



European Union

UNMIK



United Nations Interim Administration Mission in Kosovo

Economic and European News
DSRSG Office for News and Communication
www.euinkosovo.org

**PRESS
RELEASE**

PR 019/06

Thursday, 20 July 2006

New Study: UNIMK's Impact on Kosovo's Economy

PRISTINA – The EU Pillar of UNMIK today launched the final report on *UNMIK's Impact on the Kosovo Economy: Spending Effects 1999-2006 and Potential Consequences of Downsizing*. It was conducted by the EU Pillar's Economic Policy Office and is now available at www.euinkosovo.org > **Documentation** > **Economics**.

Since its establishment, UNMIK has spent some €2.6 billion on personnel, goods and services. Of this amount, between €75 and €120 million have been injected into Kosovo's economy annually. Over the years, the share that UNMIK spent in Kosovo has increased, reflecting the enhanced capacity of local businesses to supply UNMIK with goods and services. Such expenditure has created about 2,600 jobs in Kosovo, in addition to the 3,250 local jobs in UNMIK.

Consequently, the study analyses possible scenarios of UNMIK downsizing in the near future, by calculating the corresponding impact on Kosovo's nominal and real GDP, job losses and spending on locally provided services. The most likely scenario assumes a small future international presence of about one third of current UNMIK staff levels. The impact of this scenario would be equivalent to losing one normal year's growth or around 3%. However, a drop in prices and the availability of additional highly skilled workers could also make Kosovo's economy more competitive.

Andreas Wittkowsky, Head of the Economic Policy Office, EU Pillar: "We hope that this study will facilitate discussions on how to deal with the consequences of UNMIK's downsizing. People must be prepared for the impact on Kosovo's growth and employment, among other issues. We hope that this detailed economic analysis helps government, donors and stakeholders in tailoring their actions and managing expectations in the event of UNMIK's downsizing and status resolution."

The study indicates that a future international presence can partly mitigate the negative impact of UNMIK's downsizing. Also, it encourages donor organisations to apply their assistance to counter negative effects rather than scaling down at the same time.

Importantly, the authors encourage the government of Kosovo to manage public expectations regarding the perceived improvements following status resolution. They also advocate strict adherence to the economic and fiscal conditions for continued donor support through: a prudent building of the 2007 budget, the updated Medium Term Expenditure Framework 2007-2009, a sound Kosovo Development Strategy and Plan acceptable to donors, and a continued strong focus on investment promotion.

ENDS