUROS)<sup>19</sup>*

As in other countries in transition, liberalization of foreign trade was accompanied with great disproportion between exports and imports, as seen from the data presented. However, in Kosova, unlike other transitional countries the problem of the initial stage is being delayed.

Based on official estimations of the International Monetary Fund and the available results, the economic growth has slow

<sup>18</sup> Ministria e Ekonomisë dhe Financave, Departamenti i Makroekonomisë, *Buletini Gjysmë Vjetor makroekonomik* (vitet 2005, 2006 dhe 2007), Janar-Qershor, Prishtinë, 2008.

<sup>19</sup> MEF, *Monitori Makroekonomik* ( vitet 2000,01,02,03), Prishtinë, prill 2004.

up as a result of the reduction of foreign assistance and still low economic activity (especially in the manufacturing sector).

The import structure shows great dependence on inputs and economic consumption of Kosova, and as a result of the reconstruction stage, that generated an increased demand for construction material in the market, which was in disproportion with the opportunities of domestic production.

As a result Kosova faces an incident contribution to the growth in GDP as well as to the demand generated by the donors and symbolic exports of goods and services.

To achieve development results in Kosova's economy, our commitments must be focused on creating conditions for attracting foreign investment, the commitment is considered to be of high importance for the future economic development of Kosova, especially regarding the numerous natural assets which our country has and the small investment opportunities for the local businessmen.

Therefore, it is important for Kosova to become a member of international financial institutions (International Monetary Fund and World Bank) and regional (European Bank for Reconstruction and Development etc.).

Other conditions for attracting foreign investors are also: security, political and economic stability, functioning of authentic economic laws, and the developed monetary system. A further important source of investment for Kosova's economy could also be the savings of our countrymen employed temporarily abroad.

#### ***4. Overview on the structural disproportion***

The economic development of a country is defined by many factors, and each of them can be viewed in different dimensions such as the qualitative, quantitative and temporal one, and all these together represent a whole for economic analysis and evaluations.

When assessing the degree of economic development achieved in a country, the contemporary theories of economic development represent the economic structural changes. Even

in international plans, especially in developing countries, special attention was devoted to structural changes.

Even if some arguments are very convincing, developing countries recognize that only industrialization can not achieve a sustainable economic growth.

Therefore, it is not surprising that also the most competent professional institutions of the United Nations, when dealing with countries which will undergo major changes in economy, concentrate their attempts to solve the problems on structural changes. The economic structure is defined as the whole of production relations, which represents the real basis for the construction of social super structure. The economic structure is considered as a current generator at any time and in any modern society.

The economic structure is important especially in developed countries.

Contemporary economic theories, give primary importance to structural changes when considering the economic development problems, which serve as a criterion for evaluating the degree of achieving economic development.

In this context, the structural report of development factors is analyzed such as: the structure of the achieved income, the structure of employees, as the social structure of the product and all other relevant factors of economic development in general.

To improve the economic structure and material basis, the relatively small countries such as Kosova should be determined to increase the production, with the available prerequisites (high number of natural resources).

Developing countries need to adapt and to choose their own structure economy, which can find a space in regional development, for which developed countries are less interested in. The economic structure should be accepted as a ratio between the participants in the process of material reproduction whereas the changing of the economic structure means adapting of short and midterm aim for achieving development goals.

The economic structure of a country, more than any other indicator presents the directions and reality of an economic development.

This aims, by means of different analyses, to determine the rate of dependence, respectively the changes of the relations between production and level of economic development as key elements and importance for an analysis of various forms of social super structure, which represents the basis of organized social and economic activities on which depends the successful realization of economic goals set in a society.

During developmental periods, drastic structural changes are possible, and certified in the frequent cases researched by experts of the respective economic fields.

All these require an increase of the stage of finalization, accumulation, export, new technological solutions and modern forms of organizing work. Such contemporary processes explain the best the structural changes in the economy through economic branches.

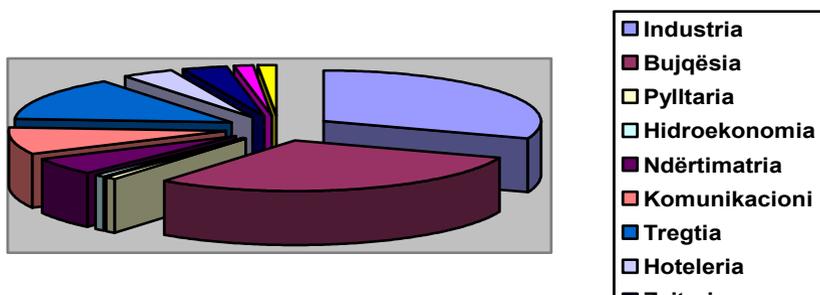
As shown in the following picture:

	1959	1969	1979	1989	1995 <sup>20</sup>	2005 <sup>21</sup>	2006	2007
<b>Gross domestic product</b>	100,0	100,0	100,0	100,0	100,0			
<b>Industry and mining</b>	36,9	37,1	37,6	52,9	30,6	808	672	530
<b>Agriculture and forestry</b>	45,6	33,1	20,5	22,4	30,6	233	191	220
<b>Hydro- economy</b>	-	-	0,2	0,5	0,7			
<b>Construction</b>	6,2	8,6	11,8	5,8	5,7	500	316	327
<b>Communication and lines</b>	2,7	3,5	5,8	3,8	8,5	1291	858	603
<b>Trade</b>	5,3*	1,0*	16,8	7,9	13,8	3867	2630	2363
<b>Hotel sector and tourism</b>	-	-	2,1	1,5	4,0	964	718	590
<b>Handicraft</b>	3,3	,7	3,1	2,9	3,3			
<b>Public activity</b>	-	0,7	0,8	0,8	1,3	901	590	514
<b>Other activities</b>	-	2,3	1,3	1,6	1,5	526	486	602

*The structure of the social product according to the economic sectors, 1959-2007 (in %)*

<sup>20</sup> Mr.sc. Fetah Reçica, op.cit. p. 28.

<sup>21</sup> Enti i statistikës së Kosovës, *Statistikat e përgjithshme, Buletini mujor, Prill 2008, Prishtinë*. Numri i bizneseve të reja të regjistruara gjatë viteve 2005/ 2006/ 2007 sipas seksioneve të veprimtarive. (Remark: under the field of public activity are included the administration and environment protection, education, health care and other social activities and under other activities, financial activities and real estate assets, rents and business activities are included).

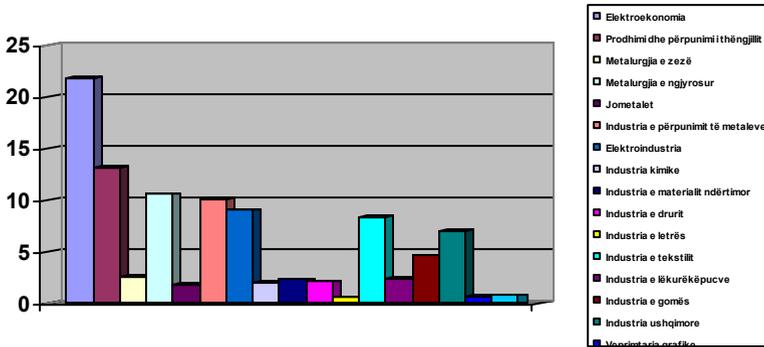


Graphic 1. Structure of social product in 1995

Structure of physical volume of the industrial product (in %)<sup>22</sup>

	1975	1980	1988
<b>INDUSTRY AS A WHOLE</b>	100,0	100,0	100,0
<b>Electro-economy</b>	19,6	17,5	21,8
<b>Production and processing of coal</b>	12,0	10,2	13,2
<b>Black metallurgy</b>	3,2	2,1	2,6
<b>Colored metallurgy</b>	19,4	15,3	10,6
<b>Nonmetals</b>	3,1	1,8	1,8
<b>Metal processing industry</b>	7,7	8,6	10,1
<b>Electro industry</b>	2,4	3,3	9,0
<b>Chemical industry</b>	5,0	7,2	2,0
<b>Industry of construction materials</b>	3,3	4,2	2,3
<b>Timber industry</b>	2,9	2,9	2,1
<b>Paper industry</b>	1,2	1,2	0,6
<b>Textile industry</b>	10,0	12,6	8,4
<b>Leather industry</b>	2,2	2,1	2,4
<b>Rubber industry</b>	1,5	2,6	4,6
<b>Food industry</b>	4,8	5,0	7,0
<b>Graphic</b>	1,1	2,3	0,7
<b>Tobacco industry</b>	1,2	1,1	0,8

<sup>22</sup> Vjetari Statistikor i KSA të Kosovës 1989.



*Structure of physical volume of industrial production*

In the above mentioned data is shown that the participation of agriculture to the social product of the economy until the 80's has gradually decreased (from 45.1% in 1959 to 19.8% in 1979).

In the same period, industry and mining have indicated gradual increase in the economic structure of Kosova (from 36.9% in 1959 to 52.9% in 1989).

For long time agriculture formed the most important part of the economic structure of Kosova, with primitive tools and very small area for household economies. The small surfaces of small households did not allow higher results.

After the war in 1999 Kosova, as the most underdeveloped region in this part of the Balkans, was trying to speed up the process of economic development in order to achieve as successful as possible the economic and social transformations.

The economic structure of Kosova, when considering the aspect of the participation of various sectors and the number of enterprises registered in the creation of social product in the national income, has experienced significant changes.

The existing structure reflects a long-term non harmonization at the level of the former Yugoslavia, which, in essence, is followed by a slow development for a long period of time. Such a conclusion can be seen in the following data:

Economic activities	Total	Work-ers only	Part-ner-ship	Incur. Comp	Coope-ratives	Priva. Comp	Public comp	Publ. prop-erty	Social prop-erty
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Agriculture, hunting and forestry	1,3	1,1	1,6	6,1	12,5	1,6	6,3	14,9	7,6
Fishing	0,0	-	-	-	-	-	-	1,4	0,4
Mining industry and extract industry	0,7	0,6	1,0	1,2	50,0	0,6	0,0	2,7	0,8
Processing industry	10,3	10,4	8,4	15,9	6,3	5,5	18,8	9,5	13,7
Energy, gas and water supply	0,1	-	0,1	-	-	-	3,2	6,8	3,4
Construction	10,5	10,7	8,3	23,2	6,3	9,8	18,8	9,5	5,7
Wholesale and retail trade, repair of vehicles and motorcycle and articles for personal use at home	50,7	50,8	53,4	32,9	6,3	61,3	18,8	16,2	21,0
Hotels and restaurants	4,5	4,8	2,0	0,0	0,0	1,0	3,1	2,7	5,3
Communication	14,8	14,6	18,4	1,2	12,5	17,1	9,4	8,1	14,9
Financial, business intermediation	2,4	2,2	2,9	9,8	-	2,0	3,1	4,1	5,8
Education	0,8	0,8	0,4	2,4	6m3	0,0	3,1	8,1	3,1
Health and social protection and other social activities	1,6	1,4	2,2	-	-	0,4	3,1	4,1	11,1
Personal services	2,5	2,6	1,4	7,3	-	0,6	12,5	12,2	7,3

*The registered enterprises according to the type of ownership and activity section (in %)<sup>23</sup>*

Based on these data it is obvious that the highest participation in the registration of companies has wholesale and retail trade, reparation of vehicles and motorcycle and articles for personal and domestic use, which amounts to 50.7%.

In second place in the structure of registered enterprises in this table, is the communications, its participation to the general economic structure can be considered as quite new.

Important for the economic structure is the change of relations of production or property relations of production means. They practically provoke the qualitative changes in the economic system.

<sup>23</sup> Enti i statistikave të Kosovës, *Pasqyrë statistikore mbi bizneset e regjistruara në Kosovë*, Prishtinë, 2002.

Despite the fact that in the economy of Kosova there is an inadequate economic structure, where the energy sectors of raw materials are predominant, which cannot present a potential factor for further development, but can create conditions for a development in the processing industry.

During the last two years the attention of major political issue was dedicated to youth employment in Kosova as they have to face challenges and difficulties to enter the labor market and the number of young people working in dangerous jobs, often in the informal economy is increasing.<sup>24</sup>

In the structure of economic investment in Kosova, the top participating branches are capital investment with long term activation of investment, a quite inadequate capital coefficient. Simultaneously, similar effects have also provided investments for the construction of the infrastructure, and other elements of the extreme economy. Such investments have left small space for the development of processing sector, by which can achieved a faster turnover and a greater dynamic growth of national income and employment, as one of the major problems in the economic development of Kosova.

The large reserves of lignite and very appropriate conditions have enabled the development of intensive exploitation of energy, especially in capacity building of energy and basic industry.

Regarding this it must be said that Kosova built a large part in the following sectors of Former Yugoslavia in the late 80's such as energy sector 7.0%, coal production 14.1%, 9.0% metal, lead-zinc production 32.0%, 76.0% refined lead, lead 52.0% and 67.0% refined silver while participation in the social product of the former Yugoslavia was roughly 2.0.

The high participation in these complexes has sharpened the situation within the Kosova economy. Thus, energy, colored metals and black metallurgy, together, were participating in the social product of the industry with 45.0%, 35.0% in employment and 60.0% in fixed funds.

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<sup>24</sup> *Plani aksional i punësimi të të rinjve në Kosovë - kornizë e politikave afatmesme (2007-2010), Tetor 2006.*

In accordance with this, the extensive material factor is considered more as a source of economic growth than the immaterial ones. The reduction of the importance of immaterial factors (science and advanced technology, modern entrepreneurs and management, strength of the scientific component in development) led to the fact that the potentials of the population able to work were not activated. As a result of the systematic and development mechanisms our country stagnated for a long period of time.

For this reason, there is a need for permanent analytical study of the economic structural changes and potential opportunities for positive changes in its constituent structural elements and relations which should appear as a result of comparing some indicators with particular impact on the growth and changes of the economic structure.

Gradually, the development of industry progressed together with the increasing participation in the structure of the overall economic downturn and the participation of agriculture.

A particular aspect of the industry structure presents the disproportion within Kosova industrial complexes, as a consequence of low-level processing and finalization of available products and not activation of comparative advantages in development.

It is important to note that the industrial branches which have high capital participation and creates high incomes usually engage a small number of workers just because of the automation of the working process.

This advantage can be created by the energy sector which narrows the space for structural changes in favor of processing sectors of industry, which would have greater effects on employment.

Even within the other branches of Kosova prior to its occupation, there was a structural disproportion, where the participation of production and distribution of electricity in the social product of energy amounts to 53.0%, 1.0% coal processing, processing of colored metal and black metallurgy 3.6%, production of final products in the textile branch of the textile industry and leather, 32.8%, industry production of food

products for consumption 52.4%, production of beverage products in the social product of agro - complex 36.5%).

During this period, exports of Kosova were insufficient, as the qualitative aspect, as well as quantitative and structural terms. Also, the main carrier of the export sectors in Kosova was the industry. Within the branches of the export industry, the most important were: energy, colored and black metallurgy, as well as the production of cars and electrical appliances, metal-processing activities, production of communication tools, production and processing of chemical products, production of spins, production of rubber and others. The export of accumulators build the main part of export products, production of auto parts, which have nowadays present only a symbolic part in the industry structure and the economy of Kosova as a whole.

Developmental changes in Yugoslavia were very obvious. While the Northern and Western part of the country showed processes of development of industrialization, the Southern part of Kosova represented all the characteristics of a backward economy with a framework to emphasize the agricultural complex.

If the structural changes are analyzed in terms of number of employees by businesses, it appears that the industry, communications and commerce are increasingly becoming branches of particular importance for Kosova's economy, as in the creation of the social product, also in the national income, that affects, furthermore, the relative increase of the number of employees, to whose professional preparation is becoming better by aiming thus the adaptation of new technological processes.

Such a conclusion can be seen also according to these data:

	In total	Businesses according to their number of employees						
		1-4	5-9	10-19	20-49	50-99	100-499	over 500
Agriculture, hunting and forestry	370	253	45	25	18	17	9	3
Fishing	5	3	1	0	0	0	0	0
Mining industry and extract industry	190	145	18	13	4	5	2	3
Processing industry	2.927	2.066	339	202	129	81	67	43
Energy, gas and water supply	19	1	7	5	3	0	2	1
Construction	3.001	1.689	667	325	196	87	28	9
Wholesale and retail trade, repair of vehicles and motorcycle and articles for personal use at home	14.476	12.511	768	559	342	199	69	28
Hotels and restaurants	1.279	1.082	87	53	24	12	16	5
Communication <sup>52)</sup>	4.231	3.629	356	121	85	13	18	9
Financial intermediation	662	534	44	42	16	8	9	7
Education	223	174	13	19	6	3	4	4
Health and social protection	446	379	26	18	13	2	5	3
Personal services	726	601	51	47	18	5	3	1

*Registered enterprises according to the number of employees and activity section<sup>25</sup>*

Also, the enterprises here have mostly employed 1-4 workers, with a total of 3629 enterprises of communication. The largest number (43) of enterprises with over 500 employees appears in the processing industry.

Based on this fact we see that the industry for overall economic development plays an extremely important role, which can be also expressed in the rate of economic growth, structural changes in economic and social life.

The natural sources, which have influenced the orientation of investment, have affected the development of industrial branches.

As shown in the structure of the physical volume of industrial production, the largest turnout has the electro economy, production and the processing of coal, while the

<sup>25</sup> Enti i Statistikave të Kosovës, *Pasqyrë statistikore mbi bizneset e regjistruara në Kosovë*, Prishtinë, 2002.

participation of colored metallurgy is gradual decreasing. A permanent increase is shown by the metal processing industry, electro industry, the rubber and food industry.

This unfavorable situation is due to the following problems: a low level of labor productivity, the poor accumulative and reproductive ability, insufficient assistance from abroad, availability and choice of modern technology, international division of labor, use of insufficient capacity, poor efficiency of investment, inadequate use of the natural conditions for an increased agricultural production, lack of an adequate infrastructure and density of population. All these impede a more dynamic economy in Kosova.

## ***5. Conclusion***

The modern world moves forward - it is full of projects, ideas and different goals based on a hope that almost uniquely addresses the request for expansion and strengthening of human welfare - at least according to the public opinion. In the heat of developments we often face with problems, contradictions, but also understanding.

In most cases these are caused by the frequent system changes, subsystems and arrangements of different companies which over time do not show successful results and have then to change or correct them. The existence of humanity and development in all spheres of life cannot be thought without an organization prepared in a professional manner.

The preparation of projects is of vital importance for a development by means of which certain developmental goals, through the application of modern technologies, can be achieved. Regarding the preparation of projects it is important to have first a concept defined by describing the needs and opportunities of the fastest developing sectors that provide the greatest profit.

The current situation in Kosova's economy shows also that this issue has not been paid attention we can say at least that even now there is a disproportion of development, because in the most cases development projects and support has been

prepared for other sectors, while profitable branches are left out.

This is also due to lack of project agencies in Kosova, so that development projects of Kosova have usually been done by different institutions from the countries of the former Yugoslavia, by which only a partial success was achieved, while problems were solved on a case by case basis.

There is no doubt that some of the issues laid down in this analysis require further processing or analytical study, detailed for each case in particular with the aim of solving the problems of development in general easier, the solution depends largely on the economic prosperity of the country and region, and on the maximum engagement of all subjects, intensive exploitation of professional institutions and the greatest affirmation in this field with particular emphasis on the professional service market - the domestic and international one.

Furthermore, it should be noted that the dynamics of development in this period were not in line with the forecasts and existing opportunities. No predictions were realized even in terms of reduction of differences in the pace of development compared with other countries of Former Yugoslavia.

*Translated by Dafina Vezaï*

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