

CLIMATE CHANGE ADAPTATION IN SOUTH EASTERN EUROPE



A BACKGROUND REPORT



The Environment and Security Initiative (ENVSEC) transforms environment and security risks into regional cooperation. The Initiative provides multistakeholder environment and security assessments and facilitates joint action to reduce tensions and increase cooperation between groups and countries. ENVSEC comprises the Organization for Security and Co-operation in Europe (OSCE), Regional Environmental Centre for Central and Eastern Europe (REC), United Nations Development Programme (UNDP), United Nations Economic Commission for Europe (UNECE), United Nations Environment Programme (UNEP), and the North Atlantic Treaty Organization (NATO) as an associated partner. The ENVSEC partners address environment and security risks in four regions: Eastern Europe, South Eastern Europe, Southern Caucasus and Central Asia.



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* This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

ACRONYMS AND ABBREVIATIONS

DABEO	Dinaric Arc and the Balkans Environment Outlook
EU	European Union
GDP	Gross Domestic Product
GHG	Greenhouse gas
GIS	Geographic information system
HDI	Human Development Index
HFA	Hyogo Framework for Action
IMF	International Monetary Fund
IMPEL	Implementation and Enforcement of Environmental Law
IPCC	Intergovernmental Panel on Climate Change
NWP	Nairobi Work Programme
RENA	Regional Environmental Network for Accession
SAP	Stabilisation and Association Process
SBSTA	Subsidiary Body for Scientific and Technological Advice
SEE	South Eastern Europe
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change

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2.2 SOUTH EASTERN EUROPE COUNTRY PROFILES

For the purpose of this report, South Eastern Europe includes the following countries: the Republic of Albania, Bosnia and Herzegovina, the Republic of Croatia, the former Yugoslav Republic of Macedonia, Montenegro and the Republic of Serbia. Kosovo* is a special case. A 1999 United Nations Security Council resolution placed Kosovo* under a transitional United Nations administration. In 2008, after nearly two years of inconclusive negotiations to determine Kosovo's* final status, Kosovo* declared independence. At Serbia's request, the United Nations General

Assembly sought an advisory opinion from the International Court of Justice on whether Kosovo's* unilateral declaration of independence complied with international law, and the Court issued an advisory opinion stating that international law did not prohibit declarations of independence. In late 2010, Serbia agreed to a United Nations resolution acknowledging the Court's decision and calling for a new round of talks between Serbia and Kosovo*. This report treats Kosovo* as a territory, not a state.



Map produced by ZOI Environment Network, February 2012

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→ ALBANIA

Albania, whose capital city is Tirana, has a surface area of 28,748 km², and shares borders with Montenegro, the territory of Kosovo*, the former Yugoslav Republic of Macedonia and Greece. To the west lie the Adriatic and Ionian Seas. Albania is in the humid sub-tropical zone of the Northern Hemisphere and belongs to the Mediterranean climatic zone (mild temperate; cool, cloudy, wet winters; hot, clear, dry summers). Albania has three transboundary lakes – Ohrid and Presp (with the former Yugoslav Republic of Macedonia), and the Skadar/Scutari/Shkodër (with Montenegro). Seventy per cent of the country is mountainous and the highest mountain, Korab, reaches 2,753 m. The main natural resources of the country are petroleum, natural gas, coal, bauxite, chromate, copper, iron ore, nickel, salt and timber. Hydropower is an important part of the energy sector. Industry represents 23.5 per cent of the country's GDP, while agriculture contributes 20.1 per cent and services 56.4 per cent.

The GDP per capita is about US\$ 8,000 per year, while the Human Development Index (HDI) stands at 0.719 and the Gender Gap Index at 0.672. The unemployment rate is 13.7 per cent and 12.5 per cent of the people lives below the poverty line. Albania has a population of almost 3 million fairly evenly split between urban and rural (World Bank, 2010), with a density of 109 people per km². Since 1990, the urban population has been growing and by 2025 about 60 per cent of the population is expected to live in the capital and the coastal area.

Albania is making the difficult transition from a closed, centrally-planned state to a more modern open-market economy. Macroeconomic growth averaged around 6 per cent per year between 2004 and 2008, but declined to about 3 per cent in 2009–2010. Inflation is low and stable. The government has taken measures to curb violent crime and recently adopted a fiscal reform package aimed at reducing the large gray economy and attracting foreign investment. Remittances, a significant catalyst for economic growth, have declined from 12–15 per cent of GDP to 9 per cent in 2009. The agricultural sector, which accounts for almost half of employment but only about one fifth of GDP, is limited primarily to small family operations and subsistence farming because of lack of modern equipment, unclear property rights and the prevalence of small, inefficient plots of land. Energy shortages, because of a reliance on hydropower and antiquated and inadequate infrastructure, contribute to Albania's poor business environment and lack of success in attracting the new foreign investment needed to expand the country's export base. Foreign direct investment is among the lowest in the region, but the government has embarked on an ambitious programme to improve the business climate through fiscal and legislative reforms. The completion of a new thermal power plant near Vlore has helped diversify generation capacity, and plans to upgrade transmission lines among Albania, Montenegro and Kosovo* should help to relieve the energy shortages.

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→ BOSNIA AND HERZEGOVINA

Bosnia and Herzegovina, whose capital is Sarajevo, borders Croatia, Serbia and Montenegro and has a 20-km coastline on the Adriatic Sea. It has a total area of 51,197 km², of which 43 per cent is forest. Bosnia is in the mountainous north, which is covered with deep forests. The highest peak is Livanjsko Polje at 2,764 m. Herzegovina occupies the flat south. The country has seven main rivers – the Una, Sava, Vrbas, Bosna, Drina, Spreca and Neretva. The main natural resources of the country are coal, iron ore, bauxite, copper, lead, zinc, chromite, cobalt, manganese, nickel, clay, gypsum, salt, sand and timber. Industry represents 25.9 per cent of the GDP and service sectors contribute 64.3 per cent.

The country's GDP per capita is about US\$ 7,751 per year, and the HDI is 0.710. The unemployment rate is 43.1 per cent and 18.6 per cent of the people lives below the poverty line. Bosnia and Herzegovina has a population of 4.6 million (World Bank, 2010) of which 47 per cent lives in towns, and has a population density of 90 people per km².

The war in Bosnia and Herzegovina saw production decrease by 80 per cent from 1992 to 1995 with soaring unemployment. After the war, output recovered rapidly from 1996 through 1999, but growth slowed from 2000 to 2002. Between 2003 and 2008, GDP growth exceeded 5 per cent per year, but the country experienced a decline in GDP of more than 3 per cent in 2009 reflecting local effects of the global economic crisis. One of Bosnia's main economic challenges in 2010 has been to reduce spending on public sector wages and social benefits to meet the International Monetary Fund (IMF) criteria for obtaining funding for budget shortfalls. Banking reform accelerated in 2001 as all the Communist-era payment bureaus were shut down; foreign banks, primarily from Austria and Italy, now control most of the banking sector. The konvertibilna marka – the national currency introduced in 1998 – is pegged to the euro, and confidence in the currency and the banking sector has increased. Bosnia's private sector is growing, but foreign investment has dropped off sharply since 2007.



→ CROATIA

Croatia, whose capital is Zagreb, borders Slovenia, Hungary, Serbia, Bosnia and Herzegovina and Montenegro, and has 1,777 of coastline on the Adriatic Sea. Its total land area is 56,594 km², 38 per cent of which is forest. The main natural resources of the country are oil, coal, bauxite, low-grade iron ore, calcium, gypsum, natural asphalt, silica, mica, clays and salt. Hydropower, shipbuilding, food processing and chemicals are important economic activities. Industry represents 27 per cent and service sectors 64 per cent of GDP. The GDP per capita is about US\$ 19,803 per year, the HDI is 0.767 and the Gender Gap Index is 0.694. The unemployment rate is 32 per cent, and 28.7 per cent the people live below the poverty line. Croatia has a population of 4.4 million (World Bank, 2010) 57 per cent of which live in cities, and a population density of 78 people per km².

Once one of the wealthiest of the Yugoslav republics, Croatia suffered badly during the 1991–1995 war as output collapsed and the country missed the early waves of investment in Central and Eastern Europe following the fall of the Berlin Wall. Between 2000 and 2007, however, Croatia's economic fortunes began to improve slowly, with moderate but steady annual GDP growth between 4 per cent and 6 per cent led by a rebound in tourism and credit-driven consumer spending. Inflation over the same period has remained the same and the currency stable. Nevertheless, several problems still remain, including a high unemployment rate, a growing trade deficit and uneven regional development. The state retains a large role in the economy, as privatization efforts often meet stiff public and political resistance. While macroeconomic stabilization has largely been achieved, structural reforms lag because of deep resistance on the part of the public and lack of strong support from politicians.

→ THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

The former Yugoslav Republic of Macedonia, whose capital city is Skopje, is bordered by Serbia, the territory of Kosovo*, Albania, Greece and Bulgaria. It has a total landlocked surface area of 25,713 km², 36 per cent of which is forest. Its central valley is formed by the Vardar River and framed by the Šara and Osogovo mountains. The main natural resources of the country are low-grade iron ore, copper, lead, zinc, chromite, manganese, nickel, tungsten, gold, silver, asbestos, gypsum and timber. Industry represents 29.6 per cent and services 58.3 per cent of GDP. The GDP per capita is about US\$ 6,617 per year, the HDI is 0.701 and the Gender Gap Index is 0.700. The unemployment rate is 32 per cent and 28.7 per cent of the people live below the poverty line. The former Yugoslav Republic of Macedonia has a population of just more than 2 million people, of which 60 per cent lives in cities, and a density of 79 people per km².

At the time of its independence in September 1991, the former Yugoslav Republic of Macedonia was the least developed of the Yugoslav republics, producing

a mere 5 per cent of the total federal output of goods and services. The collapse of Yugoslavia ended transfer payments from the central government and eliminated advantages from inclusion in a de facto free trade area. An absence of infrastructure, United Nations sanctions on the downsized Yugoslavia, and a Greek economic embargo over a dispute about the country's constitutional name and flag hindered economic growth until 1996. Since then, the former Yugoslav Republic of Macedonia has maintained macroeconomic stability with low inflation, but it has so far lagged the region in attracting foreign investment and creating jobs, despite making extensive fiscal and business sector reforms. Official unemployment remains high at 31.7 per cent, but may be overstated based on the existence of an extensive gray market, estimated to be more than 20 per cent of GDP. In the wake of the global economic downturn, the former Yugoslav Republic of Macedonia has experienced decreased foreign direct investment, lowered credit and a large trade deficit.

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→ MONTENEGRO

Montenegro, whose capital city is Podgorica, became independent from the State Union of Serbia and Montenegro in 2006. It has a land area of 13,812 km². The country has almost 300 km of coastline on the Adriatic Sea, and is bordered by Croatia, Bosnia and Herzegovina, Serbia, the territory of Kosovo* and Albania. Montenegro is mostly mountainous, and the highest peak – Bobotov Kuk – is 2,522 m. The largest lake, Skadar/Scutari/Shkodër, extends into Albania.

The main natural resources of the country are bauxite, coal and timber. Aluminum and hydropower are important economic activities. The country's GDP per capita is US\$ 10,432 per year, and its HDI is 0.679. The unemployment rate is 14.7 per cent and 7 per cent of the people live below the poverty line. The estimated population of the country is just more than 600,000 with a density of 45 people per km². Seventy per cent of the population lives cities.

The dissolution of the loose political union between Serbia and Montenegro in 2006 led to separate membership in several international financial institutions, such as the European Bank for Reconstruction and Development, and in January 2007 Montenegro joined the World Bank and IMF. Montenegro is pursuing its own membership in the World Trade Organization and signed a Stabilisation and Association Agreement with the European Union in October 2007. The European Council granted candidate country status to Montenegro at the December 2010 session. Unemployment and regional disparities in development are key political and economic problems. Montenegro has privatized its large aluminum complex – the dominant industry – as well as most of its financial sector, and has begun to attract foreign direct investment in the tourism sector. The global financial crisis has had a significant negative impact on the economy due to the ongoing credit crunch, a decline in the real estate sector and a fall in aluminum exports.

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→ **SERBIA**

Serbia, whose capital city is Belgrade, is the successor of the State Union of Serbia and Montenegro. It is bordered by Hungary, Romania, Bulgaria, the territory of Kosovo*, the former Yugoslav Republic of Macedonia, Montenegro, Croatia and Bosnia and Herzegovina. Its landlocked land area is 77,474 km². The country is largely formed by plains and low hills. The Danube (which crosses the capital city), the Sava and the Drina are the main rivers. The main natural resources of the country are oil, arable land, gas, coal, iron ore, copper, zinc, antimony, chromite, gold, silver, magnesium, pyrite, limestone, marble and salt. Industry represents 22.6 per cent and services 64.5 per cent of GDP.

The GDP per capita is US\$ 11,621 per year, and the HDI is 0.735. The unemployment rate is 17.2 per cent and 8.8 per cent of the people lives below the poverty line. The population of Serbia is 7.3 million people (including the autonomous region of Metohija). The population density of the country is 95 people per km², and 52 per cent of the population lives in cities.

Milosevic-era mismanagement of the economy, an extended period of international economic sanctions and the damage to Yugoslavia's infrastructure and industry during the NATO airstrikes in 1999 left the economy only half the size it was in 1990. After the ousting of the former Federal Yugoslav

President Milosevic in September 2000, the coalition government implemented stabilization measures and embarked on a market reform programme. After renewing its membership in the IMF in December 2000, the Federal Republic of Yugoslavia continued to reintegrate into the international community by rejoining the World Bank and the European Bank for Reconstruction and Development. Belgrade has made progress in trade liberalization and enterprise restructuring and privatization, including telecommunications and small and medium size firms. It has made some progress towards European Union (EU) membership, signing a Stabilisation and Association Agreement with Brussels in May 2008, and with full implementation of the Interim Trade Agreement with the EU in February 2010.

Serbia is also pursuing membership in the World Trade Organization. Structural economic reforms needed to ensure the country's long-term viability have largely stalled since the onset of the global financial crisis. Serbia, however, is slowly recovering from the crisis. Economic growth in 2010 was a modest 1.7 per cent, following a 3.1 per cent contraction in 2009, but exports rose by over 16 per cent and manufacturing output increased 3.2 per cent. High unemployment and stagnant household incomes are ongoing political and economic problems.

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→ KOSOVO*

Kosovo* is a unilaterally declared independent state, whose capital city is Pristina. In 1999, the United Nations Security Council approved Resolution 1244 establishing the United Nations Interim Administration Mission in Kosovo*, and authorized an international peacekeeping force. Kosovo's* landlocked area of 10,887 km² borders with Serbia, the former Yugoslav Republic of Macedonia, Albania and Montenegro. Most of its terrain is mountainous, and the highest peak is Deravica at 2,656 m. The two main rivers are the White Drin and the Ibar. The main lakes are Gazidova, Radonjic, Batlava and Badovac. The main natural resources of the country are nickel, lead, zinc, magnesium, lignite, kaolin, chrome and bauxite. The GDP per capita is about US\$ 2,500. The unemployment rate is 45 per cent, and 30 per cent of the people live below the poverty line. Kosovo* has a population of 1.8 million (World Bank, 2010) with a population density of 166 people per km².

Over the past few years Kosovo's* economy has shown significant progress in transitioning to a market-based system and in maintaining macroeconomic stability, but it is still highly dependent on the international community and the diaspora for financial

and technical assistance. Remittances from the diaspora – located mainly in Germany, Switzerland and the Nordic countries – are estimated to account for about 13–15 per cent of GDP, and donor-financed activities and aid account for another 7.5 per cent. Kosovo's* citizens are the poorest in Europe with an average annual per capita income of only US\$ 2,800. Unemployment, around 40 per cent of the population, is a significant problem that encourages outward migration and black market activity. Most of Kosovo's* population lives in rural towns outside of the capital. Inefficient, near-subsistence farming is common – the result of small plots, limited mechanization and the lack of technical expertise. With international assistance, Kosovo* has been able to privatize half of its state-owned enterprises (by number), and over 90 per cent by value. Minerals and metals once formed the backbone of industry, but output has declined because of ageing equipment and insufficient investment. A limited and unreliable electricity supply due to technical and financial problems is a major impediment to economic development, but Kosovo* has received technical assistance to help improve accounting and controls.

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