

Privatisation: liberal reform and the creation of new conflict economies

PRIVATISATION AND related commodity governance schemes are meant to bring economic gains for individuals, groups and the state in a fair and neutral way, diminishing the possibility that economic resources will become a source of violent contestation. Ultimately, the transformation of war economies requires that assets, whether they be tangible (such as diamonds) or opportunities (in the form of business prospects), be transparently and justly governed. Whether that governance is in the form of privatisation or other resource management schemes such as those discussed in [Chapter 2](#), the logic is to extract the economic from the political to the degree that the economic benefits cannot be manipulated by elites or combatants for self-interested political or economic gain. The goal is to ensure that the struggle over resources occurs in the regulated and ‘peaceful’ private sphere and not the complex and self-interested political sphere. In theory, these reforms are meant to act as a way of wresting control from military or political elites over key resources which have been used by these actors to consolidate power in an undemocratic and violent manner (contributing to the goal of negative transformation) and to return these resources to private hands, leading to broad socio-economic development (thereby contributing to a wider form of positive transformation). In reality, and as with many policies, the outcome of privatisation is never so predictable and in some cases may actually contribute to the formation or consolidation of economic relationships which it actually sought to transform.

Post-conflict privatisation in Kosovo

While privatisation and resource governance schemes are perhaps most closely related to war economies dominated by the trade of primary commodi-

ties, such forms of governance are also deemed useful in transforming political economic relationships more generally. Any economic resource may be considered a target for such schemes, with the aim being to regulate whatever part of the economy conflict entrepreneurs and elites have attempted to control through fear, intimidation or violence. In the Balkans this control has often taken the form of manipulating the transformation of Socially Owned Enterprises (SOEs). So, while there is no single, physical commodity to be privatised in Kosovo, the privatisation of former SOEs has provided a new arena for war entrepreneurs and political elites to consolidate their economic and political power.

Privatisation in Kosovo has been complicated by the unique form of social ownership which emerged in the former Yugoslavia, making it difficult to make direct comparisons to other transformations. The 1974 constitution deemed that neither enterprises nor property in Yugoslavia would be owned by the state (Skof and Vukmir, 1993). Enterprises and assets were socially owned, as opposed to publicly owned, and were managed by employees through workers' organisations (Babić, 1998; Riinvest, 2007). Local municipalities appointed directors to the managing boards of enterprises, creating a strong link between *local political* and *local economic* institutions; managing economic interests was seen as one of the key responsibilities of municipal authorities (Riinvest, 2002). From the 1960s until the 1980s, SOEs played a key role in the socio-economic development of the region. Yugoslavia remained a 'regional industrial power and economic success . . . annual GDP growth averaged 6.1 percent, medical care was free, the literacy rate was of the order of 91 percent, and average life expectancy was 72 years' (Chossudovsky, 1997: 376 referring to World Bank, 1991). However, in the early 1980s a series of economic reforms coupled with high levels of debt due to extensive borrowing from foreign actors led to economic crisis in Yugoslavia. The IMF-imposed structural adjustment contributed to a drastic reduction in purchasing power, an increase in unemployment and heightened levels of poverty.

At the local level, enterprises found themselves poorly placed in the new liberalised economy. As the focus had always been on trading within the socialist block, they were not in a strong position to compete on the international stage (Estrin, 1994). Domestic trading was also hurt as the deregulation of the trade regime led to local markets being flooded with foreign goods (Chossudovsky, 1997). These economic factors and disintegration are considered by some to have been key contributors to the tension and eventual violence that led to Balkan conflicts in the 1990s (Brown, 1997; Liotta, 2002; Talbot 2000). Nonetheless, the government continued in its efforts to liberalise the economy, reducing state involvement in increasingly unproductive industries and appeasing IFIs by undertaking an extensive

privatisation process. A series of laws passed between 1988 and 1990, referred to as the Markovic laws, were meant to govern the process of privatisation in Yugoslavia. The process was stalled, however, by the outbreak of war in Yugoslavia's former republics. Following the wars, the newly independent states of the former Yugoslavia created and followed their own laws and processes for privatisation (Ristić, 2005). The Serbian state continued to administer the process of privatisation in Kosovo up until 1999 in what is now widely considered an illegitimate, if not illegal, manner. Many Kosovan SOEs were merged with Serbian companies and an estimated 130,000 Albanian workers were fired from their positions at SOEs (Riinvest, 2004).

In the first few years of the UN mission, the international administration avoided the question of privatisation, deciding instead to set up a Department for Trade and Industry (DTI) in charge of administering, commercialising and leasing SOEs. This approach did not attract investors or solve the more fundamental question of ownership (Eyre and Wittkowsky, 2002). In response, both the head of the UN's Pillar IV (the sector of the international mission responsible for reconstruction and economic development) and the DTI produced their own plans for privatisation. Both of these plans were rejected by the UN, largely on the grounds that they would have resulted in legal changes of ownership. Facilitating such changes was initially considered well outside the mandate of Resolution 1244 (Perritt, 2005). Some argue that this concern was misguided and that internationals misunderstood the nature of social ownership. Indeed, ownership in regard to SOEs appears as a blurred concept with various levels of government, society and individuals all having a legitimate stake in enterprises (Perritt, 2005). Who owned assets, and by the same token who was responsible for liabilities, was called into question. Of course, such debates also occurred in other parts of the former Yugoslavia, where SOEs were sold off despite potential interests being held by Yugoslavia. However, in these cases the issue of ownership and liabilities was dealt with in the *Agreement on Succession Issues* (2001) which did not cover the issue of privatisation in Kosovo, and unlike the other former Yugoslav republics, Kosovo technically remained part of the Serbian state.

Due to pressure from both domestic and international actors to privatise, UNMIK created the Kosovo Trust Agency (KTA) in 2002 (UNMIK, 2002c, 2003a, 2005a). As with law and security, privatisation was considered a reserved power; only the SRSG could grant authority to privatise SOEs in Kosovo. The KTA had two mandates: to supervise the management of publicly owned enterprises (POEs) and to privatise SOEs. POEs include the major public services including power, water, sewage and waste removal enterprises. These processes have had mediocre results by all accounts. Many POEs continue to operate at a loss, a burden shouldered by international donors in the early days of the mission (Moalla-Fetini et al., 2005). This obligation has

now been transferred to Kosovo's government. Furthermore, public service delivery is unreliable, with frequent water and power cuts. Kosovo's power provider (KEK) often finds itself at the top of Kosovo's most derided institutions (ISSR, 2006) because of its poor performance and rumours of corruption. Many of its problems are related to illegal use of the power supply and its inability to effectively collect payment for services. However, despite these problems, POEs perform a key socio-economic function as one of Kosovo's largest employers, at one stage providing employment for approximately 14,000 workers (KTA, ndb).

The KTA's second task was to undertake the privatisation of SOEs. Any enterprise listed as an SOE in 1989 was considered for tender. The first and most important part of the KTA's work was to determine the status of companies, to establish whether or not they were in fact an SOE before the 'illegal transformations' conducted by the Serbian regime. Legal services of the UNMIK mission made decisions based on KTA reports, a process which came to be seen as the most delicate part of the process. Estimates of the number of SOEs vary from 300 (Demekas, Herderschee and Jacobs, 2001) to around 500 (KTA, nda) and it has been suggested that 25–50 per cent of these are unlikely to become viable businesses (Demekas, Herderschee and Jacobs, 2001). Several years after the conflict, approximately 20,000 people remained actively employed by SOEs and 60,000 people remained on workers' lists (KTA, nda). In terms of non-employment economic contributions, SOEs account for approximately 90 per cent of Kosovo's industrial and mining base, 50 per cent of the territory's commercial and retail space and nearly 20 per cent of its agricultural and forestry areas (KTA, nda). While many SOEs are summarily dismissed as unproductive entities that will not impact upon Kosovo's economy, the above statistics show them to be a key economic resource in the territory.

Former employees of an SOE are entitled to 20 per cent of the proceeds of the sale of that enterprise. Workers' lists were reviewed and verified by the trade union and the KTA. The other 80 per cent of the sale proceeds were placed in a fund to address creditor claims against former SOEs. Enterprises had many debts to foreign creditors and it is estimated that the average liability per SOE was approximately 1 million DM (Riinvest, 2001). Both during and after the UNMIK mission any disputes arising from the process of privatisation in Kosovo have been dealt with by a Special Chamber within the judiciary which was created and governed by UNMIK Regulation 2002/13 and subsequently managed by EULEX (UNMIK, 2002d). It is made up of a panel of judges, with international judges holding a majority on any given panel. Claims could be made by individuals who felt they had been left off workers' lists due to discrimination. In every single case of privatisation, workers' lists were challenged in the chamber (EU, 2006c). The chamber was

also responsible for dealing with any creditor claims against former SOEs. It is stipulated, however, that the chamber could not provide any form of compensation which requires the rescission or nullification of a sale by the KTA. Thus, while actors have had recourse to compensation, there was no legal recourse for reversing a case of privatisation.

With the legal and procedural requirements in place, privatisation began on 14 July 2003 with the first wave of privatisation. The first two waves were completed with the final contracts for the third wave being verified and signed when the process came to a complete halt at the end of 2003. There are several competing narratives regarding the reasons for the freezing of the process. According to some, there was a fear by the KTA's international managers of being personally sued in international courts for the selling of Serbia's assets. Unlike other UN staff members and KFOR, internationals working for the KTA were not granted immunity for the work they were to complete as part of their mandate. This was not a simple oversight. The UN was keen to distance itself from the process and refused to grant KTA staff immunity (Knoll, 2005; Zaum, 2006). In addition, the concern was once again raised that privatisation did not fall within the parameters of Regulation 1244 and that the KTA was therefore engaging in illegal privatisation. Some enterprises had been transformed between 1989 and 1999 and it was not clear that all transformations between 1989 and 1999 were in fact illegal. There was also concern by members of the KTA regarding the integrity of the process and the background of some of the bidders, with concerns that enterprises were being bought up by military-political elite and criminal actors. The official version for the stalling of the process is that 'following the first two waves, the UN and the EU engaged in a review of the process' (I25).

Regardless of the reasons, the result of the sudden cessation led to a high degree of tension and ill will between the KTA, EU, UNMIK, UNHQ, PISG and the public, especially employees of SOEs. It also resulted in the dismissal of the managing director of the KTA, Marie Fucci, who had initially called for the process to be stopped. After a review of the law, and with some minor changes to procedure (Riinvest, 2004) privatisation under the KTA resumed mid-2005. From that time onwards, progress was swift: in April 2005 only two waves of privatisation had been completed, but, within the space of one year the fifteenth wave was launched. Statistics released in February 2007 show that 219 SOEs had been privatised (UNMIK, 2007b), and by April of 2007, the twenty-fifth wave of privatisation was launched. This pace continued following the takeover of the process by the Privatisation Agency of Kosovo (PAK) in 2008 – by autumn 2010 the forty-fifth wave of privatisation was advertised with the PAK announcing that 560 NewCos (the name given to former SOEs that have been prepared for privatisation) had been created (PAK, 2010). Many of what are referred to as Kosovo's 'crown jewels' have

been privatised, including the Ferronickel plant, the Peje brewery and the winery in Prizren.

There was a desire amongst the UN administration and the KTA for more Serbs to bid on SOEs and to help the KTA identify SOEs in Serbian areas that would be appropriate for privatisation (EU, 2006c). However, privatisation in Serbian-dominated areas of Kosovo has been considerably less successful as neither Serbia nor Serbs have been willing to participate in the process. This concerned many staff at the KTA given that SOEs not privatised by the end of the UN mission would be put under the control of a new Kosovan government, under which there were concerns that Serbian interests would not be as well protected (I13). In the end, following the declaration of independence, the KTA's assets and tasks were in fact handed over to the PAK. This new Kosovan agency, however, operates in an extremely complex politico-legal quagmire. Whilst the makeup of the management of the PAK suggests Kosovan institutions and actors control the agency (with the majority of board members being from Kosovo and a minority of the board made up of internationals), the DSI retains a great deal of control over their activities. For example, the ICO maintained a substantial degree of political and diplomatic power in the process, playing a formal role in the appointment of board members, and in confirming the role of the Special Chamber (also heavily influenced by internationals) in resolving disputes related to privatisation (ICO Decision, 2011). In practice, this means that the EULEX mission retains power in legal cases involving privatisation by both the KTA and the PAK, with international jurists sitting on appeals panels and passing legally binding judgements. This continued level of control by the international community, despite independence, has been put in place to ensure that ethnic bias and political interests do not drive the privatisation process, thereby ensuring the 'spirit' of the KTA remains in the post-independence phase. This control is seen by some as contravening Kosovo's independence, with one commentator arguing that 'Despite the new legal reality, the Special Chamber of the Supreme Court still considers the KTA regulations as the law in force and does not recognise the law passed by the Kosovo Assembly on PAK. In this sense the domestic law in Kosovo, the denial of PAK as a full legal entity . . . is a breach of procedural regulations . . . as well as a breach of constitutional rules' (Gashi, 2011: 1). Thus, in relation to the privatisation process, the shift from trusteeship to independence is a story characterised by continuity, not change, with internationals still attempting to maintain control over the process.

The case of the Trepça mining complex deserves special consideration. Located primarily in the northern region of Kosovo, with many of its key components near Mitrovica, Trepça also comprises factories in Serbia and Montenegro. In the 1980s approximately 20,000 people were employed by

Trepça (ECIKS, 2005b). It contained nearly 70 per cent of Yugoslav mineral wealth and was a principle source of exports, accounting for close to 25 per cent of the region's production (ECIKS, 2005b). Production dwindled and the mines were neglected during the 1990s due in part to the Yugoslav wars and the deteriorating economy. Immediately following the war, Trepça remained under international administration, the goals of which were to protect Trepça from creditor claims, restart production and employment at the mines and to prepare it for eventual privatisation (EU, 2006c). Of its nine mines, five are believed to hold significant resources including lead, zinc, copper, silver and gold (KTA/UNMIK, 2005). Some estimates have valued Trepça at \$5 billion (Talbot, 2000: 105). It remains a symbolic, economic and political point of struggle, with one commentator referring to it as Kosovo's Berlin Wall (ICG, 1999b). In the post-independence era, the Trepça complex remains a point of contention – with EULEX, the ICO, the Government of Kosovo, Trepça's management board and Serbian interests locked in negotiations aimed at not only reviving activities across the complex, but also ensuring this is done in a fair and transparent manner (Smith, 2009).

The centrality of the market: liberal peacebuilding and the push for privatisation

Since the end of the Cold War, developed and developing nations alike have undergone a deepening of privatisation, with this reform also being a central policy prescription in post-communist and post-socialist states. Indeed, privatisation has been a favoured tool of intervention in transitioning states as international organisations 'put aside their proposed ideological neutrality to adopt an overt neo liberal programme' (Bhatia, 2005: 206). Thus, while often portrayed as a neutral economic policy, privatisation is in fact an inherently political tool through which liberal peace is installed. As early as the Rambouillet conference which took place before the NATO-led war in Kosovo, the goal of transforming Kosovo into a free market economy was clear with Article 1 of the agreement specifically calling for privatisation (Talbot, 2000: 105). This desire to liberalise Kosovo's economy can thus be seen as part of the wider political project of liberalising former communist and socialist economies.

As Estrin notes, privatisation has ensured the 'irreversibility of the reform process' (1994: 18) as it has replaced a ruling class of authoritarian-communists with democratic-capitalists. Privatisation is a key tool in keeping communists, socialists and actors with leftist sympathies out of power and keeping regimes friendly to the developed liberal nations in control of transitioning states. Batt agrees with these assessments, concluding that economic policy in post-communist and socialist states is effectively a political strategy:

Its fundamental purposes are to redefine the state on the basis of liberal democratic principles, and thereby to secure the 'return to Europe', meaning an international realignment and reintegration into Western economic and security structures ... Post-communist governments embarking upon privatisation ... have only one consistent, effective and organised source of pressure in support of the policy: the international financial institutions backed by Western governments, which insist on the inclusion of privatisation as a condition for financial support and technical and economic assistance. (1994: 83–89)

Evidence from a wide variety of documents and agreements regarding economic reconstruction in Kosovo confirm the plan of bringing Kosovo into the global capitalist economy. Although the PISG was not able to negotiate formally with IFIs given the lack of statehood, the World Bank had several ongoing projects in Kosovo prior to Kosovo's declaration of independence. The IMF also assisted the pre-independence government in creating medium-term macro-economic strategies. Together with the SRSG, Kosovo's PISG signed a *Memorandum of Economic and Financial Policies* (2005). A statement of intentions regarding the running of Kosovo's economy and addressed to the international donor community, it reads as a series of promises that Kosovo will play by prescribed neo-liberal doctrine.

Statements made by the DSI regarding the running of some of Kosovo's POEs confirm internationals' desire to bring the running of the economy in line with free market principles. An IMF document derides plans by KEK, the public power provider, arguing that 'An ill conceived "social policy" of providing free electricity to the poor and to Serb enclaves is one of the root causes of the problems at KEK' (Moalla-Fetini et al., 2005: 42). In a similar vein, a KTA press release regarding the management of the railways states: 'Last year, the unions have acknowledged that the railways are overstaffed, but the only solution they offered was to maintain the entire staff and cut salaries by 52% for all workers. "This is the wrong, old communist way to do it. In this case the good workers are paying for those who do little or nothing", says Mr Rich [MD of UNMIK Railways]' (KTA, 2004c). Similar statements regarding plans to nationalise key enterprises were made by the head of the EU pillar in 2006 who said such a move would be interpreted as 'going back to communist times' (EU, 2006c: 6) These examples illustrate the desire that businesses should be run in line with modern capitalist ideals and that social provisions should not be built into the running of businesses, as they were under communist or socialist economies. Social provision is the role of political actors, not economic actors.

What is pertinent here is that that the push for privatisation is part of a wider set of goals which will complete and confirm the victory of capitalism and which is based on the liberal belief that such forms of economic reform will encourage global security through economic integration and interde-

pendence. In this sense, privatisation has little to do with transforming the local, violent political-economic relationships. More problematic in relation to promoting positive transformation, however, is the insistence by the DSI that the historical and cultural reliance of citizens on public or social enterprises for economic opportunities and protection must be discontinued. Efficiency and performance must now guide the running of enterprises. However, as Pugh notes, 'the removal of state from economy reinforces reliance of the poor on the shadow coping and survival economies' (Pugh, 2005b: 13). Removing social provisions through the liberalising of the economy and through forced employment cuts at POEs serves to push individuals and groups further into informal support networks, which as seen in Kosovo often involve illicit or illegal activities. In this sense, a privatisation process which discourages enterprises from contributing to social safety nets in order to ensure economic efficiency, only heightens the necessity and attractiveness of the informal, illicit and illegal.

Of course, the idea that privatisation is a process forced upon an unwilling population by powerful external actors is misleading. While some have suggested that Kosovo's leaders begrudgingly accepted the shift to a market economy in order to gain support for their quest for independence (Pugh, 2005a referring to Henders, 2003), support for liberalising the economy, and in turn for privatisation, is strong in Kosovo. Surveys conducted in Kosovo following the war found that only 10 per cent of surveyed enterprises opposed privatisation (Rinvest, 2001). In Peje municipality, the initial strategy of commercialising SOEs was opposed and local leaders argued *for* privatisation. Furthermore, Kosovan political institutions were highly opposed to the stalling of the process and strongly urged the SRSG to restart the process as soon as possible. That the process is locally accepted and desired is not unproblematic given the opportunity for the benefits of privatisation to be captured by individuals in ways that potentially consolidate the power and wealth gained by actors through violence. Reflecting on the post-conflict privatisation of SOEs in Bosnia, for example, Donais finds that 'What international advisors originally envisaged as an apolitical, rapid and orderly transfer of assets from public to private hands has become a corrupt, ethnicised and protracted struggle for power which has done little to stimulate economic growth or promote inter-ethnic reconciliation' (2002: 2). Other studies confirm the capturing of the fruits of privatisation by local political interests (Castel-Branco, Cramer and Hailu, 2003; Ristić, 2005).

Of course the economic motivations of local actors should by no means always be viewed pejoratively. Economic motivations may be based on perceived societal benefits – this acknowledges that attempts by local actors to acquire assets may stem from legitimate desires to restart economic production and progress in Kosovo. For example, Kosovan economic commentators and

supporters of privatisation have called for proceeds from sales to go directly into the Kosovo budget to aid in the territory's reconstruction and development. Also, the idea of personal enrichment needs to be questioned as it may be that capture of privatisation processes may not involve vast accumulation of wealth, but rather basic financial stability. For example, in the case of one enterprise where managers had been accused of stealing profits, the supposedly corrupt management in fact had the support of its workers, based largely on the fact that the management kept 500 people employed at higher than average wages in an enterprise that only required 250 employees (I71). Cases where the municipal courts have tried to compensate workers of former SOEs (KTA, 2006e) also show that there is a desire to use the sale of SOEs to provide a degree of financial security for individuals in Kosovo (EU, 2006d).

Still, in opposition to the altruistic motivations described above there is also evidence that *some* actors are motivated by the desire for personal economic and political gain and are willing to engage in corrupt, violent and criminal acts to further these aims. For example, at the Jugoterm SOE, the director was found to be diverting business orders to his own company (Eyre and Wittkowsky, 2002) – a strategy noted by Ristić (2005) who found that many SOEs were purchased in order to minimise competition for enterprises already owned by the purchaser. Privatisation in Kosovo has also become another battleground for ongoing political rivalries between Albanian parties and factions. Kosovo is largely divided between three major parties (the LDK, PDK and AAK). These actors have all attempted to capture the resources, and thus power, generated through the privatisation process. Evidence of attempts to capture the process is extensive. Government ministries try to influence the direction of the KTA, Special Chamber and POEs by appointing directors to management boards – although arguably, this had a limited impact during the period that internationals continued to constitute a majority on all panels and boards (Rinvest, 2007). Furthermore, despite its illegality, municipalities have continuously tried to appoint directors of their choosing to manage SOEs, and have at times expropriated SOEs' land and assets for their own use (KTA, 2006a, 2005f). Eyre and Wittowsky, both of whom worked for Pillar IV in Kosovo, provide several examples of cases where domestic political competition erupted within SOEs and POEs, in some instances involving intimidation and violence, noting that this is 'directly attributed to the change in the balance of power after the LDK had won most of the Municipalities, while many managements had been placed by or with the consent of [the KLA] (later PDK) dominated Provisional Government in 1999' (2002: 29). Holzner confirms this, determining that following the elections in 2000 'newly elected municipal governments started to remove all political opponents in the management of SOEs' (2003: 11). Referring to one case involving a rock quarry and dubious financial transactions

occurring amongst the companies and individuals involved, it is noted that 'UNMIK suspected that rivalries between major political parties in part accounted for the willingness of the municipality to tolerate this action, as the workers placed at economic disadvantage by the action were primarily in LDK controlled Pristina, while the benefits accrued to workers in PDK Gllgovc' (Eyre and Wittowsky, 2002: 27).

The privatisation schemes, whilst failing to transform political economies of violence, as shown above, have also at times led to new forms of violence in the form of threats and intimidation of individuals and institutions. Some interviewees connected to privatisation procedures would not characterise intimidation as a systemic problem, but admitted that evidence supports the conclusion that some attempts at transforming former SOEs have been hijacked by either criminal or politically biased interests. Several interviewees believed that bidders were being scared away by individuals with political or military backgrounds (I72, I5), or that people would simply not bid against ex-KLA (I71). In one case, a bidder admitted to the KTA that he knew no one would bid against him (I72). Another example was given where an ex-KLA member with no business experience was appointed by a municipality to run one of Kosovo's more prosperous SOEs (I71). It is widely believed that the management of this same SOE was stealing profits by claiming to sell less than they actually were (I71). Intimidation continues years into the privatisation process, with the postponement of a tender in December of 2006. In this case, the KTA clearly confirmed violent intimidation as the reason for withdrawing the tender stating: 'The decision to postpone the sale has been taken due to 1) the intimidation of a pre-registered bidder in an attempt to deter the potential investor from bidding in the public tender. 2) The assault on an archive clerk temporarily employed by the Liquidation Committee of the enterprise and his brother . . . and 3) the intimidation of a staff member of the KTA dealing with the public sale' (KTA, 2006f).

The KTA staff member in question was taken off the case for their own protection. Intimidation of KTA staff, or at least the fear of it, was also illustrated by the insistence of some interviewees that interviews with the author did not occur within KTA offices as they did not want any conversations to be heard by colleagues. There was a fear that both local and international staff might be leaking information of what is happening within the KTA. Besides intimidation and collusion, there is also a strong belief that laundered money is being used to buy businesses (I5). Evidence that the purchase of SOEs is being used as a way of laundering money stems from the incredibly high prices people are willing to pay for some SOEs (I71). SOEs bought with bank loans remain suspect as well, as laundered money is believed to have also infiltrated the banks (I5, I25).

In order to deal with some of the issues described above, several procedures were adopted by the KTA. First, the decision to have private, sealed bids, as opposed to an open public auction has been considered a key component in protecting the identities of bidders prior to the sale. Having both rounds of bidding on the same day is also thought to be a way of limiting intimidation between rounds of bidding. To prevent money laundering, money for purchases has to go through a cleared bank which is not on the Financial Action Task Force (FATF) black list. Background checks on bidders and their sources of funding is completed by international bodies. Individuals who have declared bankruptcy, have criminal records or are under investigation may not bid. The strategy of attempting to solve these problems through regulation and investigation techniques has continued in the post-independence era with both ICO and EULEX attempting to control the corrupt and criminal practices discussed above. However, the DSI has at times voiced its preference for a less invasive strategy, expressing its desire that political corruption or criminality will eventually morph into an environment in which in a cadre of 'good capitalists' (Donais, 2002: 6) emerge over time.

In sum, the role of ideological politics in this area of transformation policy is mixed. Although the governance of resources through policies such as privatisation remains as a key strategy in installing a liberal peace, both guiding and operational actors within the DSI initially took a very cautious approach to privatising in Kosovo. However, such cautiousness was not a function of a limited commitment to liberal ideology, but rather a fear of the legal and personal ramifications for operational staff. Once legal concerns were addressed, the commitment to free market ideologies and technologies of economic governance was revived and implemented at rapid pace. The renewed commitment to this cornerstone of neo-liberalism in Kosovo became wrapped up in attempts to appease domestic actors and ensure stability and cooperation from Kosovo's political elite. Concessions were made which in the end favoured certain actors over others, and has allowed for a problematic degree of political capture, or politicisation of the process. This has allowed former war economy participants to consolidate gains made during the conflict, and for these actors and new political elite to further their own interests, often through force and intimidation. While resource governance schemes may alter *who* is control of resources, there is little change in *how* resources are acquired, with power and force still characterising who is able to control key resources as opposed to processes based on equity and justice. Of course in all cases, cautious operational actors will try to minimise such capture and prevent the above scenarios from developing. However, the use of short-term control strategies is often ineffective and the long-term hope that actors will eventually 'fall in line' with the fundamental principles of neo-liberal economics is faulty, based more on desire than actual examples of such

changes in other transitioning states. Essentially, resource governance schemes put much faith in the theory of free market economics which in practice rarely produce the desired transformative effect.

Separating the economic and the political

Privatisation is itself an attempt to depoliticise economic life – the aim being to remove narrow political interests and allow free market forces to guide economic development. It is meant to be apolitical and is largely premised on the assumption that individuals will base their decisions on rational economic considerations. The wealth created by these rational economic choices will supposedly trickle down, leading to broad development based not on political affiliation but on market principles. That such beliefs are valid in relatively peaceful political environments is questionable. In politically unstable situations such beliefs are even more dubious, with empirical evidence challenging these fundamental assumptions. As one study on post-conflict privatisation in Mozambique concluded, ‘Privatisation is not a socially neutral, technical process of achieving Pareto optimality. It is unavoidably political; wealth and economic power is transferred between social groups through negotiation and conflict (sometimes violent)’ (Castel-Branco, Cramer and Hailu, 2003: 166). As seen in RoL reforms, there is a need to differentiate between the aim of depoliticising an institution and the need to consider the ways in which political factors influence that institution. What follows is a consideration of several political factors which affect economic governance schemes and a discussion of the degree to which these factors have or have not been integrated.

Consideration of local context – ongoing internal disputes

Several internal political problems have continually affected Kosovo’s privatisation process. At a very basic level, many of the documents required to determine the ownership and attributes of SOEs in Kosovo were destroyed, went missing or were taken to Serbia during the conflict and Serbia has largely been unwilling to provide requested documents to the KTA and PAK. This makes the task of determining the status of an SOE, along with what assets and liabilities it comes with, inherently difficult. A second and more entrenched set of problems relates to ongoing tensions between Serbs and Albanians *within* Kosovo over the past, present and future of SOEs. Many Serbs do not understand or accept the claim over the illegality of pre-1999 transformations. During the 1990s Serbs were told that Albanians had in fact quit their jobs in protest (and were not fired), and that those who did not quit were intimidated and threatened by militant Albanians (16). Therefore, there

is doubt and conflict over claims of past wrongs in the SOE sector. In the present era, there is again a problem of perception in that within Serbian communities, the UN, the KTA and PAK are seen as occupiers. For this reason, members of Serbian enclaves are unwilling or unable (due to pressures from Serbia) to fully participate in privatisation schemes. These problems are heightened by concerns over the future. Many Serbs have been worried that if they do help privatisation agencies identify SOEs which are appropriate for tender in Serbian areas, Albanians will bid on and buy these enterprises, pushing out Serb employees and managers and that this will lead to an 'Albanianisation' of Serbian areas (I5) – ethnic cleansing by privatisation. This fear is not unfounded given that due to the nature of the tendering process, which must be free, open and transparent, there is no way to prevent Albanians from buying these SOEs. Tender cannot be restricted along ethnic lines. In this way it is very clear that policy has not been altered in order to deal with the historical and current political problems in the territory as the real beliefs and fears of a range of local actors have not been integrated into this facet of economic policy.

Alongside the above examples, more blatant illustrations of KTA staff avoiding political issues in privatisation programming was found. When asked why, when it was supposedly common knowledge that the management of an SOE was stealing from the company, nothing was done, the response from one interviewee was simply 'it would be too political' (I71). Another informant in a different municipality admitted that if they went to their superior with a problem regarding privatisation that was political in nature they were told 'stop – let's just do our job and privatise' (I6). The mandate has been to complete privatisation, regardless of any internal political problems. As was seen in relation to security sector reform, while there appears to be an acceptance by some operational actors of the role ongoing political issues may play, this has not necessarily translated into policy that creates room or allowances for these political intricacies. Unlike some aspects of RoL reforms, discussed in [Chapter 5](#), there have not been identifiable 'policy moments' in which actors have been granted opportunities to allow for political context to influence policy. It appears that in the highly contentious area of privatisation, there is little if any opportunity to integrate politics into programming.

What is the effect of this on efforts to transform the political-economy of post-conflict Kosovo? First, the inability or unwillingness to deal with the perception, concerns and blocking of the privatisation in Serbian areas has entrenched a processes of informal and parallel privatisation by local strongmen and the Serbian government in the north. It is also creating fertile ground for future conflict, as it is putting in place political-economic relationships in the Albanian areas which are not seen as legitimate by citizens in

Serbian areas. By allowing the privatisation of SOEs before relations between the two ethnic groups were resolved, it has *de facto* prohibited minorities from bidding on enterprises in the country, ultimately favouring one ethnicity over another in terms of economic opportunities in the future. This is creating a system in Kosovo whereby economic power is being consolidated in the hands of one ethnic group. While privatisation was meant to depoliticise economic life, it is in fact laying the foundation for a future where economic dominance by one set of actors can be used as a political tool against a competing group, potentially creating a new form of conflict economy. Here, the political-economy of the conflict is being transformed, but not in a positive way. The privatisation process, in its attempts to right the wrongs of Serbian domination over Kosovan economic assets is creating a system whereby there will be Albanian domination over Kosovan economic assets.

The geopolitics of local privatisation

Just as conflicts between Albanian and Serb perceptions of privatisation within the territory have impacted the process, the unresolved conflicts between Serbia, Kosovo and the international community have also had significant repercussions on the transformation of political-economic relationships. While the UN has tried to present the process as a neutral economic reform, privatisation has been debated amongst commentators in terms of both its legality and political legitimacy. Referring to Kosovo, Perritt determines that 'enterprises were already privatised or transformed into private ownership [under the Serbian regime], then renationalised by the political trustee [UNMIK], and finally privatised through a process deriving its legal power from an ambiguous legal mandate to the trustee. Some claimants argue that the first privatisation was invalid. Other claimants argue that the first privatisation process was valid and the second invalid' (2005: 137).

None of the parties to the conflict appears satisfied with the outcome. Internationals have been accused by the Albanian side of giving too much weight to concerns of the Serbian state (Riinvest, 2004). Alternatively, there is pressure from Serbian companies with interests in Kosovan SOEs and the Serbian government itself to halt the privatisation process. The opinion held by Serbia is that Kosovo legally remains part of the state of Serbia and that any change in the ownership of socially owned property (past, present or future) falls distinctly within its sovereign rights. Interestingly, several interviewees working on privatisation supported this claim arguing that technically, the KTA were re-privatising companies that are part of the Republic of Serbia (I29, I16, I6). Alternatively, Albanians believe that due to changes to the 1974 constitution the Autonomous Provinces were granted the rights of social ownership over enterprises within their territory, meaning Kosovo

should have the right to privatise according to its own laws and procedures. It is this latter view that has been largely accepted by the international community. In fact, the DSI has allowed the desires of the Albanian majority to guide the process in many ways. In Kosovo, the eventual shape of laws and regulations regarding the privatisation process has furthered Albanian interests. Internationals in control of the privatisation process before it was stalled had wanted to transfer the liability of SOEs to the NewCos. This was opposed by Albanians who felt that much of the debt had been accumulated by the SOEs after the so-called illegal expulsions and transformations of the post-1989 era. Alongside debts owed to foreign creditors, it is estimated that Kosovo enterprises owe Serbia approximately \$1 billion (Pugh, 2004: 57). Those hoping to purchase SOEs were keen to limit the amount of liabilities that were transferred to the NewCos, partly to decrease their financial responsibilities to past creditors and thereby increase the value of their investment. The acceptance of limited liability being transferred to NewCos was therefore viewed as a victory by the Albanian majority.

The 'middle ground' privatisation which was finally decided upon (although to the Serbs, the scheme falls drastically to the Albanian side as opposed to the middle), was in keeping with the general approach of the UN and the DSI in Kosovo to not take sides and remain neutral. However, while attempting to appear neutral, international actions in the field of privatisation have inevitably favoured the Albanian cause, revealing a hidden or reluctant acquiescence. Regardless of the reasons for their actions, be they an attempt at diplomacy or evidence of risk aversion, trying to be even-handed and avoid fundamental political disagreements has created a privatisation scheme with which neither side is satisfied. The goals of the DSI have been to privatise in a way which allows for economic development in Kosovo, satisfies the call for justice by Albanians and does not infringe 'too much' on the sovereignty of Serbia. All this has been attempted while trying to avoid the larger issue of status. The effect of this is the creation and implementation of a privatisation scheme based on legal principles and jurisdictions not recognised as legitimate or fair by many Kosovans, some internationals, many Serbs and Serbia proper. According to some it has re-privatised already privatised enterprises and/or sold assets of a sovereign state against their will. To the opposing side, it has wrongly granted Serbia a stake in Kosovan economic interests. In this sense, it has legitimised (to all parties) the use of force, coercion and unchecked executive power as a means by which to appropriate economic resources for political gain. Just as the previous section pointed to the effect of creating a domestic political-economy which could provoke future conflict, disregarding wider political issues could similarly create dysfunctional regional political-economic relationships.

In all, economic governance schemes which attempt to draw a clear line

between politics and the economy create barriers to their own success. By working under the supposition that its work is economic and not political in character, the DSI attempts to shield itself with a false cloak of neutrality. Ignoring the politics that inevitably will come into play in all economic transactions, but specifically in economic transactions occurring in conflict-affected areas, is dangerous, as such 'neutrality' can inadvertently lead to new tensions and thus new conflict over economic resources. None of this is to argue that resource governance schemes are futile exercises. Indeed they are needed to root out many of the political-economic relationships linked to violence. However, what is illustrated by the case of Kosovo is the problem of attempting to introduce such contentious reforms before either local or geopolitical dilemmas have been addressed or incorporated into economic planning. If tensions and competition still rule the political sphere, it is a certainty that these same issues will reveal themselves in the economic sphere. Thus, the benefits of resource governance schemes become little more than another source of competition with political-economic reforms indeed being transformed, but not in a progressive sense.

The DSI as privatising agents: complicity and capacity

International actors, be they donor states, multi-lateral institutions or IFIs, are often considered to be neutral external observers or benevolent interveners. However, evidence shows that these same actors and the policies they implement are often deeply involved in the political-economic structures central to conflicts. This involvement is problematic in terms of transforming dysfunctional political-economic relationships on two fronts: first in terms of its impact on providing a model to local institutions and second in terms of its effect on increasing opportunities and motivation for corrupt practices. Therefore, one must address international actors' and their policies' *contributions* to war economies in order to fully assess the problem of transformation. As noted, one of the most substantial conflicts over economic resources has been, and continues to be, the Trepça mining complex. Temporally, Trepça has been the site of a struggle over resources that spans centuries. 'The Roman and Ottoman Empires fought to take control of silver mines in Kosovo and at a later stage the Serbian Middle Kingdom produced much of its coinage from silver mines at Artana/Novo Brdo' (KTA/UNMIK, 2005: 2). In the 1930s, Seltrust, a British company, helped create modern mining around Mitrovica and in turn, during the Second World War, allied forces used batteries produced at Trepça (KTA/UNMIK, 2005). In relation to the most recent conflict over Trepça, the revocation of autonomy at the end of the 1980s and the subsequent transfer of assets to Serbian interests also involves several international actors. Assets transferred to Serbia were in turn sold to

foreign actors including French, German and Italian firms. Many foreign firms continue to claim compensation for the privatisation of former SOEs in Kosovo, claiming they had invested in or purchased parts of these enterprises during the 1990s. It is estimated that over 90 foreign companies have claims for the Trepça complex (ECIKS, 2006a). That the DSI decided that a substantial proportion of the monies from the sale of SOEs would go towards paying creditor claims as opposed to being reinvested in infrastructure, business development and reconstruction is not surprising.

This raises further issues related to the DSI's involvement in political economic transformation. While many of the sales of SOEs are to domestic actors, there has been some foreign investment, a trend which the KTA, along with Pillar IV, were keen to see increase (KTA, nda; USAID, nd). In the early stages of post-conflict rebuilding, an international consortium of mining companies signed an agreement with UNMIK to rehabilitate the Trepça complex. The consortium was made up of TEC-Ingénierie of France, Boliden Contech of Sweden and Morrison Knudsen International, Inc of the USA. The hope was that the influx of financial and human capital from these foreign companies would help spark economic recovery in Kosovo. However, several years later, Trepça remained a site of struggle between Serbs and Albanians as well as Serbia and Kosovo. Negotiations will become more complex as the number of stakeholders increases through foreign investment. Encouraging international investment in a territory where the issues of property rights and rule of law remain in flux is problematic. In the short term it does hold the potential to rebuild elements of the economy which in turn provides much-needed employment and resources. However, besides the aforementioned complication of increasing potential stakeholders, encouraging foreign investment in the midst of instability further entices those willing to engage in corrupt practices by providing the possibility for even greater profits and thus power. Pushing for large influxes of foreign investment *before* corrupt and dysfunctional political-economic structures have been dealt with serves to widen and increase potential payoffs and thus potential abuses. None of this is meant to imply that foreign investment should be abolished, especially in cases where public service provision is at stake, as in the cases of POEs. However, international bodies and actors must be cognisant of the roles they play as well as the incentives they provide in domestic political-economies and reconsider the timing, sequencing and depth of such involvement.

At times, the role of external actors has been overtly damaging, contributing in very obvious ways to the dysfunctional political-economic relationships the KTA has sought to transform. The most infamous example of this is the case of a German director stealing from KEK (I72; Pugh, 2002). A Norwegian company, Norway Invest, involved with Kosovo's Post and Telecommunications POE (the PTK) was also involved in a case in which formal

charges of money laundering, abuse of official position and entering into a harmful contract were laid. This incident also saw international managers of the KTA being formally charged (UNMIK, 2006a). In such cases, international actors have clearly contributed to the corrupt and illegal practices which other actors, and in the case of the KTA staff charged, their colleagues, are seeking to eliminate. Likewise, as a result of the work of UNMIK and KFOR, many assets of SOEs (mainly equipment and machinery) have been destroyed by security operations or through the clearing of buildings for administrative purposes. Neither the UN nor KFOR has been held legally responsible for such damage. In these cases, potentially productive industries have been expropriated for the 'public good', but in ways not always seen as legitimate by the local population. The overall impact of the involvement of international actors in overtly criminal and destructive ways on the transformation of political-economic relationships in Kosovo relates to the problem of accountability. International actions vis-a-vis the fraud and criminal activity perpetuated and the expropriation of social or public property provides a poor model on which to base future governing practices. It has signalled that powerful actors are above the law, contradicting many of the values and practices they are attempting to instil in Kosovan institutions. This kind of activity suggests that actors with obvious financial interests in the economy should not be allowed to dictate transformation processes, especially when they are not subject to local laws, have the power to grant themselves immunity and award themselves majority status on panels making key decisions.

Despite their role in contributing to problematic political-economic processes, the DSI has generally positioned itself as the actor best placed to provide solutions. However, as with the previous areas of reform discussed in [Chapter 5](#), the practices of privatisation have proved difficult to perfect. Much of the problem in relation to this area of reform is that the actors involved generally do not have the requisite experience that would allow them to address the many difficulties of privatising in conflict zones that have been discussed thus far. This is again largely down to the problem of mission creep. As post-conflict missions become broader and deeper in scope, the DSI will inevitably be faced with programme areas and problems which its institutions have not yet encountered. An international mission privatising enterprises in a protectorate against the wishes of a sovereign state is one example of such an encounter. Yet despite bringing in expertise, inexperience in the field of privatisation has hampered the process. The problem of a lack of experience by international institutions in privatisation has been made more acute by a lack of legal guidance. As one interviewee notes, the problem is that in terms of international law, what the international community is doing in Kosovo is 'fresh ground' (I25).

A function of mission creep and the resultant lack of legal protocols was the stalling of the process which had serious repercussions on transformation. During this delay over what to do with assets, many SOEs fell into disrepair due to neglect, destruction or looting. The delay also allowed for an illegitimate entrenchment of individuals in SOEs. Some of these seizures were viewed positively – in the first few years following the war, there appeared a somewhat spontaneous and natural entrepreneurial and economic recovery as many enterprises appeared to re-open for business. However, such optimism was soon balanced by the fact that ‘commercialisation of assets did not happen in an orderly way. On the contrary, what evolved were all features of a “pirate” economy where assets of SOEs were stripped for short term benefit, and monies disappeared in an opaque way into both private pockets (at least some with dubious legitimacy and shady connections) and political party coffers’ (Eyre and Wittkowsky, 2002: 25) While the internationals delayed and debated questions regarding legal ownership, Kosovan actors were busy claiming and using the assets of these enterprises. Poor planning and insufficient experience thus allowed former war and political elites to capture economic assets.

Despite the slow and hesitant start to privatisation in Kosovo, since the process restarted in 2005, and as the UNMIK administration planned its exit from the territory, the pace of privatisation increased dramatically. One interviewee working within the KTA admitted that their mandate was to sell everything quickly (I72). The speed of privatisation is, however, problematic. Often the choice is between privatising carefully or privatising quickly (de la Dehesa, 1991: 11). If one considers that the privatisation process in Kosovo did not begin in earnest until mid-2005 and that it ended with the cessation of the UNMIK mandate at the beginning of 2008, the rapidity of the transformation is palpable. Changes in property rights in liberal developed nations emerge slowly over centuries (Brown, 1997; Iatridis, 1998); in Kosovo they have happened over a matter of years. The effect of such rapid transformations is twofold. First, the speed of the latest rounds of privatisation does not allow time for the financial and investigative checks which could help prevent the privatisation processes becoming a tool for money laundering, political corruption or intimidation. Secondly, the speed of the process and the focus on a quick exit calls into question the sustainability of the programme. In 2006 one interviewee noted that the PISG was already attempting to pass laws on social property that contradict Regulation 1244 and the authority of the SRSG (I58); at the municipal level, the courts were also trying to circumvent UNMIK’s authority and the decisions that have been made on social property (KTA, 2005f, 2006a, 2006e). It is for these reasons that we will likely witness ongoing control of the process by the likes of the ICO and EULEX.

Assessing the role of privatisation in transformation

When the SRSG Michael Steiner spoke to the KTA at the beginning of their mandate in 2002, he cautioned them: 'Your task will be aggravated by the fact that many of your decisions will take a toll now, while the benefits will accrue only in the future' (UNMIK, 2002a). Unfortunately, the future benefits of privatisation must also be called into question by the manner in which past and present privatisations have occurred. There *are* cases where privatisation has occurred in a legitimate manner and positive contributions are being made to Kosovo's economy. However, the enrichment of former war elites, current political elites and the Albanian majority in general through the privatisation scheme have also proved to be post-conflict realities. Both the international community as well as domestic actors have used the process to further their own aims in the territory, preventing the potential of privatisation to be used effectively – to positively transform economic relationships. With economic and resource governance as cornerstones of installing a liberal peace, the DSI has pushed ahead with the process despite recognition that it is allowing for elite capture and thus the entrenchment of a politico-military elite. Besides allowing for the consolidation of war economy gains, the social-welfare effects of privatisation in the territory push individuals further into the informal and illicit sectors of the economy. While some short-term control mechanisms have been put in place to prevent the above problems, the overarching strategy appears to be a reliance on the hope that in the long term a 'good capitalist class' will emerge, although the continued control mechanisms of the ICO and EULEX suggest that the DSI is not altogether prepared to risk that strategy.

The econometric approach of privatisation processes specifically, and resource governance schemes more generally, is extremely problematic. Pressing forward with these types of reform without due regard to the remaining tensions between antagonists, whether local or international, often results in programming through which economic resources continue to be used as a source of power, potentially setting the groundwork for future conflict economies. Without careful analysis of local politics and thoughtful consideration of the impact of supposedly neutral reforms such as resource governance and privatisation, reforms may become little more than a victors' peace that sets foundations for future war economies. The international community has not been blind to these problems, as the hesitant start and cancellation of the process shows. However, as has been seen in other programmes, an awareness of the problem has not translated into effective solutions. Although attempts were made to slow down the process in the early days of the mission, the concerns of staff were quickly brushed aside and the process restarted – there were few 'policy moments' whereby political context

was integrated. When the DSI realised that local political interests would be revived in the post-independence phase, there was no real alteration to its policy – just continued attempts to manage the process via executive authority and power. That there was little room for manoeuvre for operational actors in this field of reform, compared to what was witnessed in RoL reform, raises the question of whether the fact that these reforms fall closely under the more dogmatic doctrine of neo-liberal economies reduces the flexibility of actors to integrate political context to any real degree.

Of course, discussion of privatisation as a tool of more positive modes of transformation must include a discussion of the DSIs' contributions to these economies to begin with. The actors who often grant themselves the role of problem solvers are often central players in these dysfunctional relationships, as opposed to neutral observers. Both through individual cases of corruption as well as through foreign investment, international actors tasked with developing fair and lawful economic systems actually contribute to and provide motivation for the economic structures privatisation is seeking to dismantle. Alongside this, the agents of development are hindered by basic operational structures that in this case have impacted upon the success of privatisation. The inexperience of international bodies results in processes into which corruption, intimidation and political interference are able to infiltrate. Finally, the short time frame in which complete changes in the system of ownership and governance are expected to take place, alongside a quick exit strategy by international actors, diminishes chances of ensuring the sustainability of the process – although this problem has arguably been delayed with the decision of the ICO and EULEX to maintain a degree of control over the process. These issues, summarised in [Table 6.1](#), suggest that the use of privatisation and similar resource governance reforms to fundamentally transform conflict economies needs to be reconsidered, as in their current form they appear to offer little in terms of positive transformation, and might actually be contributing to the entrenchment or creation of political-economic relationships capable of fuelling future conflicts. Taken alongside findings from the previous chapter on rule of law programming as well as some of the distinctive (and in some instances differential) findings from the forthcoming chapter on customs service reform, these findings related to privatisation offer a clearer sense of both the failures of and opportunities for improving the wider war economy transformation agenda.

Privatisation

Table 6.1 DSI engagement with privatisation and the impacts on war economy transformation

Plane	Characteristic of DSI	Impact on transformation
Ideological	Privatisation a key strategy in installing a liberal peace, therefore processes often pushed through without consideration of long-term impact.	<p>Privatisation diminishes traditional role of enterprise in welfare provision, increasing reliance of individuals on illegal/informal economy.</p> <p>Privatisation allows for capture – former warlords/political elite consolidate gains.</p> <p>Operational actors try to limit capture through control strategies. However, long-term strategy appears to be hoping for ‘good capitalist class’ to emerge.</p>
Conceptual	Privatisation provides most clear example of apolitical approach in which political factors ignored.	<p>Use of force and violence to accumulate wealth continues and is legitimised. Allows for entrenchment of former warlords and political elite.</p> <p>Failing to integrate political realities (local/regional/global) creating new ‘conflict economy’. Control over productive industries a new site of struggle.</p>
Operational	<p>DSI contributes to past war economy and to legacies of war economy.</p> <p>Limited capacity/knowledge.</p>	<p>Contributions both specific (fraud, corruption) and general (increased opportunity/motivation for fraud and corruption through foreign direct investment); setting poor example by allowing appropriations.</p> <p>Mission creep results in poor capacity. Quick exit strategy does not allow time for proper investigation into bidders and calls long-term sustainability of transformations into question, although this problem delayed by control mechanisms put in place by DSI.</p>