

## MEMBERSHIP AND REPORTS OF KOSOVO WITH IMF

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### Abstract

Membership of the Republic of Kosovo to the financial institutions with multilateral character is not only a privilege, but in the conditions and circumstances of the new global economy definitely the obligation. Because of this interest it is selected the elaboration of one of the most important financial institutions worldwide as the International Monetary Fund. To talk about the International Monetary Fund means to speak of a highly specialized international organization with special powers which consists of 184 different member states of the world globe whose headquarter is in Washington. The main goal of this organization was to create a climate of monetary institutional cooperation of countries promoting monetary stability and exchange agreements and monetary exchange rules to speed up the development of economic growth, to raise the level of employment, ie reduce unemployment level and to create temporary assistance to the poorest countries in the framework of Payment system. Membership of the Republic of Kosovo in this institution, through specific arrangements, with all the ensuing problems, has started to produce the first fruits in the form of financial aid for economic development. Despite some disagreement between the IMF and Kosovo, they have again begun to flow pending arrangements as Stand-By which will support programs provided to ease the fiscal pressures of the country.

Key words: IMF, arrangement, monetar and financial stability, fiscal.

### Introduction

In terms of the global economy it is actually known worldwide that business relations between the countries are in the top-leveling that have existed some time ago. This economic interdependence belongs to the modern perception of economic freedoms, but above all the main offerings should be dedicating to the financial organizations with international multilateral character that have helped this situation and condition. Papers based on the importance of these organizations have attempted to analyze the International Monetary Fund on the one hand and effects that produced the membership of the Republic of Kosovo and IMF. On this analysis we have found current recommendations and have also offered recommendations which could further step regarding the long-term sustainable relationship with the IMF.

Today the IMF remains a key symbol and more important international cooperation and monetary crisis management and plays an important role extremely high, with its help, especially to poor countries to implement a medium-term strategy, since such a thing happened in the 90's when the organization helped the countries of central and eastern Europe in the global economic crisis which after economic recovery of these countries they (states) of loans settled, it normally has a positive turn towards a long-term economic stability.

Therefore, Kosovo as a new state needs a support for financial stability and stimulation of foreign investors in different investment, which will contribute to strength the economic and long-term stabilization and to strength and stabilize influence of a series of mechanisms to state above all in view of economic welfare and higher ranking in the list of developing countries.

Our country's membership in this organization with full amplifier an element where it is known that this institution besides numerous activities and according to his own vision operational, in particular supervise multilateral monetary and financial system state through policy advice in order to create stability and promotes effective as internal and external.

The impact of this organization in the economic system of Kosovo, obviously has special character that will help Kosovo in economic capacity building, poverty alleviation,

social welfare and more efficient in other areas of importance

### 1. The reason for establishing the IMF

The International Monetary Fund is an international organization within the United Nations Organization which comprises a total of 187 member states, which works to promote global monetary cooperation, financial security and stability, facilitate international trade development, promote high levels of employment and high economic growth and sustainable poverty reduction in the world.<sup>1</sup>

### 1.2. Stability relations between currencies

The contract on the establishment of the IMF (1944) has attempted to establish a multilateral system of international payments for goods and services to assist Member States to harmonize the problems created in the balance of payments in order to avoid destructive measures that would damage national and international prosperity. In the new conditions after the 1973 IMF serves as an institution that provides short term loans to certain countries, which financed the payment of deposits created by the application and fixed currency exchange. This institution appears as a long-term credit to developing countries and as economic advisor to many countries. Also, collects and analyzes economic records of its member countries.<sup>2</sup>

The activity of the IMF, with the other party, stays at the conclusion of contracts that exchanged currency weakness, exercise monitoring (supervision), consultation, financial function (fundraising) etc... Sources of funds to the IMF - the deposits are (spills)-quotas (quotas of the member states are called deposits). The rules of the IMF, provided for the purpose of providing funds to the Life-Creating temporary loans which IMF member countries shall submit its difficulties over payment of import and foreign debts. However, the IMF stipulates that those states that do recognize certain internal reforms in order to correct the imbalance (no proportionality) which is the essence

1 <http://www.un.org.mk/fondi-monetar-nderkombetar.html>  
2 Po aty

(essence) of the problem from which were created difficulties with payments.<sup>3</sup>

Legal relationship between the IMF - and the member state, according to the legal nature is not working as loan classical way. It is about the financial arrangement which is expressed in an exchange of money with another measure. When linked contract arrangement between the IMF, on the one hand and its members (state specific) on the other hand, member of its currency in really strong currency purchases from the IMF, and then buys the currency of its own. In this way the state members strong currency serves as the balance paid by the goods or services purchased.<sup>4</sup> This fund who wrote that letter is designed to develop and support the economies of the participating countries actually take part in the destruction and devaluation of the economies of member countries except those who are carriers of the wheel of this organization.

This fund is established when the World Bank was formed and presents its subsidiary, whose headquarters is in Washington. IMF deals with financial and monetary problems. Alimentation of the fund is based on the deposit of the member countries. The IMF has its own laws and authorities. The highest body of the International Monetary Fund is Board of Governors, in which each member country delegates two members.

### 1.3. Main tasks of the International Monetary Fund

The main task of the IMF is to stabilize the national currency, audit removing definitions in international payments and putting relations between currencies of some countries. Thus, without the consent of the Fund's, member countries can not apply new definitions, vary parity or foreign countries. Fund helps stabilize and convertibility of national currencies by Member States to grant loans for the purchase of foreign monetary units Audit.<sup>5</sup> So from the beginning, IMF - has the monetary means playing with member countries as she wants and without her permission member states can not make decisions. In this way the fund by giving Member States astronomical interest loans made dependent and connect. While according Dr.Sabahudin Komoni's goals are establishing this fund, cite..." the establishment of the International Monetary Fund was the stabilization and development of international monetary cooperation after World War II. In reality, the status of the Fund have regulated formal rights and obligations of Member States, this institution has also served as the basis for regulation and enforcement of the international monetary system in the world."<sup>6</sup> Subsequent history proved and still proves that the purpose of this fund is not to regulate the international monetary order but to grab member economies destination of Fund assets and thereby destroy the economies of different countries.<sup>7</sup> At the time of the international debt crisis that erupted in August 1982, IMF financing was offered to many countries

that have difficulty in repaying debts. IMF was working closely with each country to design and implement policies that will lead to the improvement of the trade balance. One of the main tasks of the IMF is the creation of compensatory financing facilities, aimed at reducing the impact of instability in export economies. Although this type of assistance is provided to all member countries, and it is used mostly in developing countries. A country going through financial hardship due to declining export revenues must prove that the decline is temporary and does not depend on him. Further, it should be noted willing to collaborate with the IMF to solve the problem.<sup>8</sup>

Each member country in IMF, based on a number of factors that reflect its economic situation, is assigned a quota Membership, which is paid by all. Size of funds that countries can borrow from the IMF depends on the quota they pay.<sup>9</sup> From these findings and actions of the IMF we understand that its member states are toys just because they meet the appetites of the big fish who always eat the small fish. In this way entered the heavily indebted countries and large. To repay the debt they are forced to take loans from IMF.

Despite a large and intensive investment in this period there were no structural changes in the economy and did not face adaptive events in the world economy, while our competition is so inferior to its adoption and competitiveness is an open problem.<sup>10</sup> This reason and other reasons make us feel so at International Monetary Fund to create a consumer psychology and dirty goals. In this country it is not often investigated the ethical people, the more people gather in consumer psychology, which it comes is a phenomenon present in moments of instability and inflationary movements.<sup>11</sup>

International Monetary Fund encourages investment unrealistic and not through the mechanisms of its functioning. She also realizes its goals through its action on the political spectrum by changing legal regulations and statutes certain docks and through economic pressures from abroad. States that receive loans from this fund should work for years to achieve economic stabilization due to high interest rates and long term loan repayment that the consequences of this disease are very serious about the ordinary.

Unable to return the loans received from the IMF, the government increased taxes, or even a kind of tax decreases and increases their numbers in order to achieve a balance to realize the revenues and thus the coverage of credit received from the IMF. Under attack, again simple citizen and who is made miserable slave state debts without his awareness and his willingness consistency.

## 2. Kosovo and the membership in the IMF

Mission has requested membership of the Kosovo authorities gather information for Kosovo's economy since

3 <http://www.imf.org/external/np/exr/govern/index.htm>

4 This section is detached from this Web Page

<http://www.scribd.com/doc/46207911/4/Fondi-monetar-nderkombetar-FMN>

5 Më gjërësisht shih: Makroekonomia Aplikative , Prof.Dr.Musa Limani , Prishtinë 2003 f.46

6 Më gjërësisht shih: Financat , Prof.Dr.Sabahudin Komoni , Prishtinë 1986 , f.148

7 <http://www.imf.org/external/np/exr/govern/index.htm>

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9 Më gjërësisht shih: Drejtimi Financiar Ndërkombëtar , Jeff Madura , Tiranë 2004 f.67-68

10 [www.wikipedia.org](http://www.wikipedia.org)

11 Shih librin: Ekonomiska Stabilizacija Imperativ , Dr.Urosh Andreevski , Skopje 1982 , fq.18

1984. This presented difficulties for the authorities of Kosovo, since information on the economy of Kosovo, especially during the 90's were not available, and easily require many assumptions. Kosovo authorities and IMF were forced to address the issue of information that does not exist.

After receiving the application, the IMF was forced to send a special mission to collect membership information and to prepare a document assessment economy. The mission also recommends the state's participation in the IMF made by that country's economic position in comparison with other states. No doubt as a key element for Kosovo as a new state that needs a stable economic development, that reinforces the newest country in the world to open an aspiration which was a dream and that failed to become a reality is membership in the International Organization where IMF was signed on 29 June of the Republic of Kosovo's membership in the International Monetary Fund and World Bank. The number of countries participating in the vote for Kosovo's membership in the IMF have been voted 138.96, 38 abstained and only 10 countries were against. IMF membership is an important decision on Kosovo's representation in international arena.

### **2.1. The International Monetary Fund on Kosovo**

IMF report on Kosovo in three different types.

- First, supervision which includes monitoring the financial and economic developments, to advise on the policies that aim to avoid the economic crisis in the country.
- Second, the IMF could also let us borrow money in case of balance of payments difficulties, to give us temporary funding and support to correct the problem; it can also benefit from loans to countries with low incomes which are to reduce poverty.
- Third, the IMF can give us technical assistance and training in its areas of expertise.

In recent years, as part of efforts to strengthen the international financial system and to increase the effectiveness in preventing and resolving crises, the IMF has applied supervision and technical assistance in the development of standards and codes of practice in its areas of responsibility, and strengthening the financial sector. The IMF also plays an important role in the fight against money laundering and terrorism.

The supervision of the IMF on economic and financial developments published a report by experts of the International Monetary Fund estimates that the governance model of Kosovo since the end of 2007 onwards as consistently oriented model to increase public spending. IMF report notes that this pattern of rapid expenditure of public money has affected the country's budget deficit facing increased within three years. Fiscal policy in Kosovo from 2000 to 2008 is regarded as conservative by the IMF, while the "invasion" began spending later.

One of the main responsibilities of the IMF in Kosovo is providing loan in case of balance of payments problems. This financial assistance will enable Kosovo to rebuild its international reserves; continue to pay for their imports and

renew good conditions for economic growth. Unlike the banks, the IMF does not lend for specific projects.

Technical assistance is one of the benefits of membership in the IMF. It is usually available to any member who requests it. About 90% of the technical assistance of the IMF goes to countries with low or average income. Kosovo as a country emerging from war is also beneficial. In addition to the immediate benefits that can be Kosovo from membership, technical assistance helps economic stability by helping Kosovo to minimize economic weakness.

In particular, efforts in recent years to strengthen the international financial system have increased demand for technical assistance from the IMF. At the same time, Kosovo needs for technical assistance to build and implement programs to reduce poverty and increase economic development and to manage debt reduction programs. The IMF also provides technical assistance for trade-related issues and aims to assist countries with low income in expanding their participation in the global economy.<sup>12</sup>

### **2.2. The role of the International Monetary Fund assessment of the reasonableness of government spending**

"General government balance moved from a surplus of more than 7 percent of gross domestic product in 2007 to a deficit of 2.6 percent of gross domestic product in 2010", said the IMF estimates. Major road projects initiated without prior planning had made to the Government to introduce millions of euros without any profit in term planning.

The IMF has estimated that the main factor influencing the high budget deficit have been spending on capital investment, who once considered as the main factor to higher spending budget. Simultaneously, the cost of "uncontrolled" budget sent to the Government terminate the agreement related to the international fund, in the spring of this year.

"A 18-month deal was approved by the IMF Executive Board on 21 July 2010. The program is supported by the "Stand-By Arrangement" that was built around spending limits, higher income and income from privatization to curb the program's impact on investment in the overall deficit, and the strengthening of government deposits with the Central Bank to build cover to fiscal and financial contingencies ", said the expert opinions and recommendations of the IMF on the progress of economic development of Kosovo. Due to rising costs and "expansion" of 2008 started in the spring of 2011, the International Monetary Fund gave a "handful" of Kosovo Government, which cost the loss of nearly 150 million euros "The 2011 budget adopted by the Assembly is deviated from the agreed budget in the context of "Stand-By Arrangement", especially because of the huge bill to increase public sector wages ", experts say the estimates of the IMF.<sup>13</sup>

12 <http://www.albinformacion.com/ekonomi/perfitimet-e-shtetit-te-kosoves-nga-fmn-shumedimensionale-dinjitet-dhe-kredi.php>

13 Kjo pjesë është shkëputurë nga E përditshmjja Koha Ditore e publikuar me 22 gusht 2011

### **2.3. Recommendations for a successful journey more stable and Relations with IMF**

Kosovo as a new state should undoubtedly create favorable conditions for continuing a successful journey for a long term stay in relations with International Organizations and the European integration. It is necessary to create an adequate ability to combat negative phenomenon, where the main factors and specific role in these phenomenon affect government institutions. And it is very important that policy-makers and the institutions of Kosovo to work with a capacity to apply the reforms needed to achieve European standards.

Depending on the results of economic development they should inspect the role and influence of institutions. To be seen functioning and malfunctioning of their real. But even the modified form, content and function are in favor of economic development. This applies particularly to the Kosovo reality where many negative phenomenon in and outside government institutions represent major obstacle to the development of Kosovo. International Organizations economic, financial, independent like (World Bank, IMF, EC, UNDP) in their research studies and research about the Kosovo government make major power holders responsible for the poor economic situation in many institutions of Kosovo.

So the role of political institutions in economic development is necessary and as a crucial catalyst. Therefore it belongs seeking new forms to meet the challenges of Kosovo, businesses and creating conditions for the development and successful integration.

To cope with the required strengthening of international institutions which help to advance the efficiency of institutions of any country, including the Republic of Kosovo. One of meaningful governance, responsive, with clear political macroeconomic development, differentiated by negative brightness inside and outside, would create conditions for attracting foreign investment and domestic. So will accumulate investment capital as a necessary factor of production and catalyst manufacturer engaging other stakeholders and service. Favorable lending policies of co-investment with foreign investors, public-private partnerships, etc., are the growth opportunities of development.

So all these indicators speak enough about the great challenges and needs for economic growth and sustainable development and overcoming of the economic situation, political and social in general, reflecting underdevelopment, of unemployment, poverty, migration, uncertainty in all sectors with the accompanying consequences.

### **2.4. Benefits of Kosovo by the International Monetary Fund**

Membership in this powerful mechanism monetary, based on the views of experts on economic issues and economic representatives of local bodies will create economic security, will enhance the image of Kosovo in financial markets and many foreign investors that have been reluctant to enter the Kosovo market, will have a much higher confidence. Most of them claim that the IMF's role is important in macroeconomic stability in Kosovo, in providing assistance in structural reforms or the possibility

of soft loans for development needs of economy. Membership in the IMF creates huge liabilities, but, simultaneously creates space for the use of more powerful experience that has experience in the Fund for future economic development. Referring to the opinion of these experts highly IMF loans Kosovo may require capital investment in the future, thus becoming part of international developments in terms of the financial market. The university professor Dr. Beqaj connected against the benefits that our country could be with membership in this organization says, quote ... *"The moment of entry in IMF and Kosovo quotaizing relatively good, means that Kosovo is subjekt to possible IMF contractor. It is a matter of preparation at the state of discussions and negotiations in case of need for long-term credits, credits that will allow them to overcome the economic crisis in the country"*.<sup>14</sup> It follows that membership in this financial mechanism is a very important event, that directly relates to the political aspect, but more economically. Kosovo's membership in the World Bank, shall be given an opportunity for making development loans, for attracting investment. It will be able to use these credits for the welfare of citizens, the creation of new jobs, for a more sustainable economic development. On the other hand, representatives of the Institute for Development Research "Riinvest" consider that membership in these international financial organizations, is important. For this, according to them, shows that Kosovo will improve its negotiating position with these organizations and will become a partner in the international community. Representative of the Institute, Muhamed Sadiku, says Kosovo with this membership has become an integral part of the international financial system and, as he says, is a good signal path towards the European Union. According to expert Muhamed Sadiku, quote .... *"Kosovo, with its membership in the IMF, clarifies its international position, becomes part of international decision-making in this institution, increase the capacity of the IMF and the possibility of a more substantive intervention, both in terms of providing technical assistance to Kosovo government, which is desperately needed. It will also help to improve the governance of public finances, especially in enhancing the performance of structural reforms, Kosovo should realize that in the coming years."*<sup>15</sup>

Measuring and analyzing a series of arguments with greater precision can conclude that the membership of the Republic of Kosovo in the IMF creates a huge credibility to all financial institutions and the business community. From this starting point more strongly to direct foreign investment in Kosovo, that we consider to be key factors in the future of the fact that currently, taking the effects of the financial crisis.

### **CONCLUSION**

As a result of scientific paper we can say that membership in the International Monetary Fund is the most important moment after independence, at least from an economic standpoint. No matter the material benefits that can be,

<sup>14</sup> <http://www.evropaelire.org/content/article/1622910.html>

<sup>15</sup> Po aty

Kosovo in the financial sphere is equal to 184 countries around the world, regardless of the number of states that have recognized its independence. Furthermore, this membership open doors for many financial institutions and more normal communication with serious investors in the world.

Its own position within the international financial institutions guarantee for capital that can enter these. This in itself shows that Kosovo now has the obligation not only material. It should continuously promote economic reform, consistent with international developments, in this regard should consult often, or for them to enjoy the support of these mechanisms.

Membership in the IMF, creates huge liabilities, but at the same time, creates space for using more powerful

experience that has experience in the Fund for future economic development. The entry of Kosovo in IMF and quotaizing Kosovo relatively good means that Kosovo is subject of possible IMF contractor. It is a matter of preparation at the state of discussions and negotiations in case of need for long-term credits, credits that would allow them to overcome the economic crisis in the country. Kosovo as a new state, undoubtedly, has many tasks where it is not easy to achieve objectives. But for today's challenges we must be willing to follow a strict and sustainable way in macroeconomics, monetary policy, improving economic conditions, and many challenges that are waiting for us.

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