

Natural resources as a factor of economic growth in Kosovo

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Abstract

In the history of the economic growth, there are numerous examples of countries that have developed based on their available natural resources. Especially, these assets have been the propulsion of the development in the initial period. But we also find some cases where countries with limited natural resources have experienced dynamic economic development. Kosovo is the last federal unit dismembered from former Yugoslavia after a decade under Milosevic's Serbian regime and a two years' war. International intervention and the inclusion of the country under an international protectorate created the conditions for the development of devastated economy by war and the robbery to be recovered together with the creation of institutional and economic infrastructure (Lidhja e Ekonomistëve të Kosovës, 1996). Under these conditions, everything had to start from scratch. The only development factor that Kosovo possessed was the human factor - age structure and the abundant natural resources, especially in key sectors such as the energy and in mining and minerals, agriculture and tourism.

Thus it is sustainable the conclusion that "The rapid and sustainable economic and social development of Kosovo depends substantially from the implementation of the appropriate policies and suitable economic reforms that enable more rational use of its natural and human resources". The list of the available resources of Kosovo is long. Kosovo possesses significant amount of all mineral raw materials in both quality and quantity terms. Among the most important raw materials have been ranked the power-lignite mining that is stretched into three basins and it is estimated to be around 9 billion exploitable tons (Kelmendi, 2012). Kosovo also owns mineral resources which are found in the Trepca's Metals basin. The geological researches show favorable conditions of exploitation and high quality of the ore. Mainly one can found the lead, zinc, silver and other accompanying products like bauxite, iron-nickel, manganese, copper, chromium and rare metals (The Republic of Kosovo Government, 2009). The mining industry around the world is increasing. Production and consumption of the energy as well. Prices on the world market with the exception of small tremors are favorable. Therefore the country needs development policies based on the use of these resources since they can become the sector for economic development of the country in the future.

Keywords: Resources, Kosovo, Development, Minerals, Energy.

Introduction

Kosovo is a country with many natural resources. So far, these resources have not been exploited for the benefit of the development of the country, on the contrary, in all periods since the ancient history until the independence of the country in June 1999, these assets were the cause of many unfortunate events caused by the greed of the enemies for robbery purposes. Like the whole history of humanity, which in fact it is the history of wars for stealing the assets of the occupied peoples, through all the eras of development and up to date (Gusia, 2010).

In economic theory there are different views about the role of natural resources in

economic development. Sufficient theoretical arguments can be found for each evaluation as the economic development since the history of the economic development finds new circumstances upon which the role of development factors is turned into a relative one. Numerous examples of development of different countries talk about the essential role of natural resources, especially in the initial stages. But at the same time we have enough cases of countries with limited natural resources that have had a dynamic economic development. The Development of the science, technique, technology did change the order of the importance of the production factors in the economic development (Ceku, 2009).

But let's get back to the role of natural resources. With major economic and political changes in the last century, the end of colonialism and the political and economic independence of many nations, it brought the changes of the relations and requirements for a new order. The Economic development of a number of countries and peoples, whose wealth was exploited from the colonial powers led to an increased need for the natural resources and the need for their economic valuation.

In this aspect, Kosovo is the last country in the group of countries that gained the political and economic independence and therefore it is time that the natural resources are valued and the appropriate decisions that favor the economic development are adopted.

Kosovo emerged from the war with an almost devastated economy. The neglected social property after it was robbed in the 90-es was almost not active and barely managed to escape the complete destruction and degradation, but never managed to recover.

The devastated private sector economy, resumed from scratch, whereas the family economies had suffered damages that it couldn't even fulfill the elementary family needs. The devastated livestock, equipment, agricultural tools and other burned residential homes.

The end of the UN administration and also at the same time the phase of reconstruction until the declaration of independence, found Kosovo in a low scale of economic and social development. With a weak infrastructure, lack of energy, high level of unemployment and therefore poverty, with the unfavorable economic structure, with negative balance trade exchange, without consolidated institutions and accompanied with significant negative phenomena such as corruption, organized economic crime, fiscal evasion, lack of genuine competition, lack of development funding and governance of the country's development without a strategy and policy. Under these conditions, there are manners required for the activation of economic growth resources (Ceku, 2009).

Kosovo's ability to activate the resources of economic growth

Capital as a key development factor it's not even nearly enough to move on things for the public or private sector. The only possibility remains the attraction of foreign direct investment, but how to achieve this? Adverse circumstances for doing business, lack of security and the rule of law problems.

Under these circumstances the conclusion that "The rapid and sustainable economic

and social development of Kosovo depends substantially from the implementation of the appropriate policies and suitable economic reforms that enable more rational use of its natural and human resources”.

It's not enough only to have the natural goods available but also their role in the country's dynamic development is closely connected with the optimum consolidation of other development funds.

List of the available resources of Kosovo is long. Kosovo has almost all raw mineral materials in significant quantities. For the purposes of this paper, we will focus upon those which have been assessed and whose quality and quantity for exploitation is considered viable for the economic development of the country. From the most important assets are the raw materials of energy-coal minerals. Kosovo, according to estimates available so far, has 12.5 billion tons of coal, out of which, 8.6 billion tons are exploitable. These reserves are located in three coal basins: Rrafsh of Kosovo, Dukagjin and Drenica (Kosovo Ministry of Energy and Mines, 2006).

In the Kosovo basin, the productive part covers an area of 300 square km and is the main coal basin carrier. Characteristic of this basin is the economic exploitation advantage compared to other basins. So, the cost of coal extraction is estimated to be about 11 EU/t. From this basin, in the last 50 years there have been exploited about 285 million tons. It should be mentioned that the exploitation of lignite in Kosovo was made only on this basin. During the most dynamic period, Kosovo had installed the capacity under 1,480 MW for the lignite. For their own needs there have been used about 800 MW, while the other amount is made available for other federal units. Currently, Kosovo with its own capacities produces up to 730 MW, and it spends during the winter period up to 1200 MW. The difference between production and consumption is covered by the import. The energy production currently does not meet the country's needs. Lack of energy produced in the country will be felt by the end of this decade due to the completion of work in TC Kosovo. On the other hand, there are huge delays in the start of the construction of new capacities (J. Newsome).

If, however, for the needs of the topic of this paper, we will concentrate only on the key issues of the power sector from coal as a very important resource for Kosovo and also if we take into account the basis of the energy situation in the region and the prices of the imported electricity on the one hand, while on the other hand, the cost of energy prices from lignite, economy growing needs for energy then the relevant state entities, scientific research institutions and civil society will need to avoid the narrow interest groups, the negative impact of interest groups from outside and solid positions in the spotlight and to solve the issue of the country's need for energy and the use for the economic development. On the other hand, it cannot be justified the position and the absurd ignorant behavior, respectively delaying the commencement of the construction of new generation capacity in the conditions and circumstances of Kosovo.

How does the lack of energy impact the creation of the conditions for doing business, how does it affect the attraction for foreign investments? What are the losses from the delay of the realization of investment in generation capacity, what are the losses from the lack of potential annual production, how many jobs have been lost and how negative were the fiscal effects whether from the expected profit, whether through subsidizing the energy sector from the state budget?

What are the indirect losses from the effects of the delay?

To these and other questions, the competent and responsible people for the development of the country and the welfare of its own citizens must answer.

Kosovo has abundant mineral resources. Sources of these wealth lie everywhere but the most known one is Trepca's metal-genic basin which lies in an area with a length of 80 km and a width up to 30 km. This mineral wealth was exploited in the past intensively and there was a great participation in the mining industry in domestic production. To illustrate this economic activity in the late 70s it accounted for about 40% of domestic production and was well ahead of agriculture which took part with about 20% of domestic production. In the context of electro energy, it constituted 11%, while coal and coal industry, about 16%, color metals 12%, etc. Currently, the production in this sector almost is non-existent, and this sector does not cover any place in the structure of domestic production. As a result of the negligence, and ruthless use in the 90s and ignored in the period after the war, it is now facing bankruptcy.

New research carried out after the war have rendered to the result that the geological reserves of Trepca are of a very high quality.

In the three main sources of Kosovo, in Stanterg, Cemolc and Artane are verified to be around 58.7 million tons of ore, from which there can be extracted 2.474 million tons lead, 2.320 million tons of zinc and 4.6 million kg of silver. To these data should be added the other accompanying products in particular the gold. Also, as other mineral wealth appear to be the cobalt and nickel which after privatization have started to be exploited in Ferronikel.

Bauxite, iron - nickel, manganese, copper, chromium, rare metals, gold and industrial minerals (magnesium, kaolin, etc.), construction material etc. potentially they are potential but have not been sufficiently explored.

Another important asset is the land fund, its size, structure and quality. Kosovo has a total of 600 thousand ha of agricultural land. This area is completely arable, while 32% of it are pastures. The quality of agricultural land is characterized by the domination of the land of poor quality (55%) of the agricultural land. Another characteristic aspect of the agricultural land fund is its small size per capita (about 30 acres). Obviously, the structure varies from year to year.

Insufficient exploitation of the land surface and in particular of the agricultural land, is its degradation after the post-war period. On the other hand, Kosovo faces severe deficiency of production of food and raw materials in the country. Consequently, Kosovo imports most of the food products, raw materials and other items of agricultural origin.

The potential in natural resources to promote economic development are the natural beauties of the mountains in the western and southern part of the country.

In terms of exploitation of natural resources in the context of economic development, besides the evaluation of the volume, content and the appropriate time for their exploitation, under the Kosovo conditions for exploitation of the mineral resources, it means the creation of new jobs, raising the quality of life and increase of the production per capita and normally reduce the poverty.

The mining industry in the world is ever growing. The production and consumption

of energy or metals are increasing. Despite small swings, in long term, prices of these items are in a steady increase.

Kosovo should pay priority to the power supply from domestic production. Considering the amount of lignite it does possess, the terms of use, pricing etc. With this action there will be achieved two key objectives in the process of economic development; First, it will be accomplished the maximum value of the use of lignite as a natural resource and the second it would be realized the qualitative power supply for internal consumption and partly for export with very favorable prices. Other accompanying positive effects would be the fiscal revenues from taxes, fees, etc.

The realization of this objective is by no means simple. First, Kosovo's economy and budget do not possess the necessary capacities for the implementation of any project generating optimum capacity. Partnership remains the only real option. To realize a serious project through partnerships, it is necessary that parties involved in the process to be at the appropriate level of responsibility and seriousness of the issue. The experience, after the declaration of independence testifies non-serious approach of the Kosovo state entities. Useless waste of time until the beginning of realization of the new generation project 2x1000 MW, the interruption of the project started and its modification in 2x500 MW, again the delay in its implementation and finally back again the modification and reduction of capacity in the 2x300 MW but incomplete, have brought Kosovo currently to depend on the import of energy during different periods of the year.

Unwillingness of government structures for the respect of the Energy Strategy / irrespective of how this strategy is appropriate or less appropriate / will bring Kosovo into a situation of energy crisis after 2017, when the generating capacity of the Block must be closed due to the fact that is old enough and its depreciation and renovation has no economic justification. Even the other block, Kosovo B has a functional period until to 2024.

Currently, the technical requirements of the installed capacity for the energy generation and their level of technology does not guarantee sufficient supply for the consumption needs of the country in terms of quality and quantity. To meet the growing demand for energy as it can be thought. Under these conditions the energy sector is currently an obstacle to the country's economic development.

The objectives of the energy sector should contribute to the economic development through stable and quality supply of energy with competitive prices. With effective and rational exploitation of lignite deposits while respecting environmental standards in compliance with European standards related with production of energy efficiency. Facing with a complex situation such as the exploitation of the resources, available in accelerating the economic development, in terms of emergent supply of energy, a good and responsible governance is needed to use this resource in an appropriate manner and time.

What is the appropriate time and manner?

We have found a quantity and quality of lignite which guarantee production of energy with favorable prices, half the price than imports. Negative balance of the energy in

the country and the balance of energy regional countries taken together shows also that there is a deficit of energy which is not cyclical but a result of the lack of ongoing developments. Other energy sources are called the alternate ones and they do not meet the energy shortage in the country. Isn't it absurd the negligent attitude and the opposition towards building new energy generation capacities? If, however, not in its own resources then, what Kosovo should base its future development as a country? Under these circumstances, we face a dilemma: on whose favor is the delay for so many years of the start of the construction of new capacities, taking into account the length of the building of new Blocks, expiration of the Kosovo A block and increasing requests of households and the economy for energy?

The complexity of solving this problem is made even more complicated by the limited ability of the domestic capital for implementation of the energy projects and the environmental requirements. For these two highly complex issues, there is a need for good governance. How to attract prestigious companies in the field of energy which, in partnership with the domestic government will invest in Kosovo. Previous activities enabled the expression of interest to some of the most prestigious international companies. World Bank was supporting the process through the Advisors in the field of environmental protection, Transaction Advisors, etc.

How did it happen that the investors who had previously expressed interest in investing in the sector were withdrawn, what happened that made the process fall apart and to start from scratch? Are we going to have a chance to attract serious investors when business circumstances get worsen every day, parameters show the increase of the informal economy, organized economic crime is on the rise, corruption, etc.

Ultimately, the volume, the quality and the conditions for the use of energy resources meet all the economic criteria to put this sector on the basis of a dynamic economic development. An efficient and transparent governance, which would create through the proper economic policy, the conditions for the management and usage of this resource for the benefit of the public, living standard and development of the country. It should be said here that the loss of the country's economy within a year because of the delay for the construction of generating energy capacity as it has been estimated by the experts of the field is of 500 to 700 million Euro per year.

Importance of mining sector in the economic development

The mining sector through the economic models results to fulfill the standards and with regards to the importance it may have in the economic development, it comes after the energy sector. The resources surveyed, provided that they are used rationally, suffice that for a quarter of a century to have an active role in the development of the country. Above we pointed out some parameters and the data about the location, quantity and quality of the minerals available in Kosovo. Analyzes and assessments made by the experts of the sector, speak about the economic reasonableness and usefulness for their exploitation. The key problem is the lack of the capital which would revitalize this sector and transform it into an active development factor. Other conditions also are those that govern the energy sector, the good governance. In the postwar years, there have been analyzes, assessments and strategies and decisions

were issued but they were never taken seriously. The Mineral Strategy prepared early in 2007 by the experts as asked by the MEM has been updated later on as well but it has not been proceed to the Assembly for approval and as a consequence it has not started to be implemented. This document has identified all the elements that characterize this sector and it has quantified the economic value of the sector in the economic development of the country.

Based upon this document, and taking into account the challenges related to the reforms, restructuring, legislation and socio-economic issues, as well as the environmental ones, we can conclude that in the absence of government's will, this sector continues to languish, it does not get the role it deserves in the development of the country and there are indications for irrational usage from the of narrow interest groups.

Economic development based on the exploitation of mineral resources means more jobs, raising the living standard and reducing the poverty. The experiences in the world from the exploitation of the mineral resources production and consumption show that the prices of the products in the long term are constantly increasing.

The agricultural area which are small anyways considering the number of residents and especially the fact that about 60% of the population is rural population, due to the lack of active policies in the agricultural sector have not been exploited, they are being degraded and vanishing. Complete degradation has occurred in the surfaces that once were socially owned. Once they were abandoned and robbed before the war, after the war they were never revitalized because of uncertainty of the property. Surfaces of those enterprises which were privatized in the meantime, not only they were not used for cultivations, but after privatization they were divided into parcels, their designation was changed and the only effect was the benefit of the new owners through buying them cheaply and selling them based upon the market prices.

It seems incomprehensible that a country which imports $\frac{1}{4}$ of the food products, a country that has an age structure appropriate to conduct activities in agriculture does not establish adequate economic policies and does not undertake any action in stopping the degradation of agricultural land, to prevent the change of the destination and to increase the interest to use them as much as possible.

Currently, the role of the agricultural sector in economic development is much smaller than the potential-possibilities. Only 25% of GDP comes from agriculture, 2% from forestry. There is a huge disproportion between the percentage of the rural population and the percentage of the agriculture products in the overall production, which is closely connected with the necessary stimulation measures, measures of fiscal policy, harsh competition from the products from neighboring countries stimulated by their governments, and the lack of protective measures for local products characterize the development of agriculture in this country.

In the postwar period, not only there have not been developed further, but several branches of industry-based food whose raw material base was from agriculture have disappeared completely, such as the production of sugar, food oil, the tobacco industry, paper, etc.

Important resource for the development are considered country's natural beauties which enable the development of tourism, especially the mountainous tourism. We

emphasize here, Bjeshket e Nemuna who offer the opportunity for the usage through the Rugova Gorge and Decani Gorge, then Brezovica and Sharri mountains. In all these places, there are favorable conditions for the development of the mountainous tourism, for the summer and winter tourism.

After the war this activity has started to revitalize. Private sector, even though very weak financially and without any financial support from financial institutions has shown interest and taking into the potential that exists, there is development going on.

Stressful is the lack of measures to protect forests from destruction and degradation. There are indications for economic organized crime in the ruthless exploitation of the forests. On behalf of the cleaning and maintenance, often the trees that need protection are cut, stolen and degraded. Unfortunately, into this crime against forests, are involved many stakeholders, including the ones from the state structures.

Conclusions

Kosovo has considerable natural resources. To make these resources a factor of economic development for the country, the exploitation must begin.

In order to make the exploitation of the available resources rational and useful for the present and future of the country, Kosovo institutions should prepare as soon as possible the Development Strategy within which will be the sectorial strategies of energy and minerals.

Most of the resources have been researched and verified in the sector of energy-lignite and minerals.

Relying upon the usage of these resources, taking into account the market demands and price changes of the products of these sectors, Kosovo creates a significant advantage.

Challenges arising from the activation of these resources are huge, but also they present risks.

Ensuring foreign investments in the absence of local ones is the only condition for the activation of these resources. This is not easy due to the unwillingness of the capital to invest in Kosovo. Obstacles are mostly from the unfavorable environment business, legal infrastructure, rule of law and order, high level of corruption, organized economic crime and unfair competition, etc. that in a word can be called a lack of a good governance. These are all essential conditions for the available resources to be put into function for a dynamic economic development of the country.

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